

# *SILVERTON PARISH COUNCIL*

Internal Audit Report for the year  
ended 31 March 2023

*James Dishman FCA*

## **Basis of Report**

The internal audit has been conducted in accordance with the Joint Panel on Accountability and Governance Practitioners' Guide (March 2023) specifically as a reference work for completion of the Annual Governance Statement. Where relevant, reference has also been made to The Accounts and Audit Regulations 2015.

The scope of the internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in these processes.

## **Internal Audit**

Internal auditing is an independent, objective assurance designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It is a requirement of the Council to undertake an effective annual internal audit to evaluate the effectiveness of its risk management, control and governance processes taking account internal auditing guidance for smaller authorities.

## **Internal Control**

Responsibility for internal control –

The Council must ensure that it has a sound system of internal control which –

- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) Ensures that the financial and operational management of the Council is effective; and
- (c) Includes effective arrangements for management of risk.

The Council's Statement on Internal Control will be reviewed by Council.

## **Format of Report**

For ease of reference, the sections of the report are set out below:

### **Policies and procedures documentation review**

#### **Other Sections**

- Accounting records and financial control systems
- Payment controls
- Risk management
- Budgetary controls and reserves
- Income controls
- Petty cash
- Payroll controls
- Asset controls
- Bank reconciliations
- Year-end procedures

### **Policies and procedures documentation review**

Governance	Last Review	Next Review
Standing Orders	January 2023	January 2024
Financial Regulations	February 2023	February 2024
Risk assessment	September 2022	September 2023
Statement of internal control	January 2023	January 2024
Reserves policy	January 2023	January 2024

The 2022 Balance Sheet should have been uploaded to the website. At the date of completing my work, the 2022 Balance Sheet had not been uploaded to the website.

The meeting Minutes reviewed were of a good standard, clear and easy to read, and all decisions had been recorded appropriately.

### **Accounting records and financial control systems**

The Responsible Financial Officer has the responsibility to determine on behalf of the Council -

- (a) the form of its accounting records and supporting records; and
- (b) its financial systems.

The accounting records must, in particular, contain –

- (a) entries from day to day of all sums of money received and expended by the Council and the matters to which its receipts and payments relate; and
- (b) a record of the assets and liabilities of the Council.

The financial control systems must include –

- (a) measures –
  - (i) to ensure that the financial transactions of the Council are recorded as soon as, and as accurately as, reasonably practicable;
  - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
  - (iii) to ensure that risk is appropriately managed;
- (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

I am satisfied with the accounting records and financial control systems in place.

### **Payment controls**

Payment controls are in place including segregation of duty from incurring and recording the liability.

I am satisfied with the payment controls in place.

### **Risk management**

The Council's Risk Assessment for 2022 was reviewed at the September 2022 meeting. I am satisfied with the Council's risk assessment in place.

### **Budgetary controls and reserves**

A budget was prepared to set the annual Precept and details thereof/points covered at the Council's meeting on 4 January 2023 were recorded.

The Council's Financial Reserves Policy states that the Parish Council considers a prudent level of general reserves to be the equivalent of 6 months' annual expenditure.

A financial statement was also produced for the Budget meeting which calculated anticipated reserves of £31,333.14 as at 31 March 2023.

My review of the above financial statement produced for the budget meeting at the time of completing this report identified that VAT input tax had not been taken into account. The

Council's accounts are based on a receipts and payments basis as opposed to an accruals basis. The receipts and payments basis only reflects transactions appearing in the Council's bank accounts. The accruals basis would include any recoverable amounts and liabilities due at the year end but not invoiced and/or paid for.

The VAT input tax element represents an expense to the Council and is later recovered via submission of a VAT return. It should be included as part of actual expenditure when calculating reserves at the year end.

If the VAT input tax amounting to £15,748.37 had been included, anticipated reserves would have been £15,584.77 which would have been more aligned to the actual reserves as at 31 March 2023 amounting to £12,596.95 instead of budgeted reserves of £31,333.14.

The minutes of the meeting record Earmarked Reserves of £16,333.14 had been allocated. If the correct anticipated reserves figure was available, Council would have known there were insufficient reserves for all Earmarked Reserves as General Reserves must be equivalent to six months of annual expenditure. The budget for 2023/24 amounts to £43,305, therefore six months annual expenditure is £21,652.50.

I would point out that not only did Council not comply with its policy of having General Reserves equivalent to six months of annual expenditure, a shortfall of £9,055.55 as at 31 March 2023, but there is also no possibility of Earmarked Reserves.

I would recommend this situation is explained to Council at the next Council meeting to explain that Earmarked Reserves as agreed at the January Budget meeting are not fulfilled and the General Reserves policy has been breached.

Also, in accordance with clause 17 of its Standing Orders the Responsible Financial Officer shall supply each quarter a statement to summarise:

1. The Council's receipts and payments for each quarter;
2. The Council's aggregate receipts and payments for the year to date;
3. The balances held at the end of the quarter being reported and which includes comparison with the budget for the financial year and highlights any actual or potential overspends.

Subject to the above, I am satisfied with the budgetary controls in place.

#### **Income controls**

I am satisfied with the income controls in place.

#### **Petty cash**

Petty cash is not held and so no checks are required.

#### **Payroll controls**

Payroll has been outsourced, therefore the risk of not keeping abreast of employment legislation and the possibility of payroll errors has been considered.

I am satisfied with payroll controls in place.

**Asset controls**

Fixed asset register was reviewed at the Council meeting on 6 February 2023.

I was satisfied with the asset controls in place.

**Bank reconciliations**

All bank accounts are regularly reconciled and periodically a member of the Council will formally certify his/her review.

I would recommend the bank reconciliation is signed and dated as evidence of independent review.

Cheque 002627 dated 4 April 2022, value £2,550.30 has not been cashed. It is unlikely Council's bank will honour this cheque as it is greater than six months old. I would recommend this is followed up.

Subject to the above, I am satisfied with arrangements regarding bank reconciliations.

**Year-end procedures**

The Responsible Financial Officer is very familiar with the various deadlines and procedures that are necessary to fulfil the Council's duties in this regard.

I am satisfied with the year-end procedures in place.

**Summary**

I am pleased to report that, within the areas checked as abovementioned, and my recommendations accordingly, it is my opinion that Silverton Parish Council has effective systems of internal control in place, which as a result, supports the lowering of risk to the Council.

I would wish to thank the Clerk/Financial Responsible Officer for all her assistance during the course of the audit.

James Dishman FCA  
26 May 2023