

**INTERNAL AUDIT ON CROMHALL PARISH COUNCIL FOR THE YEAR ENDING 31<sup>st</sup> MARCH 2022**

**Carried out by Emma Pattullo, Clerk/RFO to Aust Parish Council**

<b>Internal Audit objective</b>	<b><i>JPAG 2022 Practitioners Guide suggested checks, as relevant to this authority</i></b>	<b>Findings</b>	<b>Recommendations/actions required</b>
<p>A. Appropriate accounting records have been properly kept throughout the year. AND I. Periodic bank account reconciliations were properly carried out during the year</p>	<ul style="list-style-type: none"> <li>• <i>Ensure correct roll forward of the prior year balances</i></li> <li>• <i>Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained</i></li> <li>• <i>Ensure that bank reconciliations are prepared routinely, subject to independent scrutiny and sign-off by members</i></li> <li>• <i>Verify the year-end bank reconciliation and ensure accurate disclosure of the combined cash and bank balances in AGAR box 8</i></li> </ul>	<p>Balances were correctly carried forward from preceding year.</p> <p>A selection of transactions was checked including:</p> <ul style="list-style-type: none"> <li>• invoice/payment records where applicable;</li> <li>• council resolution to pay;</li> <li>• cheque signatory/payment authorisation;</li> <li>• recording in cash book;</li> <li>• reconciliation to bank statement.</li> </ul> <p>All transactions up to the end of November were found to be correctly recorded and procedures followed. Records from December onwards are patchy, with few payments listed in the minutes although all were recorded in the cash book and payments authorised correctly. The following points should be noted.</p> <ul style="list-style-type: none"> <li>• All payments should be listed in the minutes in some form, showing that councillors have approved the payment. The simplest way of doing this is to include each payment schedule in the minutes;</li> <li>• When paying by cheque, councillors should ensure that the cheque stub is initialled to prove dual authorisation, in accordance with Financial Regulations;</li> </ul>	<p><b>Action required:</b> council should request refund of the double payment (cheque #1735) from the previous clerk and ensure this is received.</p> <p><b>Recommendation:</b> council should consider introducing an expense reclaim form, to be completed with original invoices/receipts attached. This should make it more obvious exactly what is being claimed and reduce the risk of duplicate claims.</p> <p><b>Recommendation:</b> council should consider obtaining a credit/charge card or prepaid debit card to reduce the instances of employees/councillors paying for items themselves and then claiming back the cost from the council. This will reduce the risk of double claims and make</p>

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		<ul style="list-style-type: none"> <li>• The practice of employees/councillors paying for goods or services themselves and claiming back is not best practice, especially for higher value purchases. There is nothing legally wrong with this practice but it can lead to errors and/or inability to claim back VAT.</li> <li>• Any payments made to employees/councillors in this fashion should make it clear what was purchased and from whom, and how reimbursement was made;</li> <li>• Specifically, payments made to the previous clerk in November and December '22 (via cheque numbers 1732 and 1735) included two reimbursements of the same expense claim item. There is no evidence that this was anything other than an innocent mistake, but it resulted in loss of public funds of £73.49;</li> <li>• Payments in the latter three months of the financial year were not individually reconciled against bank statements; this would make any differences in bank reconciliation easier to spot, but in this case the end of year bank reconciliation matched up so lack of individual reconciliation was not a problem;</li> <li>• Any cancelled/lost cheques should be clearly identified as such in the cash book, perhaps using strike-through formatting.</li> </ul> <p>Bank reconciliations up to October 2023 were presented monthly and included in signed, approved minutes.</p>	<p>reclaim of VAT more straightforward.</p> <p><b>Recommendation:</b> bank reconciliations should be presented to council for scrutiny, at least once per quarter and at the end of financial year.</p> <p><b>Recommendation:</b> council should consider purchasing a sector-specific accounting package. This will improve financial record keeping and should allow greater efficiency (eg. budget monitoring, preparation of AGAR, VAT returns, recording of reserves) and better handover when the clerk/RFO changes. For info: Scribe, Rialtas, Edge and EasyPC are the main providers of sector-specific packages used by smaller councils.</p> <p><b>Recommendation:</b> any clerk appointed in the future who is new to the local council sector or to the RFO role should be encouraged to undertake sector specific financial training as soon as possible.</p>

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		<p>Minutes report bank reconciliation to end January 2023 being scrutinised &amp; approved (ref: 2023/04/9.1) but copy has been seen. End of year bank reconciliation matches statements &amp; cash book but there is no record of this having been presented to council.</p> <p>The changes to financial record keeping following the appointment of the new clerk in Dec'22 has made this audit considerably more difficult and will hamper future good financial management. I believe that these changes were made due to lack of understanding, thus any future clerk should be expected to undertake ALCA/SLCC financial training as soon as possible if they do not already have sector experience.</p>	
<p>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with SOs and FRs, which should be based on the latest version.</li> <li>• Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (SO18 in NALC model)</li> <li>• Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods/services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing</li> </ul>	<p>Financial Regulations reviewed &amp; adopted within year (ref: 05/2022/9a). Based on latest NALC model. SO18 is consistent with FR financial limits for tenders.</p> <p>Transaction checks carried out as in previous report line above.</p> <p>Cheques are signed by two councillors; the previous clerks had administration rights on the current account but no payment authorisation rights. No online payments are made except by direct debit, which requires dual authorisation.</p>	<p><b>Recommendation:</b> VAT paid out should be clearly shown in cash book, ideally alongside invoice details (payee, supplier VAT number, details of goods or service supplied) to allow easy completion of VAT126 reclaim form.</p> <p><b>Action required:</b> A VAT126 reclaim should be submitted for all relevant VAT payments during the 2022/23 financial year.</p> <p><b>Recommendation:</b> council should consider resuming the</p>

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	<p><i>for evidencing of these checks and payment authorisation</i></p> <ul style="list-style-type: none"> <li>• <i>Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments</i></li> <li>• <i>Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements</i></li> </ul>	<p>No VAT reclaim has been made for transactions since March 2022. Current method of cash book recording does not show any breakdown for VAT, which will make any claim difficult to process.</p> <p>Since Dec '22, there has been no apparent record made of the legal power under which payments have been made. This is not a requirement, but can assist councillors in knowing that payments are a valid use of council funds. This is particularly important where LGA 1972 s137 (the "power of last resort") is being used; any use of this power should be accompanied by a statement that council have considered that s137 is valid. This will also allow proper monitoring to ensure that s137 spending limits are not breached; this check has not been carried out during audit as there was insufficient information available.</p>	<p>former practice of recording the 'power to spend' alongside payments, especially for any non-routine payments. This record could be placed in the minutes or maintained in the cash book.</p> <p><b>Recommendation:</b> any use of s137 power to spend should be accompanied by a resolution stating its validity, for example: "In accordance with the council's powers under section 137 of the Local Government Act 1972, it was RESOLVED that the following expenditure is in the interests of the inhabitants of the council area and will benefit them in a manner commensurate with the expenditure, and hence that a &lt;donation of £x should be made to XX&gt;". This should also be clearly identified as s137 spending in the cash book.</p>
<p>C. This authority assessed the significant risks to achieving its</p>	<ul style="list-style-type: none"> <li>• <i>Ensure that authorities have prepared, and formally adopted, an appropriate and comprehensive register of assessed risks, both regular and ad hoc</i></li> </ul>	<p>Risk management strategy &amp; risk assessment was reviewed and adopted in May '22 (ref 05/2022/9b).</p> <p>Insurance held with Hiscox. Appropriate cover limits in place. Renewal due 01/06/2023.</p>	<p><b>Recommendation:</b> play area inspections should be reported to council meetings or an alternative formal record kept.</p>

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objectives and reviewed the adequacy of arrangements to manage these.	<ul style="list-style-type: none"> <li>• Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' liability, fidelity / employees (including councillors) liability, business interruption and cyber security</li> <li>• Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation</li> <li>• Review the effectiveness of internal control carried out by the authority</li> </ul>	<p>Play areas were previously regularly inspected by councillors and any defects reported to council meetings, although this did not appear to have happened in the last few months of the financial year. Full inspection by a qualified external inspector is carried out annually.</p> <p>Internal control system was good up to November 2022, with regular presentation of financial information to council meetings and scrutiny by councillors. Minutes of the last few months of the financial year are much briefer and no supporting papers were published, although some have been seen during the audit process.</p> <p>Legislative and reputational risk: compliance with GDPR was confirmed to council meeting (ref. 05/2022 9c). No FoI requests were recorded during the year. Publication Scheme re-adopted (ref. 05/2022 9a). Code of Conduct re-adopted (ref. 05/2022 9a) and no non-compliance incidents reported.</p> <p>Risk of decreasing value of reserves: all funds are currently held in a non-interest-bearing current account. This is leading to gradual reduction in effective reserve levels.</p>	<p><b>Action required:</b> council must ensure that all internal control procedures are followed and information included within the public record, or at least available for inspection by auditors.</p> <p><b>Recommendation:</b> the RFO should consider whether to move some longer-term funds into an interest bearing account or other suitable investment vehicle, to reduce the impact of inflation.</p>
D. The precept or rates requirement resulted from an adequate budgetary process;	<ul style="list-style-type: none"> <li>• Ensure that the full Authority, not a committee, has considered, approved and adopted the annual precept for</li> </ul>	Resolution to approve proposed budget (ref. 12/2022/9.5). Precept amount quoted as “per Band D household” rather than total amount – it is	<b>Recommendation:</b> it would be clearer to state the actual precept amount in the minutes.

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<p>progress against the budget was regularly monitored; and reserves were appropriate.</p>	<p><i>the coming year in accordance with the required parent Authority timetable</i></p> <ul style="list-style-type: none"> <li>• <i>Ensure that current year budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances</i></li> <li>• <i>Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances</i></li> <li>• <i>Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process</i></li> <li>• <i>Ensure that the precept received in the accounts matches the prior year submission form to the relevant authority and the public record of precepted amounts</i></li> </ul>	<p>not possible to infer the total precept from this without also including the tax base.</p> <p>Budget for 2023/24 was approved <u>after</u> the precept resolution. As the precept is supposed to be derived from the budget process it is best practice to approve the budget <u>before</u> resolving the precept to be demanded.</p> <p>Detailed budget monitoring reports were presented to council quarterly up to the end of Q3 (Dec'22). The cash book does not include any form of budget headings so it is unclear how accurate budget monitoring at that level was possible. No end of year monitoring report was completed.</p> <p>Reserves – a number of earmarked reserves are held. Due to lack of detail in the financial records, the current balance currently held in each is unclear. The clerk has therefore decided, in conjunction with the auditor, to assume that no earmarked reserve spending has taken place during the financial year, i.e. balances are assumed to be the same as last year end with the addition of new earmarked reserves for received CIL funds and the defibrillator grant. The exception being the previously identified “Parish Council Contingency” which should be held in general reserves, not be a specific earmarked amount.</p>	<p><b>Recommendation:</b> council should ensure it is clear that the precept is the <u>result</u> of the budget setting process, not the driver.</p> <p><b>Action required:</b> receipts and payments should be recorded against specific budget headings, to enable accurate monitoring of income/expenditure against specific budget elements. The results of such monitoring should be reported to council regularly, preferably at least quarterly.</p> <p><b>Action required:</b> earmarked reserves should be clearly identified and the balance of such reserves approved by council at least annually. Spend against these reserves should be recorded through the year in order to maintain a running balance. Any restricted income (such as CIL receipts or grants received), should be held in a specific earmarked reserve.</p> <p><b>Action required:</b> Council should take account of reserve levels when setting future budgets, aiming to maintain general</p>

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		<p>Given the above adjustments to earmarked reserves, the general reserve as at 31<sup>st</sup> March 2022 was approximately 0.33x the present. This is somewhat on the low side and council are advised to ensure that either the levels of earmarked reserves are reconsidered, or that additional precept funds are demanded in future budgets.</p>	<p>reserve levels at 6-12 months expenditure.</p>
<p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> <li>• <i>Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time</i></li> <li>• <i>Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income</i></li> <li>• <i>Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received/banked</i></li> </ul>	<p>The council leases some land to the Royal Oak public house. Income received by annual standing order.</p> <p>The budget includes estimated income in the order of £30 from a utilities wayleave agreement, but no income was received during 2022/23 financial year. It is understood that the wayleave agreement is being renegotiated.</p> <p>Other sources of non-precept income are through ad-hoc grants and CIL. These are by their nature unpredictable and control procedures are not generally appropriate. CIL records are maintained by South Glos Council and will come under their auditing procedures so can be assumed valid.</p>	<p><b>Recommendation:</b> clarify the position of the wayleave agreement and ensure income received in future years.</p>
<p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was</p>	<p><i>None relevant</i></p>	<p>The council does not hold any petty cash. Any ad hoc purchases are made by clerk or councillors and reclaimed.</p>	<p>Not applicable</p>

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approved and VAT accounted for			
G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	<ul style="list-style-type: none"> <li>• Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract</li> <li>• Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours</li> <li>• Ensure that appropriate tax codes are being applied to each employee</li> <li>• Where free or paid for software is used, ensure that it is up to date.</li> <li>• For the test sample of employees, ensure that tax is calculated appropriately</li> <li>• Check the correct treatment of Pension contributions</li> <li>• For NI, ensure that the correct deduction and employer's contributions are applied: <ul style="list-style-type: none"> <li>•</li> </ul> </li> <li>• Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.</li> </ul>	<p>No member allowances are paid.</p> <p>The clerk appointed in Dec. '23 had a formal employment contract based on the NALC model. No changes had been made during her employment. No further appointment was made during the year under audit.</p> <p>Payroll administration is done by a contracted third party (PATA Payroll). Payments to HMRC are made as advised by the payroll company. No payslips or other records were available for inspection but it there is no reason to believe that this specialist payroll company is not meeting all requirements including correct tax coding, calculation of salary based on information provided to them, and tax/NI dues calculated correctly.</p> <p>Pension redeclaration was made 04/01/23 following new employee starting. No employees are eligible for auto enrolment and no pension scheme is in place.</p>	None
H. Asset and investment	<i>Tangible Fixed Assets:</i>	Fixed asset register was reviewed and approved in May '22 (ref. 05/2022/9e) including addition of	None



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registers were complete and accurate and properly maintained	<ul style="list-style-type: none"> <li>● <i>Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets</i></li> <li>● <i>Physically verifying the existence and condition of high value, high risk assets may be appropriate</i></li> <li>● <i>Additions and disposals records should allow tracking from the prior year to the current</i></li> <li>● <i>Ensure that the asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals</i></li> <li>● <i>Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority</i></li> </ul>	<p>new defibrillator. New laptop added to clerk’s version Dec ’22. AGAR figure reflects current asset total.</p> <p>No formal full inspection of assets was carried out, but all assets are either used regularly (noticeboards, play area, office equipment) or publicly visible so any problems are likely to be noticed and reported.</p>	
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported	<i>Whilst IAs are not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires IAs to ensure that the financial detail reported at section 2 of the AGAR reflects the detail in the accounting records</i>	<p>Accounting statements prepared on a receipts and payments basis.</p> <p>The accounting statement figures are consistent with the cash book and are supported by underlying records.</p>	<b>Recommendation:</b> as mentioned above, use of a sector-specific accounts package would automate production of the AGAR figures, significantly reducing the time take for this task and the risk of errors.

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by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	<i>maintained for the financial year.</i>		
K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	<i>None relevant</i>	Income in the prior year exceeded £25,000 thus the authority could not declare exemption and underwent external audit.	Not applicable
L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with any relevant transparency code requirements	<i>None relevant.</i>	This objective applies only to those authorities subject to the Transparency Code. See line K above.	Not applicable
M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	<i>IAs should acquire / examine a copy of the required "Public Notice", ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection. IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR</i>	Public rights notice was correctly completed and displayed. Dates were confirmed to council (ref. 05/2022 9k).  It is noted that public rights dates for the present audit round will be later than proper practice requires, due to the lack of clerk in post during April and the consequent late start to the audit process.	None

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N. The authority complied with the publication requirements for the prior year AGAR.	<i>IAs should ensure that the statutory disclosure/publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.</i>	All elements of the 2021/22 AGAR and supporting documentation were correctly published on the authority's website.	None
O. Trust funds (including charitable) - the Council met its responsibilities as a trustee	<i>None relevant</i>	The council is not a charity trustee.	Not applicable
Minutes and supporting papers (JPAG 2022 item 4.20)	<i>Review all full authority and committee minutes (and supporting papers) to gain an overview of the authority's financial and governance controls, monitoring that no actions of a potentially unlawful nature are being considered or any such decisions have been taken and that approval of all minutes is in accordance with legislation.</i>	<p>Minutes of all council meetings held during the financial year have been reviewed.</p> <p>At the time of audit (July 2023) the minutes for the January meeting were only published in draft form and the February meeting minutes had not been published at all. Although not a legal requirement for &gt;£25k councils, it is still best practice to publish minutes in good time. Copies of the draft minutes of both meetings were provided for audit but it is not clear if approved versions exist.</p> <p>The minutes of February 2023 were not approved in accordance with legislation.</p> <p>The council's minutes have become increasingly brief over recent months since the resignation of the former long-serving Clerk. Council are reminded that, although minutes are a record of decisions made, sufficient detail should be included as to make clear the decision which was taken and that due process was followed. For</p>	<p><b>Recommendation:</b> council should ensure that draft minutes are posted to the website in a timely fashion, and that approved versions are posted in place of draft minutes once these are available. Draft minutes should then be destroyed.</p> <p><b>Action required:</b> Any amendments to the draft minutes presented to a meeting should be made during the meeting and the amended copy signed by the Chairman of that meeting. (LGA 1972 schedule 12 part 41). An amended version may then be published to the website, but the signed hard copy remains the legal record</p> <p><b>Recommendation:</b> if an inexperienced clerk is appointed,</p>

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		<p>example, where minutes refer to payments approved 'as on a payment schedule', that payment schedule should be included either within the minutes or as an appendix, otherwise the decision is meaningless to anyone reading the minutes.</p> <p>Minute pages are not consecutively numbered and the previous consecutive minute item number system appears to have been dropped in the latter months of the financial year.</p>	<p>they should be encouraged to read past minutes of this and other councils, and/or to attend an Agendas and Minutes training course, to help in finding the right balance between brevity and clarity in their minutes.</p> <p><b>Action required:</b> Minute pages should be consecutively numbered. (LGA'72 sch 12 pt 41).</p>

### Conclusion of Internal Audit on Cromhall Parish Council for the year ending 31<sup>st</sup> March 2023

Acting independently, I have carried out an Internal Audit of the policies and practices of Cromhall Parish Council, in order to enable positive response by the relevant assertion in Section 2 of the Annual Return for the year ending 31<sup>st</sup> March 2023.

I have carried out the checks detailed in this report, in order to provide assurance that the Parish Council's systems of internal control, assessment of risk and financial management and accounting are in place and that they are adequate in protecting the use of public money.

Name: Emma Pattullo  
(Clerk/RFO – Aust Parish Council)

Signed: 

Date: 25<sup>th</sup> July 2023