

Beachamwell Parish Council

Internal Audit Report

For Beachamwell Parish Council

Financial Year 2022/23

Prepared by Di Dann 21st February, 2023

I have completed an Mid Year internal audit of the accounts for Beachemwell Parish Council for the year ending 31st March 2023. My findings are detailed below using the tests provided in the **Governance and Accountability (England) 2022**.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes – see below
	Is the cashbook arithmetically correct?	Yes – see below
	Is the cashbook regularly balanced?	Yes – see below
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	July 2020 – see below
	Date Financial Regulations last reviewed	See below
	Has a Responsible finance officer been appointed with specific duties?	Yes – January 2023
	Have items or services above the de minimus amount been competitively purchased?	Yes
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	No – see below
	Has VAT on payments been identified, recorded and reclaimed?	No – see below
	Is s137 expenditure separately recorded and within statutory limits?	None. Note that there should be a separate s137 column in the cash book.
	Have S137 payments been approved and included in the minutes as such?	N/A
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No

Internal control	Test	Observations
	Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme?	Yes – reviewed Jan 2023 Include at next review SAM2
	Is insurance cover appropriate and adequate?	Policy cover for assets should be checked against the Asset Register
	Are internal financial controls documented and regularly reviewed?	See below
Budgetary controls	Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?	Yes – January 2023
	Has the precept been calculated from the budget and been approved?	Yes (23/24) Budget 22/23 not seen
	Does the budget include an actual completed year?	See below
	Is actual expenditure against budget regularly reported to the council?	Noted in minutes for Q1 and Q2 – see below
	Are there any significant unexplained variances from budget?	See below
Income controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
	Are security controls over cash and near-cash adequate and effective?	N/A
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the council?	Yes
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the council?	See below
	Have PAYE/NIC been properly operated by the council as an employer?	See below

Internal control	Test	Observations
Asset controls	Does the council maintain a register of all material assets owned or in its care?	Yes
	Are the assets and Investments registers up to date? When were these last reviewed?	Yes
	Do asset insurance valuations agree with those in the asset register?	This should be checked
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	Yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes
	Are there any unexplained balancing entries in any reconciliation?	31 st March 2022 See below
	Is the value of investments held summarised on the reconciliation?	Yes
Year-end procedures	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes
	Do accounts agree with the cash book?	
	Has a year-end bank reconciliation been undertaken?	
	Is there an audit trail from underlying financial records to the accounts?	
	Where appropriate, have debtors and creditors been properly recorded?	N/A
Procedural	Is eligibility for the General Power of Competence properly evidenced?	N/A
	Have points raised on the last Internal Audit report been considered by council and actioned?	On website but not minuted as having been considered.
Transparency: For smaller councils with turnover under £25,000	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	Yes

Internal control	Test	Observations
	Payments over £100 detailed on website?	No
	Electors' rights advertised on website?	Yes
	Councillors' responsibilities detailed on website?	Yes
	Last financial year's AGAR on website?	Yes
	Internal Auditor's report 2021 /22	On website. Three recommendations noted – see below
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	Asset Register on website
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council put in place a privacy notice and policy?	These should be adopted and put onto the website.

Summary of my recommendations:

VAT

Noted that there was an HMRC VAT claim for the financial year 2021/22. A claim will be due for 22/23. This will be for a considerable amount of money (arising from the SAM2 purchase). Note that a VAT claim does not have to wait until year end, and could be made when there is at least £100 to be refunded. For simplicity, future refunds should be made to the Current Account (rather than the Business Reserve). Note - expenses paid by the Clerk, but made out the council, can be reclaimed. Smaller cash purchases, with a till receipt can be reclaimed. It is only essential that the receipt has a VAT registration number.

Internal Control measures - Cash Book, Receipts and Payments, Bank Reconciliations, Budget Monitoring documents.

Noted that there was a bank statement missing - Current Account for the period 11th May – 10th June 2022. All receipts and payments should be reported to Council meetings – referenced to the entry in the Cash Book. The Cash Book will then be

reconciled to the Current Account. It was noted that a payment to the Village Hall was incorrectly included as an outstanding payment at 31st March 2022, and no invoice had been received. This has now been corrected. The opening balance on AGAR 22/23 will need to be restated because of this error. All payments should be supported by invoices. Invoices may be paid by the Clerk provided they are reported to the Council – but this can only be done if detailed in Financial Regulations.

Financial Regulations and Standing Orders. These documents should be reviewed every other year or when the law changes. Note that details relating to Procurement and Contracts thresholds have changed so this should be included in the next review. The Council's Financial Regulations are based on the Model Document provided by NALC. These model documents are written for the largest Councils and therefore a smaller Council such as Beachamwell can simplify the document, provided they continue to use "best practices" as recommended by "Governance & Accountability".

Risk.

The Risk Register must be updated annually. The SAM2 should be included in the Register at next review. The Council may have a responsibility towards the churchyard wall (adjacent to the Closed churchyard). This should also be included on the Risk Register – the risk is operational as well as financial. Both of the risks should be detailed.

