

Hoveton Parish Council

Internal Audit Report
Financial Year 2022/23

Prepared by Sonya Blythe
10 June 2023

I have completed an internal audit of the accounts for Hoveton Parish Council for the year ending March 2023.

My findings are detailed below using the tests provided in the Governance and Accountability (England) guidance.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes
	Is the cashbook arithmetically correct?	Yes
	Is the cashbook regularly balanced?	Yes
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	May 2019 minutes (updated May 23 for 23/24 financial year). Contract amounts out of date
	Date Financial Regulations last reviewed	May 2019 minutes
	Has a Responsible finance officer been appointed with specific duties?	Clerk is RFO
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Yes, payments tracked from invoice and cashbook to minutes and bank statement
	Has VAT on payments been identified, recorded and reclaimed?	VAT claim received April 22. VAT accounted for appropriately in cashbook.
	Is s137 expenditure separately recorded and within statutory limits?	Yes, column in cashbook
Risk management arrangements	Have S137 payments been approved and included in the minutes as such?	Power not used
	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme?	Version supplied from 2015 (reviewed but not changed May 22). Risk appeared as an agenda item from November – January as being rewritten. Asset checks not covered in RA, or minuted, though a Councillor does have asset management responsibility.

Internal control	Test	Observations
	Is insurance cover appropriate and adequate?	Yes
	Are internal financial controls documented and regularly reviewed?	No separate document available
Budgetary controls	Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?	Yes, minuted December 21 for 22/23 financial year
	Has the precept been calculated from the budget and been approved?	Yes Precept amount not minuted
	Does the budget include an actual completed year?	Current year only, plus year budgeting for
	Is actual expenditure against budget regularly reported to the council?	Only September and October 22, per minutes. Clerk confirmed Councillors have access to live document at all times.
	Are there any significant unexplained variances from budget?	No
Income controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Remittance: £59714 Cashbook: £59714
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	N/A
	Is petty cash expenditure reported to each council meeting?	N/A
	Is petty cash reimbursement carried out regularly?	N/A
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	Yes, contracts seen
	Do salaries paid agree with those approved by the council?	Yes, cashbook, minutes and bank statements agree
	Are salaries above the National Living Wage/Minimum Wage?	Yes

Internal control	Test	Observations
	Are other payments to employees reasonable and approved by the council?	Yes, expense claims seen
	Have PAYE/NIC been properly operated by the council as an employer?	Payslips seen with HMRC accounted for, regular BACS payments made to HMRC and Norfolk Pension Fund
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 – May 22 minutes. Includes bus shelter purchased in 22/23
	Do asset insurance valuations agree with those in the asset register?	Purchase prices in asset list. No column for insurance value.
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	Only reported in March 23 minutes
Year-end procedures	Is a bank reconciliation carried out regularly and in a timely fashion?	Once at year-end per minutes
	Are there any unexplained balancing entries in any reconciliation?	No
	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes, R&P
	Do accounts agree with the cash book?	AGAR £40978 Bank statements £40978.08
	Has a year-end bank reconciliation been undertaken?	Yes, £40978.08
	Is there an audit trail from underlying financial records to the accounts?	Yes, invoices all agreed to bank accounts
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?	None made
Transparency: For smaller councils with turnover under £25,000 (<i>outside of scope</i> ,	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	Current agenda only left online

Internal control	Test	Observations
<i>checked for best practice)</i>	Payments over £100 detailed on website?	Yes, published in minutes
	Electors' rights advertised on website?	Yes
	Councillors' responsibilities detailed on website?	Yes
	Last financial year's AGAR on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	No land / buildings owned

Summary:

Thank you to Ben for providing information and answering questions so promptly.

- I have checked through your accounts and confirmed them against income and expenditure receipts, as well as against payments in your cashbook.
- I have confirmed that you have Financial Regulations and Standing Orders in place.
- I have noted that your VAT has been claimed within the past year
- I have verified that your insurance is adequate
- I confirm that your payroll management meets requirements
- I have reviewed your budget setting process
- I have reviewed the AGAR against your year-end bank reconciliations and your accounts

Recommendations / items to note:

- Your Standing Orders have recently been updated - Section 18 is out of date though. The contract amounts in sections F and G have been updated on the NALC template version. These should be updated next time you review your SOs.
- Financial Regulations – these seem to be the version that was last reviewed in the May 2019 minutes. As a minimum these should be reviewed every four years, and so this should be completed within this financial year.
- Statement C of the Internal Audit form requires the internal auditor to confirm that “This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these”. The risk assessment documents you currently hold seem to have been written in 2015, which is the last time I can see a full

review recorded in your minutes (the May 22 review records that no changes were made). The risk assessments themselves are very sparse and not adequate for the Parish Council. I note that in your October 22 – January 23 minutes you report on a working group that is currently working on updating these. You also hold valid and adequate insurance. I have therefore signed this box. It is vital though that the updated RAs are introduced as soon as possible. As well as financial risks these should also cover risks to and from assets that you own.

- Your asset list includes the purchase price of items, per AGAR requirements. I would recommend also adding a current replacement cost column, to ensure your asset insurance cover is adequate.
- The only minuted spend against budget reports are in the September and October minutes, although I understand from the Clerk this is available as a live document throughout the year. It would be a good idea to formally minute consideration of the report at least quarterly so that the point D of the internal audit report – progress against the budget was regularly monitored – can be easily confirmed.
- Ideally your budget setting document should contain a full years accounts, so for 24/25 budget setting it should include the full year from 22/23, as well as the predicted spend to year-end in 23/24. You should also minute the amount of the agreed precept for full transparency to parishioners.
- Box I states “Periodic bank account reconciliations were properly carried out during the year”. These should be signed off by Members after being checked against the bank statements. From the minutes I cannot find evidence of this occurring, other than at year-end, although I understand Councillors do have access to the bank accounts. As such I have been unable to sign this item off on the AGAR. In order to cover off this item in future, ensure that you minute, at least quarterly, that reconciliations and bank statements are being brought to Council.

Kind regards

Sonya

Sonya Blythe
Internal auditor