

Staplehurst Parish Council

Annual Report by the Internal Auditor for the year to 31st March 2023

Introduction

Regulation 6 of the Accounts and Audit (England) Regulations 2011 imposes a duty on local councils to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Internal audit is a key component of the system of internal control established by the council. The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective.

It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council to detect error or fraud. Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the council's control.

Managing the council's internal controls should be a day-to-day function of the council's staff and management, and not left for internal audit.

Any system of internal controls established by the council should have regard to the size of the organisation and the number of available staff members and officers.

Scope of work

Book-keeping

The basic record of receipts and payments is always the starting point of an accounting system; the majority of internal controls will always work back to that original record.

Internal audit, tests that the checking and verification within the system of internal control operated by the Council, has been undertaken.

The council utilises a computerised accounting system from a reputable supplier with a full audit trail facility. No significant recording errors were found during the internal audit process.

Financial Regulations

The financial regulations are reviewed each year.

During the internal audit process, no significant failures in the system of internal controls over authorisation of income and expenditure were found, with the exception of the items set out below. In addition, the bank balances were reconciled on a regular basis via online banking by the Clerk.

At the start of the year, there were circumstances relating to personnel which affected the continuity of record keeping and the financial controls of the Council. Temporary staff were employed to provide cover and it took a little time for these staff to become fully conversant with the internal systems of the council.

This resulted in a small number of liabilities being paid later than would normally be expected.

There was a very short period when the Clerk was able to authorise payments via the bank account without the approval of other councillors. This was brought to the attention of the internal auditor immediately by the Clerk and was rectified by the bank very swiftly.

The review of the bank reconciliation by a parish councillor was also affected by the staffing issues. This has now all been addressed and the records are fully up to date.

This will be reviewed in future audits to ensure compliance.

Risk management

A risk assessment is maintained for all the council's activities and updated on a regular basis. Appropriate insurance cover is taken to mitigate certain of these risks where possible and this is reviewed annually.

The various staffing issues during the year were adequately covered by temporary staff, however it would have greatly assisted if there were some form of system notes describing what functions are performed by each member of staff with appropriate deadlines. These could be in the form of simple checklists or perhaps more details system notes on how certain tasks are done.

Budgetary controls

Annual budgets are adequately prepared and are based on the proposed activities of the council for the forthcoming year. This proposed budget is used to calculate the annual precept and has regard to the levels of reserves to be reasonably held by the council.

Regular accounts are prepared comparing actual expenditure against budgeted expenditure. These are presented to the council on a regular basis.

Income controls

Income is received promptly, and VAT refund claims are done on a regular basis.

Petty cash

There is a small amount of petty cash used and a small petty cash balance at the end of the year.

Following our previous comments regarding the system of petty cash, it is now possible for the Clerk and the RFO to withdraw cash using cash cards. These cards should be locked in the safe when not in use and the Assistant Clerk has confirmed that this is done. The daily amount available for withdrawal should be kept to a minimum and reviewed on a regular basis.

Electronic banking

The council has implemented an electronic banking system. This system has several internal control advantages over the old manual system and seems to be working well. Payments are authorised by Councillors in a timely manner.

The banking system utilises standard bank security features including passwords and payment security devices. All payments usually require authorisation by two Councillors.

There was a very short period when the Clerk was able to authorise payments via the bank account without the approval of councillors. This followed the requirement for the Clerk to be able to process payments during the absence of the RFO and was a mistake by the bank in creating the sign in profile. This was brought to the attention of the internal auditor immediately by the Clerk and was rectified by the bank very swiftly.

Payments are authorised by Councillors using their own computers.

It is also essential that Councillors ensure that their home computers have anti-virus and security software that is kept up to date, to maintain the highest levels of security.

The impact of this will continue to be reviewed in future internal audit checks.

Payroll controls

The council uses a computerised payroll system from a reputable supplier. This software is updated on a regular basis to ensure compliance with legislation. No members of staff are treated as self-employed.

The system for authorising payroll payments is adequate and follows the normal system for payments to suppliers.

Asset control

The Council maintains an asset register for assets owned or in its care. This is updated on a regular basis. The adequacy of insurance cover for assets is reviewed on a regular basis.

Bank reconciliation

The bank accounts are reconciled on a regular basis. As mentioned above, an independent review of the bank reconciliation should be performed a councillor on a regular basis. This has recently been re-implemented and will be reviewed in future internal audit checks.

Year-end procedures

It is the duty of the council and the RFO to produce the year-end accounting statements.

The financial statements are in accordance with the underlying records and have been prepared on the correct basis.

General Data Protection Regulations (GDPR)

The implementation of the new Data Protection regulations has been undertaken by the Council.

Conclusion

It is again pleasing to note the clarity of information within the Council's accounts and supporting documentation for the financial year 2022/23. The Council's internal controls in place appear to be efficient and effective.

I am grateful to the RFO and the Clerk for their co-operation and responses to my requests for additional information during the Audit.

Iden Business Services Limited

02/05/2023