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19th May 2024

Dear Melanie,

Cheslyn Hay Parish Council – Internal Audit 2023/24

I confirm that I have carried out an examination of your accounts and procedures, in line with the Practitioners Guide 2023 and in accordance with the requirements of the Accounts and Audit Regulations 2015. (See additional note on next page about the role of internal audit.)

I can state that I found no material errors, omissions or irregularities in your financial records and I have no significant concerns about your internal control procedures.

Please refer to the enclosed report for further details of the audit work covered.

I would also confirm that I am totally independent of your Council and have no contact with any Member or employee.

Yours sincerely,

S Morris

Mrs Sandra Morris ACMA

Enc
Summary of Findings
Note about Scope of Internal Audit
Full Internal Audit Report

Note about purpose and scope of Internal Audit and improving councillor oversight.

I would draw your attention to the Practitioners Guide
4.4. It is not the purpose of either internal or external audit to detect or prevent fraud.
4.8. essential competencies to be sought from any internal audit service should include: understanding the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management.

As your Internal auditor I review and test the systems of control, this will be through examining procedure documents, discussion with staff and examining a selection of transactions, reconciliations, approvals, publications etc.
I examine, test and report on risks based on my understanding of the council's operations, my knowledge of statutory requirements, best practice and issues that have arisen elsewhere – and anything else that my instincts lead me towards. The Practitioners Guide contains a lot of information about this.

This means there is a chance that I will detect errors and frauds, but there can be no guarantee.
There is a better chance that I will identify an opportunity to improve your control procedures.

For example - the only way for me to detect that a councillor who has approved an invoice or a reconciliation has not *properly* checked it (perhaps just signed on trust or a brief glance) is if I find a discrepancy. If I do not find a discrepancy, it does not guarantee that it was checked properly – but I have to trust that the signature is in line with the policy.

The best chance of a council detecting errors and frauds is by councillors and staff being vigilant and maintaining an enquiring mind about all financial transactions.
It is never an act of mistrust to ask for clarification or to seek further assurance.
It is too easy to "leave it to the expert" and feel silly for asking. It is essential that enough councillors understand the financial operations of the council and training should be sought if this is not the case.

Some simple examples of things that I check – and could also be checked by councillors (even occasional check of this nature can assist in detecting fraud or error).

Opening/Closing Balances - When reviewing accounts, bank statements, reconciliations, you should check the closing balance on the previous statement matches the opening balance on this one. Check that the balances agree to an official document from the bank, print from the system etc. Check back to an online statement if you have access.

Sequential Numbering - for sales receipts, invoices, cheques – verify that there are no numbers missing from the sequence – if so, seek explanation.

Transaction details – make sure that invoice details match the payment details and the bank statement details. For new/unknown/irregular suppliers also verify the details from a secondary source – website, companies house, VAT number checker etc.

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Internal Audit - Report

Name of Council - **Cheslyn Hay Parish Council**
Date of Audit - **17th May & 1st March 2024**

Annual Return - Internal Control Objectives

A. Appropriate accounting records have been properly kept throughout the financial year.	YES
Is the cashbook maintained and up to date?	yes
Is the cashbook arithmetic correct?	yes
Is the cashbook regularly balanced?	yes
The council uses the RBS Omega financial system, no errors or omissions were noted	

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	YES*
Are payments supported by invoices?	yes
Is all expenditure approved?	yes
Is VAT appropriately accounted for?	yes
Does the Council hold Power of Competence?	no
Re adopted?	n/a
If not, does the council monitor s137 expenditure against limit?	yes
A high value purchase of playground equipment was completed during the year. The value was above the threshold given in the Financial Regulations and Standing Orders requiring tenders through the public contracts procedures (but below the statutory limits), however the procedure was not followed and a local supplier was chosen from several quotes. The council should review whether the threshold is appropriate and either amend the threshold in the Financial Regulations or abide by it.	Rec

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
Does a review of the minutes identify any unusual financial activity?	no
Do minutes record the council carrying out an annual risk assessment?	yes
Is Insurance cover appropriate and adequate?	yes
Are internal financial controls documented and regularly reviewed?	yes
	Review
Risk Assessment	May-23
Financial Regulations	Mar-24
Standing Orders	Mar-24

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
Has the council prepared an annual budget in support of its precept?	yes
Is actual expenditure against the budget regularly reported to the council?	yes
Are there any significant unexplained variances from budget?	no
Does the precept recorded agree to the Council Tax authority's notification?	yes
Are reserves appropriate?	yes
Earmarked Reserves	49,674
General Reserves	85,250
Months of Income	4
Months of expenditure	3
The council holds general reserves (for cash flow and contingency) within guidelines of 3 to 12 months of Net Revenue Expenditure.	

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
Is income properly recorded and promptly banked?	yes
Are security controls over cash and near-cash adequate and effective?	yes
Is the council VAT registered?	yes
Are returns submitted in a timely manner?	yes
Is VAT reclaimed on exempt business activities reviewed and considered insignificant?	yes
Are receipts for business activities within the registration threshold?	n/a

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	YES
Is all petty cash spent recorded and supported by VAT invoices/receipts?	yes
Is petty cash expenditure reported to each council meeting?	yes
Is petty cash reimbursement carried out regularly?	yes

G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	YES*
Do all employees have contracts or employment with clear terms and conditions?	yes
Do salaries paid agree with those approved by the council?	yes
Are other payments to employees reasonable and approved by the council?	yes
Have PAYE/NIC been properly operated by the council as an employer?	yes*
Does line 4 include only Salary, NI & Pension	yes
Does the council monitor off payroll working (IR35)	yes
Payroll is outsourced. It was not possible to verify correct PAYE and NI deductions due to insufficient information being provided. There were some discrepancies in the information available (for example pension contributions) this will be investigated and further reviewed during the year end visit. UPDATE a query has been raised with the payroll provider and pension contributions have been corrected. It is important that the council has access to detailed payroll reports showing gross pay, deductions and employers contributions (pension and NI) in order that these can be periodically reviewed for accuracy by staff, members and internal audit.	REC

H. Asset and investments registers were complete and accurate and properly maintained.	YES*

Authorities should refer to Para 5.28 to 5.30
Authorities should refer to Para 5.57 to 5.63
Tangible Fixed Assets

PG.H.1 • 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
PG.H.3 • Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement

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?	yes
Do asset insurance valuations agree with those in the asset register?	yes

The council has various asset listings including one with current valuations used to monitor adequacy of insurance. The AGAR valuation is compiled from various sources, and annual changes are substantiated with a list of additions and disposals.

REC

The council should consolidate these lists into a single Asset Register incorporating insurance valuations and "cost" (consistent methodology used) to be included on the AGAR.

PG 2.27. The value of the cell at Line 9 is taken from the authority's asset register which is up to-date at 31 March and includes all acquisition and disposal transactions recorded in the cash-book during the year.

PG5.56. An asset register is the starting point for any system of financial control over tangible assets as it:
• facilitates the effective physical control over assets
• provides the information that enables the authority to make the most cost-effective use of its capital resources
• supports the AGAR entry for fixed assets by collecting the information on the cost or value of assets held
• forms a record of assets held for insurance purposes

I. Periodic and year-end bank account reconciliations were properly carried out.	YES
PG.I.3 • Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.	no
Is there a bank reconciliation for each account?	yes
Is a bank reconciliation carried out regularly and in a timely fashion and approved by council?	yes
Are there any unexplained balancing entries in any reconciliation?	no
Is the value of investments held summarised on the reconciliation?	n/a

The council should adopt an investment strategy in line with
PG 1.11 *Investments — Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements is invested appropriately, in accordance with an approved strategy which needs to have regard to DLUHC's statutory Guidance on local government investments.*

Rec

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	YES
Are year end accounts prepared on the correct accounting basis (receipts and payments or income and expenditure) ?	I&E
Are debtors and creditors properly recorded?	yes
Do accounts agree with the cashbook?	yes
Is there an audit trail from underlying financial records to the accounts?	yes

K. If the authority certified itself as exempt from a limited assurance review in 22/23, it met the exemption criteria and correctly certified itself exempt	N/a
The council did not certify itself exempt	

L. The authority publishes information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	YES
All councils - Accounts and Audit Regulations 2015 **Accounts remain published for 5 years**	yes
Transparency Code for Larger Authorities (income/expenditure >£200k)	
Quarterly:-	
All items of expenditure above £500	yes
Government Procurement Card transactions	n/a
Procurement information (initiations to tender > £5k)	no
Annually:-	
local authority land	yes
social housing assets	n/a
grants to voluntary, community and social enterprise organisations	yes
organisation chart	yes
trade union facility time	n/a
parking account	n/a
parking spaces	n/a
senior salaries (>£50k)	n/a
constitution (standing orders)	yes
pay multiple	no
social housing fraud	n/a
One off:-	
Waste contracts	n/a
The council falls above the larger authority thresholds for Transparency requirements so the code details information which should be published. Freedom of Information regulations may also be relevant.	note

M. The authority has demonstrated that during summer 2023 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations. (Evidenced by website or minutes)	YES

N. The authority has complied with the publication requirements for 2022/23 AGAR.	YES*
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.	ok
Notice of Period for Exercise of Electors Rights	yes
Section 1 Annual Governance Statement	yes
Section 2 Accounting Statements	yes
Notice of Conclusion of Audit	yes*
Section 3 External Audit Report & Certificate	yes*
Internal Audit Report	yes
At the time of the interim audit the External Audit completion notice and report were not published. UPDATE at the time of internal audit the website was outsourced. There were web issues at that time and a number of publications had been lost (confirmed by the provider and observed at a number of councils). Upon enquiry from IA this was investigated and resolved, and a new web provider has been instructed.	note

O. Trust funds (including charitable) – The council met its responsibilities as a trustee.	N/a
The council is not a trustee. Councillors are trustees of Charity ref 522639 (the council is not named). It is a dormant charity which was in the process of being closed however an issue has prevented this, and prevented access to make filings. **Charity Commission filings are overdue.**	note