

Thursday 1<sup>st</sup> June 2023

## **Sixpenny Handley with Pentridge Parish Council Internal Audit Year Ending 31 March 2023**

**Internal Auditor: Sharon Carter  
Parish Clerk/RFO: Ciona Nicholson**

*This internal audit report is based on The Joint Panel on Accountability and Governance Practitioner's Guide (March 2023) and uses the Internal Audit Checklist from Section Four, Best Practice Guidance for Internal Audit.*

*A smaller authority is required by the Accounts and Audit Regulations 2015 to 'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*





AGAR certificate reference	Internal Audit action for expected controls	Comments and Recommendations
<p>A. Appropriate accounting records have been properly kept throughout the year.</p> <p>AND</p> <p>I. Periodic bank account reconciliations were properly carried out during the year.</p>	<ul style="list-style-type: none"> <li>● Ensure the correct roll forward of the prior year cashbook balances to the new financial year.</li> <li>● 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.</li> <li>● Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members.</li>   <li>● Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, section 2, line 8.</li> </ul>	<p>The Parish Clerk produced all documents to enable a check of the cash book balances for the prior and new financial year. Balances were rolled forward correctly.</p> <p>A sample of transactions were checked against the bank account, the clerk's receipts and payment lists, appropriate payment limits/authorisations, bank reconciliations and original invoices / paperwork held.</p> <p>Bank reconciliations were checked against bank statements, and evidence seen that they are accurate and have been reviewed and approved by members. (F&amp;GP minutes Jul'22, Aug '22).</p> <p>The documentation provided by the clerk confirms accurate disclosure of balances in the AGAR.</p>



	<ul style="list-style-type: none"> <li>Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.</li> </ul>	<p>Year-end carry forward balances are in excess of £100k and 2 x the precept. A deposit account is held, and current and deposit account balances are regularly reviewed by councillors. The clerk explained that money is moved between the two so as to ensure an excessive balance is not held on the current account. The council holds no other investments. The clerk explained the year-end balance was unusual and that planned spending in 23/24 on solar panels for the Sports Pavilion, would see a reduction at the end of the 23/24 financial year.</p> <p><b>R1. Going forward, the council might consider documenting 'an investment strategy' as per the DLUHC's statutory guidance. (Copy provided to PC).</b></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 the <u>SOs</u> and <u>FRs</u> which should be based on the latest version.</li> </ul>	<p>The clerk gave an assurance that the SOs are reviewed annually, and minutes confirm (FPC minutes May'22). SOs dated May '22 - are in the process of being updated and adopted (June '23). The clerk gave an assurance that the FRs were reviewed annually. FR's dated May '22 have been updated and adopted (May '23). The council are following procedures for formal tenders as set out in their policies. (FPC March '22 – Sports Pavilion external refurbishment. FPC March '23 – Sports Pavilion solar panels).</p>



	<ul style="list-style-type: none"> <li>● Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)</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 for evidencing of these checks and payment authorization</li> <li>● Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments.</li> </ul>	<p>Documents were checked and were consistent with values established for formal tenders / quotes.</p> <p>Invoice procedures were reviewed, and a sample checked for payment authorisation in F&amp;GP minutes.</p> <p>The council do not currently use a certification stamp for invoices. The clerk prepares a 'receipts and payments schedule' which is presented to members at council meetings for scrutiny and approval. The Chair / Vice Chair will check and approve the payments schedule.</p> <p>There was one payment to an individual identified as a hand written note for bulbs planted on behalf of the Parish Council. (Oct '22 Inv 1538). We discussed with the clerk that a valid receipt / invoice for the purchase of the bulbs supplied should have been produced. The clerk is to address this going forward.</p> <p>The clerk explained the procedure for writing cheques and raising online banking payments. Online payments are raised by the clerk, scrutinised by a member, and approved/released for payment by the Chair and Vice Chair. Details of online payments made are also circulated to other members by the clerk. (F&amp;GP minutes Feb '23)</p>
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	<ul style="list-style-type: none"> <li>● Check that VAT claims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements.</li> <li>● Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place</li> </ul>	<p>We had a discussion with the clerk around a procedure for validating the bank details on invoices e-mailed directly to the council for payment, particularly for new suppliers and existing suppliers where bank details have changed.</p> <p>VAT refunds are claimed using VAT form 126 (organisations not registered for VAT). The last VAT claim was available for scrutiny and a sample of transactions were checked and this indicated that VAT on expenditure had been correctly applied.</p> <p>It was noted that where the clerk has paid for items out of personal funds (and has subsequently been reimbursed by the council), that VAT has not been claimed; this is correct.</p> <p>No debit cards are currently in use, but the Council is looking to put a card in place for the clerk. (F&amp;GP minutes Jan'23).</p>
<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<ul style="list-style-type: none"> <li>● Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc</li> </ul>	<p>The Risk Management Policy was available and for review as was the Annual Financial Risk Assessment. These documents have also now been reviewed in 2023.</p>



	<ul style="list-style-type: none"> <li>• Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) 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>Insurance is in place (Hiscox £3055.53 – quote accepted and minuted FPC Sept '22). The level and range of cover appears to be adequate for the size of the Council.</p> <p>An external firm conduct's quarterly inspections on play areas within the community and a separate external firm undertakes an annual inspection of the playground equipment. Additionally, there are monthly inspections of play areas by Councillors increasing to weekly during the summer months. Meeting minutes reflect the monitoring (F&amp;GP minutes Feb '23).</p> <p>The internal control policies and procedures of the council appear to identify and mitigate risk to a reasonable level.</p>
<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate</p>	<ul style="list-style-type: none"> <li>• Ensure that the full Authority, not a committee, has considered, approved, and adopted the annual precept for the coming year in accordance with the required parent</li> </ul>	<p>The precept of £60,200 for 22/23 was approved and adopted at the FPC meeting of 16<sup>th</sup> December 2021. The 22/23 budget was also approved at this meeting.</p> <p>The precept of £65,700 for 23/24 was approved and adopted at the FPC meeting of 26<sup>th</sup> January 2022.</p>



	<p>Authority timetable.</p> <ul style="list-style-type: none"> <li>● Ensure that current year budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances.</li> </ul> <p>Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances.</p> <ul style="list-style-type: none"> <li>● Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process.</li> <li>● Ensure that the precept received in the accounts matches the prior year submission form to the relevant authority and the <u>public record of precepted amounts</u></li> </ul>	<p>The 23/24 budget was also approved at this meeting.</p> <p>Budget reports were available, minutes confirm budget monitoring (minutes F&amp;GP Jul '22) and commentary on any significant variances is detailed by the clerk on her reports.</p> <p>Budget monitoring is recorded in F&amp;GP minutes at least quarterly, and the clerk produces financial reports, bank reconciliations and explanations on any variances where appropriate.</p> <p>The Council have various reserves earmarked for particular projects. These are reviewed annually. We noted that there are plans for solar panels on the Sports Pavilion, but funds were not specifically earmarked for this going into 23/24.</p> <p>The precept of £60,200 was received in two instalments and is recorded in the accounts on 27/4/22 (£30,100) and 30/9/22 9£30,100).</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>● Review “Aged debtor” listings to ensure appropriate follow up action is in place.</li> </ul>	<p>There were no aged debtors.</p> <p>It was noted that as at the year end, one supplier (DM) had failed to bank several (small) cheques that had been issued to him by the Council for work undertaken. The clerk was aware of this and is</p>



	<ul style="list-style-type: none"> <li>● Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.</li> <li>● Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: <u>(Authorities should also acquire and retain copies of Burial / Cremation certificates)</u></li> <li>● Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised.</li> <li>● Leases: ensure that leases are reviewed in a timely manner in</li> </ul>	<p>attempting to chase the supplier in order to rectify this.</p> <p>The Parish Council rent two allotment sites in the village of Sixpenny Handley. One from Dorset Council and one from Rushmore Estate. The allotments, tenants and register of tenants are the responsibility of The Allotment Association. There is a signed agreement between the Parish Council and The Allotment Association.</p> <p>N/A</p> <p>The Village Hall whilst owned by the Parish Council is run by Sixpenny Handley Village Hall (a registered charity). There is a lease agreement in place with the Council however (at the time of audit and relevant to mention) the current Village Hall charity is changing to CIO status and a new lease will be put in place (FPC minutes April '23 new lease in place by Sept 23).</p> <p>There is also a Sports Pavilion in the village owned by the Parish Council. This building was previously</p>
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	<p>accordance with the terms of the lease and rents similarly reviewed appropriately at the due time</p> <ul style="list-style-type: none"> <li>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</li> </ul>	<p>run by the local Sports Association however currently all responsibility has been handed back to the Parish Council.</p> <p>The main user/tenant of the Pavilion currently is The Penny Tap Ltd. A (for profit) company that runs a licensed bar from the premises on specified days/evenings each week. There is currently a Licence to Occupy agreement in place (dated March 2020) for a period of 5 years. Rental of £1030.00 per year is paid in two instalments (March &amp; Sept) with a very minimal rental increase of £30 per year stated in the agreement.</p> <p>There is also a separate agreement letter from the Parish Council to The Penny Tap Ltd setting out the terms for payment of a proportion of the energy bills for the Pavilion building.</p> <p>It was noted that one Parish Councillor is a Director of The Penny Tap Ltd.</p> <p>There is also a bowls club building owned by the Parish Council. A user agreement is in place between the club and the Council.</p> <p>In the 22/23 year there were two grants paid to the Parish Council: -          £1200 Dorset Council (Warm Hub)          £600 CPRE (Fingerpost grant -Campaign Protection of Rural England)</p>
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	<p>income.</p> <ul style="list-style-type: none"> <li>• 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</li> </ul>	N/A
<p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for</p>	<ul style="list-style-type: none"> <li>• A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a “Not covered” response is frequently required in this area.</li> </ul> <p>Review the systems in place for controlling any petty cash and also cash floats (used for bars, catering, etc.)</p> <ul style="list-style-type: none"> <li>• Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held.</li> <li>• Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held.</li> </ul>	N/A – No Petty cash held.



	<ul style="list-style-type: none"> <li>● Ensure that VAT is identified wherever incurred and appropriate.</li> <li>● Physically check the petty cash and other cash floats held.</li> <li>● Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings</li> </ul>	
<p>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.</p>	<ul style="list-style-type: none"> <li>● Ensure that, for <u>all staff</u>, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract</li> <li>● Ensure that appropriate procedures are in place for the payment of members’ allowances and deduction of any tax liability.</li> <li>● Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the <u>NJC</u> 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 <u>free</u> or <u>paid for</u> software is</li> </ul>	<p>The Parish Clerk is the only member of staff. A formal contract is in place and annual appraisals and salary reviews are conducted.</p> <p>Members agreed not to claim additional expenses i.e., mileage.</p> <p>Payslips confirmed gross pay is calculated correctly. NJC pay scale was available to check the clerk was being correctly paid in accordance with her contract. (AGM minutes May’22 members approval to amend clerk’s pay in line with pay scale).</p> <p>Tax code was correct.</p>



	<p>used, ensure that it is up to date.</p> <ul style="list-style-type: none"> <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: NB. The <u>employers' allowance</u> is not available to councils but may be used by other authorities.</li> <li>• Ensure that the correct employers' pension percentage contribution is applied.</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>HMRC's basic PAYE tools software is used for payroll. This software automatically looks for updates (usually at year end).</p> <p>From the payslip evidenced, tax appears to be calculated correctly.</p> <p>NI appears to be correct.</p> <p>Employers' contribution is the statutory amount 3%.</p> <p>Receipts and Payments schedule prepared by clerk confirms correct net pay.</p>
<p>H. Asset and investment registers were complete and accurate and properly maintained.</p>	<p>Tangible Fixed Assets:</p> <ul style="list-style-type: none"> <li>• Ensure that the Authority maintains a formal asset register and updating it</li> </ul>	<p>The asset register was inspected and up to date. Insurance cover appears adequate.</p>



<p>This section/assurance should be extended to include loans to or by the authority</p>	<p>routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets.</p> <ul style="list-style-type: none"> <li>● Physically verifying the existence and condition of high value, high risk assets may be appropriate.</li> <li>● 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</li> <li>● Additions and disposals records should allow tracking from the prior year to the current</li> <li>● 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.</li> <li>● Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority.</li> </ul>	<p>FPC &amp; FGP minutes confirm the council reviewed, amended, and approved the asset register in March’22 and March ’23.</p> <p>The asset register shows an increase in year by £9,441 (John Deere mower £9k &amp; oil tank security £441).</p> <p>Asset values are correctly reported.</p> <p>Insurance adequately covers assets.</p>
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	<p>Fixed asset investments:</p> <ul style="list-style-type: none"> <li>• Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “<u>Investment Strategy</u>” and reported as Assets in the <u>AGAR</u> at <u>section 2, line 9</u>.</li> </ul> <p>Borrowing and Lending:</p> <ul style="list-style-type: none"> <li>• Ensure that the authority has sought and obtained appropriate <u>DMO approval</u> for all loans acquired</li> <li>• Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt.</li> <li>• Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at section 2 line 5.</li> <li>• Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at section 2, line 10 (value should be verified via the <u>DMO website</u>)</li> </ul>	<p>N/A</p> <p>N/A</p>
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	<ul style="list-style-type: none"> <li>• Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt</li> </ul>	
<p>J. Accounting statements prepared during the year were prepared on the correct accounting basis.</p> <p>(Receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p>	<p>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 <u>section 2 of the AGAR</u> reflects the detail in the accounting records maintained for the financial year. Consequently, IAs should</p> <ul style="list-style-type: none"> <li>• Ensure that, where annual turnover exceeds <u>£200,000</u>, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein</li> <li>• Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end</li> </ul>	<p>Records have been maintained accurately on a receipts and payments basis during the year. Records have been made available by the RFO/Clerk and section 2 of the AGAR reflects the financial records I have seen.</p> <p>N/A</p> <p>Not required to be recorded in the receipts and payments accounts.</p>



<p>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.</p>	<p>IAs should ensure that, <u>all relevant criteria are met</u> (receipts and payments each totalled less than £25,000)</p> <ul style="list-style-type: none"> <li>● The correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline.</li> <li>● that it has been published, together with all required information on the Authority's website and noticeboard</li> </ul>	<p>N/A</p>
<p>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 the relevant legislation</p>	<p>IAs should review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation.</p>	<p><i>The website generally contains all relevant and required information including:</i>          Accessibility statement and Accessibility Tools          Privacy Policy (last reviewed Jan 2020) -accessed via bottom of website page <u>AND ALSO</u>          GDPR / Privacy Policy – accessed via website Policy Page – (last reviewed April 2018)          Freedom of information Act Compliance document (last reviewed Jul 2014)          Communications Policy – last reviewed Nov 2021          Agendas and minutes          Reports and Audits.          The clerk did advise that she was aware the website may need some updating.</p>





		<b>R2. Review/update GDPR / Privacy Documents for relevance along with the Freedom of Information Act Compliance document. Also, consider placing the address of the Parish Council office on the homepage as this is not easy to find on the website.</b>
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.	<p>IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory <u>30 working day period when the Authority's records are available for public inspection.</u></p> <p>IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR</p>	<p>The clerk provided the public notice, and it clearly identifies Monday 3<sup>rd</sup> July 2023 as the commencement date and Friday 11<sup>th</sup> August 2023 as the date the period of inspection ends.</p> <p>AGAR to be completed and dates minuted at FPC meeting 22<sup>nd</sup> June 2023.</p>
N. The authority complied with the publication requirements for the prior year AGAR.	N. The authority complied with the publication requirements for the prior year AGAR.	<p>The Public Notice (21/22) clearly identifies the correct period for public inspection of records and publication of the AGAR and the council complied with publication requirements.</p> <p>FPC minutes 23<sup>rd</sup> June '22 confirm internal auditor report and approval of Accountancy Statement. The AGAR is signed and dated 23/6/2022.</p>
Trust funds (including charitable) - the Council met its responsibilities as a trustee	<ul style="list-style-type: none"> <li>Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements.</li> </ul>	N/A



	<ul style="list-style-type: none"><li>● that the council is the sole trustee on the <u>Charity Commission register</u></li><li>● that the council is acting in accordance with the <u>Trust deed</u></li><li>● that the Charity meetings and accounts recorded separately from those of the council</li><li>● review the level and activity of the charity and where a risk based approach suggests such, review the <u>Independent Examiners report</u></li></ul>	
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**Recommendations:**

**R1.** 'Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy' - Going forward, the council might consider documenting 'an investment strategy' as per the DLUHC's statutory guidance. (Copy provided to PC).

**R2.** ' IAs should review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation' - Review/update GDPR / Privacy Documents for relevance along with the Freedom of Information Act Compliance document. Also, consider placing the address of the Parish Council office on the homepage as this is not easy to find on the website.

**Following my review, I believe that the Council has sufficient arrangements in place to satisfy itself that its systems of internal financial control are transparent and effective. There are approval and authorisation controls to minimise risk. The audit and management trail for financial transactions is good.**

**I would like to thank the Parish Clerk Ciona, for her help and co-operation, making available all of the relevant information and for answering all questions and queries both during the audit on site and in follow up emails. This was much appreciated.**

*Sharon Carter*