

Internal Audit Report

(To be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Wigginton Parish Council		
Name of Internal Auditor:	Nikki Bugden	Date of report:	12/5/2023
Year ending:	31 March 2023	Date audit carried out:	Initial visit 1/3/23 followed up via email.

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the 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 through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

This report should be read in conjunction with the Annual Internal Audit Report and guidance laid out in The Practitioners' Guide 2022¹.

Section 1, 2 and 3 of the guide represents the proper accounting and governance practices ('proper practices') referred to in statute.

Section 4 of the guide sets out the non-statutory best practice guidance relating to internal audit which authorities are required to consider.

Section 5 of the guide provides supporting information and practical examples to assist smaller authority officers to manage their governance and financial affairs and is not mandatory.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chairman of the Council:

Firstly, I would like to thank the clerk for her hard work in supplying all required information to me in an efficient and timely manner.

The clerk was organised and able to provide me with any additional required documentation promptly.

I firstly examined the publicly available information displayed on the council's website including the council's policies, procedures, agendas, minutes, financial and other records. I sought evidence that the previous year's Internal Audit report had been properly reported to and actioned by the Council. I then examined the council's arrangements for the management and control of its business in the areas of bookkeeping, due process (i.e., compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal

¹ [file \(nalc.gov.uk\)](http://file.nalc.gov.uk) (password, if required, available from HAPTC)

control, and year-end procedures. It should be noted that the scrutiny was of a sample number of documents and processes.

Where necessary, I requested and was provided with supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the Annual Internal Audit Report (AIAR) that forms part of the Annual Governance and Accountability Return (AGAR). This supplementary information was provided in the form of written and verbal answers to the questions raised together with scanned documents or sight of the original documents.

General

There has been a significant increase in the adoption of policies and procedures by the council over the past year. There is substantial improvement in the evidence available to support the consideration and mitigation of risk for activities undertaken by WPC.

The council has an active and supportive team of Councillors who will benefit from the protection that these improvements bring and consequently these protections extend to the residents and public who attend the organised events.

The clerk continues to work diligently to achieve the required levels of compliance with the processes referred to in statute. The learnings from her studies for her CiLCA qualification has benefited the council, especially with the small number of hours that she has contracted for this position, and I was impressed with the standard of the documents that I was provided with. All enquiries were answered promptly.

During my visit the clerk did express some dissatisfaction with the performance of her laptop which was unreasonably slow, and council may wish to consider the budgeting or earmarking of funds for a replacement in the near future.

A. Appropriate accounting records have been kept throughout the Year.	YES
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Rialtas accounting software is used. The inputting and reporting of transactions is carried out in a timely and efficient manner. All reports are circulated to Councillors in advance of meetings. There is scrutiny throughout the year of performance against budget.

Whilst council does evidence use of s.137 expenditure and account for it separately as is required by statute this is a power of 'last resort'. Council needs to consider other relevant 'powers to spend' and to evidence that they are acting within their statutory powers.

B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	YES
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A sample of invoices was checked. Council should ensure that adequate invoices are received for all expenditure, particularly when using external contractors. There is adequate segregation of duties with the online banking arrangements.

I note that the council are not VAT registered and claim back VAT annually but undertake some activities for which they charge VAT. In light of this my recommendation would be that the appropriate VAT regulations should be regularly checked to ensure that the correct treatment of VAT is being undertaken and the correct thresholds are being adhered to. Whilst there are standing orders and financial regulations in place council have chosen not to adopt the NALC model financial regulations in their entirety. This does mean that there is a risk that council could miss statutory duties so I would recommend that during the annual reviews these are cross referenced to the NALC model documents for adequacy. It would always be my recommendation that the NALC model documents are used and tailored, where appropriate to the council's needs.

<p>C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>YES</p>
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The clerk has implemented a number of policies and procedures to mitigate risk. The warden carries out regular inspections and is adequately trained to do so. His reports form a standing agenda item. A sector specific insurance policy is in place and was reviewed by council during the financial year. *All authorities' actions are controlled by statute. Therefore, appropriate decision-making processes need to be in place to ensure that all activities undertaken fall within an authority's powers to act.* It is not apparent from the agenda or minutes if council are considering the lawfulness or appropriate 'power to spend' when discharging their duties therefore I would recommend that this consideration should be included more fully in the risk assessment and agenda (and subsequent minutes) to protect council from acting 'ultra-vires' at the point of decision making. The clerk should seek advice from HAPTC if necessary, in this area.

<p>D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.</p>	<p>YES</p>
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Whilst there is a robust budget setting process in place, with evidence of reviews and consideration at multiple meetings, council should ensure that this process follows the statutory process as laid down in statute. The statutory process for determining the precept is set out in the Local Government Finance Act 1992 Section 49A. In order to minimise the possibility of challenge it is recommended that Council consider adopting a format for the budget document, or a supporting report, which more clearly demonstrates that the statutory process was followed

There is clear evidence in the minutes that council have received reports on the budget position, supported by bank reconciliation and statements, throughout the financial year, along with consideration of reserves and earmarked reserves.

E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.	YES
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There is a signed agreement in place relating to the hire of the sports pitches to a long standing football club.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.	NA
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There is no petty cash held.

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.	YES
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A formal contract is in place for the clerk who is the sole employed member of staff. The payroll function is outsourced. There was scrutiny of the documents available. The clerk has been advised to obtain a HMRC log-in to enable her to scrutinise the information being inputted by the payroll provider.

A contractor is sued as 'warden' but this is not an employee and the clerk has taken advice re this with the county association.

H. Asset and investment registers were complete and accurate and properly maintained.	YES
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There is evidence that the loan liability was cleared.

I. Periodic bank reconciliations were carried out throughout the year.	YES
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These are noted in the minutes, and the bank statements are signed by a councillor along with the bank reconciliation.

It is unclear from the minutes if additional independent scrutiny is being undertaken during the year as defined in the NALC Model Financial Regulations (2.2). Whilst WPC have decided not to adopt the NALC model policies it is my recommendation that periodic, independent scrutiny, from a Cllr who is not a bank signatory, as part of the council's financial regulation or risk assessment would give council more security in this area.

J. Accounting statements prepared during the year were prepared on the correct accounting basis (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.	YES
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A sample selection of invoices was checked from initial decision making through to invoice, cashbook, payment and bank statements. Where contractors are being used it is my recommendation that council should request that correctly addressed invoices are being obtained. For any VAT to be reclaimed invoices should be in the name of WPC.

There is evidence that there was a retrospective approval for an invoice for emergency tree works but all emergency procedures were correctly followed by the clerk and chairman and reported accordingly.

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.	NA
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Council is not an exempt authority therefore this does not apply.

L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	YES.
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Whilst WPC are not governed by the Transparency Code, they do follow advised 'best practice' and operate in an open and transparent manner publishing most of their documents on the website. A further improvement, that they may wish to consider, would be to publish the supporting papers and reports for meetings to enable residents to easily understand the business on the agenda that is due to be transacted.

The 'relevant legislation' includes, but is not limited to, the Accounts and Audit Regulations 2015. It is noted that the wording of this section of the AGAR was recently changed and the guidance in the 2022 edition of the Practitioners Guide refers to the previous wording.

The requirements under 13(1)(a) of the above act remain unchanged therefore you must display the preceding years papers (2021/2022) on your website to be compliant. However, I refer the Council to paragraph 13(2) of these regulations. It specifies that documents identified in 13(1)(a) of the regulations must be 'made available' for a period of not less than five years.

It has recently been asserted by the advisory group for internal auditors that 'made available' requires that the documents in question are published on the website.

This is potentially open to an alternative interpretation, and, at the current time, the matter has not been definitively resolved.

On the basis that this matter currently remains unresolved and was notified late in the audit process HAPTC has decided that it should not impact on the completion of an internal audit report for this year.

Currently WPC do have previous years AGARs published on their website but only back to 2019

M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit regulations.	YES
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N. The authority complied with the publication requirements for the prior year AGAR.	NO
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Whilst I have no option but to mark this statement in the negative this is due to the lateness of receipt of audit closure confirmation from the external auditor. Unfortunately, due to unresolved queries which were raised late by the external auditor the final notice of conclusion of audit was not received by WPC until 4th October 2022 resulting in the statutory date of 30th September 2022 being missed. The clerk has correctly retained and published all evidence of this. All other documents were displayed in accordance with proper practices.

O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee.	NA
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This area was not covered as WPC is not a trustee

I am pleased to be able to report that having tested all the aspects of the council's internal controls that I am required to consider, based on the information made available to me I am satisfied that in all significant respects, the internal control objectives (apart from N noted above) were achieved throughout the financial year to a standard adequate to meet the council's needs. Accordingly, I have completed and signed off the Annual Internal Audit Report as required.

Yours sincerely,

Nikki Bugden

Nikki Bugden PSLCC
Internal Auditor to the Council
07931 444654
iasnikkibugden@hotmail.com

The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2022	Year ending 31 March 2023
1. Balances brought forward	31657	35577
2. Annual precept	14715	15500
3. Total other receipts	12217	16239
4. Staff costs	3868	5604
5. Loan interest/capital repayments	600	600
6. Total other payments	18544	21973
7. Balances carried forward	35577	39139
8. Total cash and investments	35577	39139
9. Total fixed assets and long-term assets	0	0
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2022)*. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed.