

Black Rose Solutions Ltd

Internal Audit - Report

Name of Council

Loggerheads Parish Council

Date of Audit

6th June 2022

Annual Return - Internal Control Objectives

A. Appropriate accounting records have been properly kept throughout the financial year.	NO
Is the cashbook maintained and up to date?	no
Is the cashbook arithmetic correct?	n/a
Is the cashbook regularly balanced?	no
As detailed in letter.	

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
If not, does the council monitor s137 expenditure against limit?	yes
For one supplier - it appears that a timesheet is submitted, from which the council generates an invoice on their behalf. On one occasion this invoice has been later amended by hand. (see additional note in section G)	
Expenses have been paid to staff based on Amazon order prints - which do not detail what has been purchased.	
Loggerheads Voluntary Car scheme - 4/21/7iii - minuted what appears to be an ex-gratia payment to the coordinator. As the council does not hold power of competence payments to benefit individuals are not permitted, even under s137 rules.	
There are other payments made by the council on behalf of the Voluntary Car Scheme (DBS checks etc.). As the car scheme is a separate legal entity from the council there needs to be a clear and transparent segregation between the two organisations. Any payments made to, or on behalf of another organisation should be formally recorded as approved as such.	

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
<p>Does a review of the minutes identify any unusual financial activity? no</p> <p>Do minutes record the council carrying out an annual risk assessment? 12/04/2021</p> <p>Is Insurance cover appropriate and adequate? yes*</p> <p>Are internal financial controls documented and regularly reviewed? yes</p> <p style="padding-left: 150px;">Date of review/update Financial Regs 12/04/2021</p> <p style="padding-left: 150px;">Date of review/update Standing Orders 12/04/2021</p> <p>There is an unapproved, "publicly constructed" bike ramp/track on council property that has not been declared to the insurers, and hence liability is not clear. The council should prepare a risk assessment covering this, and consider actions to reduce any liability the council may face regarding this (signs, insurance, removal etc.)</p>	

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
<p>Has the council prepared an annual budget in support of its precept? yes</p> <p>Is actual expenditure against the budget regularly reported to the council? yes*</p> <p>Are there any significant unexplained variances from budget? no</p> <p>Are reserves appropriate? no*</p> <p>General Reserves 48626</p> <p>Months of Expenditure 14</p> <p>It is recommended that general reserves are kept within 3 to 12 months of expenditure. The council needs to be mindful that general reserve balances are not excessive.</p> <p>Due to issues in the transition the new clerk (back access etc.) the cashbook has not been kept up to date. As a result regular reporting to Actual v Budget has not been performed in the latter part of the year. It is essential that all required access is updated urgently to allow timely update and reporting of information.</p>	

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
<p>Is income properly recorded and promptly banked? yes</p> <p>Does the precept recorded agree to the Council Tax authority's notification? yes</p> <p>Are security controls over cash and near-cash adequate and effective? yes</p> <p>Is the council VAT registered? no</p> <p>Are returns submitted in a timely manner. yes*</p> <p>Is VAT reclaimed on exempt business activities reviewed and considered insignificant? n/a</p> <p>Are receipts for business activities within the registration threshold? yes</p> <p>There was a VAT refund received in November 2021 - but paperwork was not available to substantiate this claim, or review that prior year corrections had been made. It is essential that VAT records are kept and available to substantiate claims made and ensure that future claims avoid duplication.</p>	

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	N/a
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The council holds no petty cash.

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
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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)	no
As the cashbook was not up to date, it was not possible to substantiate the value of line 4.	
For one supplier - it appears that a timesheet is submitted, from which the council generates an invoice on their behalf. This is one of the key features of employment status tests. If a self employed worker is found to be a "disguised employee" the council may become liable for backdated employee benefits and any unpaid tax. The council should use the government tool to evaluate the "employment status" of this supplier and also consider the insurance implications - a self insured worker should have their own liability insurance in place, it would be good practice for the council to keep a copy of this on record.	

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

I. Periodic and year-end bank account reconciliations were properly carried out.	NO
Is there a bank reconciliation for each account?	no*
Is a bank reconciliation carried out regularly and in a timely fashion and approved by council?	no*
Are there any unexplained balancing entries in any reconciliation?	no
Is the value of investments held summarised on the reconciliation?	no
As per letter. Bank reconciliations have not been prepared, reviewed or signed off in the latter part of the year, or at year end.	
There is a reserve account for which the Clerk does not have access to the passbook so it was not possible to verify the balance or any movements for the year. It is essential that the Clerk has access to bank records to allow preparation and substantiation of accounting records.	

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) ?	R&P
Are debtors and creditors properly recorded?	n/a
Do accounts agree with the cashbook?	no
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, 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 any relevant Transparency Code requirements	YES
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Transparency Code for Smaller Councils (income/expenditure under £25k)	
All items of expenditure above £100	yes*
End of Year Accounts	no*
Annual Governance Statement	no*
Internal Audit Report	no*
List of Councillor or member responsibilities	no*
Location of public land and building assets	no*
Minutes, Agendas and papers of formal meetings	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)	n/a
Annually:-	
local authority land	no
social housing assets	n/a
grants to voluntary, community and social enterprise organisations	yes*
organisation chart	n/a
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	n/a
social housing fraud	n/a
One off:-	
Waste contracts	n/a

Some items are published by inclusion in minutes, some other items would have been published, but there were some broken links in the website at the time of audit.

The council falls between the small and large authority thresholds for Transparency requirements so the code is advisory and considered best practice. A later briefing paper states that the government expects that medium councils will follow the guidance. The council could consider publishing additional information in line with the Transparency Code. Freedom of Information regulations may also be relevant.

M. The authority has demonstrated that during summer 2021 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	YES
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Publication Date	28/06/2021
Date from	29/06/2021
Date to	09/08/2021

N. The authority has complied with the publication requirements for 2020/21 AGAR.		NO
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	no	
Section 3 External Audit Report & Certificate	no	
Internal Audit Report	yes*	
At the time of Audit the link to "Audit and Insurance" was broken so no publications could be verified. In July, when the link was working, publication of the unaudited accounts was verified.		
O. Trust funds (including charitable) – The council met its responsibilities as a trustee.		N/a