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10 February, 2022

The Parish Clerk

South Wonston Parish Council

PO Box 324

South Wonston

Winchester

SO21 3WB

Dear Rachel

Interim Internal Audit Report

South Wonston Parish Council – April 2021– December 2021

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

We confirm that we are independent of the Council.

The internal audit work to be carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor’s Report on the 2021-22 Annual Governance and Accountability Annual Return (AGAR).

We have complied with the legal requirements and proper practices set out in:

- ‘Governance and Accountability for Local Councils – A Practitioners’ Guide (England)’ 2021
- The Accounts and Audit (England) Regulations 2015 (as amended).

Background

South Wonston Parish Council had income and expenditure in 2020/2021 of between £100,000 and £200,000 and is subject to review by the External Auditor, PKF Littlejohn. The completion of the Accountability and Governance Annual Return 2020/2021 as been submitted to the External

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Auditor. The conclusion of audit notice for 2020/2021 was received on the 21 September 2021. The External Auditor indicated that that was one "Other Matter" which states.

We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2021/22 for the exercise of public rights, since the approval date was the same date as the start of the period for the exercise of public rights. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2021/22 and ensure that it makes proper provision for the exercise of public rights during 2022/23.

The Clerk wrote to the External Auditors to challenge their statement and received the following response:

I have looked at the file and I can see that the problem is that when you sent in all your documents for review with the AGAR, you sent in the blank Notice of public rights form rather than the one you had completed to be published on the website. The blank form is pre-populated with our suggested dates which started on 14th June. Obviously, these dates were not appropriate for you as that is the date your AGAR was approved. However, the team member who carried out the review assumed that as you had submitted this form that those were the dates the Council had chosen. When I look at it now it is clear it is the blank form as the date of the notice and the name of the Council have not been filled in on the form. I apologise for this error.

As the dates you selected and published as detailed in your email below are valid, there is no need for the Council to tick "No" in respect of Assertion 4 on next year's AGAR and I have made a note on our file to that effect.

Unfortunately, once we have issued our opinion and certified closure, we are unable to reissue our report, however I can provide a note from us explaining the situation which you can publish on the website together with our report and I have attached that to this email.

(Audit Note: Considering the response from the External Auditor there is no further action required).

The Council is not a sole managing trustee.

It is good practice for the Council to comply with the Local Government Transparency Code 2015.

The Council's accounting records are maintained on RBS Omega Software

The interim internal audit was agreed with the Clerk and records were collected on Tuesday 25 January 2022. The Clerk also provided back-up information from RBS Omega software for the period April 2021 to December 2021 to support the current governance and financial management position of the Council.

Further confirmation has been obtained of good practice and compliance with the Transparency Code Regulations 2015 from the Council's website.

The requirements of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulation 2015 require the Responsible Financial Officer to publish on the Council's website:

the Accounting Statements, Section 2 of either Part 3 of the Annual Governance & Accountability Return (AGAR))

a declaration, signed by that officer to the effect that the status of the Accounting Statements is unaudited and that the Accounting Statements as published may be subject to change.

the Annual Governance Statement, Section 1 of Part 3 of the AGAR

(Audit Note: It has been noted that the Council had failed to ensure that these publications were uploaded to the website correctly since the completion of the documentation in June 2021 although this has recently been rectified).

The Reserves position of the Council was discussed in detail with the Chairman of the Council and the Clerk. It is noted that decisions and approvals taken by the full Council are recorded in the Minutes of the Council.

It was agreed with the Parish Clerk that enhancements are currently being made to the Council website and details of transactional information will be displayed to provide transparency of financial management information. This work is currently ongoing. It is further noted that current projects displayed as part of the additional documents listing on the website records General Reserves that cover 6-to-9-month of regular Council expenditure. We have further noted that since the introduction of the Reserves Policy in 2018 these are reviewed each financial year to ensure that they remain fit for purpose. These will be rechecked again in 2022/2023.

Internal audit checks

We have undertaken a series of audit tests on the Council's financial records, vouchers, documents, Minutes, policies, procedures, and insurance documentation to ascertain the efficiency and effectiveness of the Parish Council's internal control framework. This internal audit report is based on the audit testing carried out at this review.

During this review we checked a sample of records and tested the following:

- Minutes of Council and Committee Meetings
- Policies and Procedures
- Bank and cash
- Investments
- Budgetary Management
- Income and expenditure
- VAT claims
- Covid 19 arrangements
- Financial Risk Assessment
- Transparency of the Council website

Findings

Details of good practice noted, our recommendations and other matters to be brought to the Council's attention are set out below.

Good practice

- The Council continues to maintain its books and records on RBS Omega Software.
- Staff remain aware of the requirements of GDPR
- The Council is registered with the ICO.
- Details of total payments authorised at meetings are recorded in the Minutes.
- All expenditure items could be traced and are recorded correctly in the financial ledger.
- Sales invoices have been raised for 2021/22.

- The Insurance cover is appropriate for the size of the Council
- The Council take an active scrutiny role.
- The budgeting process is detailed and monitored.

Recommendations

RBS Software

- The RBS Omega software should be updated regularly to ensure that the financial management and transactional information is kept up to date.

Bank Reconciliations

- We continue to recommend that in line with proper practices that bank reconciliations should be printed off from the RBS Omega software, signed and dated by the Clerk each month.
- The Chairman of the Council should sign and date the bank reconciliations monthly to confirm that bank reconciliations have been carried out accurately as part of Councillor scrutiny role. This practice should be introduced with immediate effect.

VAT Reimbursement Claims

- In line with best practice VAT claims should be submitted to HMRC for reimbursement on a quarterly basis.

Sales Invoices

- Sales Invoices should be clearly marked to show the receipt of income to clear the outstanding fees. These should be marked with the date and amount of the sums received to clear the debt.

Transparency Code 2015

- The Parish Clerk is reminded of the best practice requirements of the Transparency Code 2015 to ensure the Council can remain compliant with the requirements on the Council website:

Smaller authorities should publish:

- a. all items of expenditure above £500
- b. end of year accounts
- c. annual governance statement
- d. internal audit report
- e. list of councillor or member responsibilities
- f. the details of public land and building assets
- g. Minutes, agendas and meeting papers of formal meetings

Other matters to be brought to the Council's attention

- As indicated, it should be noted that the External Auditor has highlighted in 2020/2021 that any authority which receives income in respect of an insurance claim against expenditure during the year should not account for it as a receipt but should be netting it off against the relevant expense. Whilst the Practitioners' Guide is silent on the matter, the External Auditor's view is that the true cost to the authority should be shown on a net basis. Accounting on a gross basis inflates the gross income and gross expenditure of the authority and can push the authority into a higher fee band than it would otherwise be in. The Joint Practitioners Audit Group (JPAG) and the External Auditor are continuing to discuss this issue to agree a definitive proper practice which will be included in the updated version of the Practitioners Guide 2022.
- The Council have provided evidence of the posting date for the Exercise of Public Rights in 2021 and will be able to tick "Yes" to Assertion 4 on Section 1 (Governance Statement) of the AGAR 2021/2022 to comply with the requirements of the Accounts

and Audit Regulations 2015. We will also be able to tick “Yes” to Control Objective M on the Annual Internal Audit Report 2021/2022.

- We note that the risk assessment for 2021/2022 will need to be approved by full Council by 31 March 2022. We understand that this will be reviewed and approved at the full Council meeting in March 2022. Once completed we will be satisfied that the Council can tick “Yes” to Assertion 5 on Section 1 (Governance Statement) of the AGAR 2021/2022 to comply with the requirements for the External Auditor. We will then tick “Yes” to Control Objective C on the Annual Internal Audit Report 2021/2022. The 2021/2022 Risk Assessment should then be uploaded on to the Council website for information.
- We also note that the Asset Register for 2021/2022 will need to be approved by full Council by the 31 March 2022. We understand that this will be reviewed and approved at the full Council meeting in March 2022. Once this is completed the Council can tick “Yes” to Assertion 6 on the Annual Governance Statement on the AGAR 2021/2022. We will be able to tick “Yes” to Control Objective H on the Annual Internal Audit Report 2021/2022.

Conclusion

We have made recommendations in this report to enhance and strengthen the internal controls that exist. We can give limited assurance at this stage that the internal control framework is adequate, we will need to test these areas at the next visit to provide full assurance that improvement has been made to take forward into 2022/2023. We will continue our testing at the next internal audit visit.

Next visit

The next internal audit visit has been arranged for **Wednesday 8 June 2022**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- VAT claims
- 2022/2023 budget requirements
- Financial Risk Assessment
- Asset Register
- Payroll Information.
- Transparency Regulation 2015
- End of Year Procedures

Next Steps

This report should be noted and circulated to the next meeting of the Parish Council.

The Council should decide what action will be taken on the recommendations we have made.

Tim Light FMAAT
Internal auditor