

Caister on Sea

Internal Audit Report

For Caister on Sea Parish Council Financial

Year 2022/23

Including Explanatory Notes for Annual Return
(where a 'no' has been marked)

Prepared by Sarah Hunt
2nd June 2023

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I have completed an internal audit of the accounts for Caister Parish Council for the year ending 31st March 2023. My findings are detailed below using the tests provided in the Governance and Accountability document. I would like to thank the Clerk /RFO for providing me with all the information required for the Internal Audit.

Internal Control	Test	Observations / Recommendations
Proper bookkeeping	Is the cash book maintained and up to date?	yes
	Is the cash book arithmetically correct?	yes
	Is the cash book regularly balanced?	yes
Standing Orders, Financial Regulations, and Payment Controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	2021 – out of date.
	Date Financial Regulations last reviewed	2021 – out of date
	Has a Responsible Financial Officer been appointed with specific duties?	yes
	Have items or services above the de minimus amount been competitively purchased?	yes
	Are payments in the cash book supported by purchase orders, invoices, authorised and minuted?	yes
	Has VAT on payments been identified, recorded and reclaimed?	yes
	Is S137 expenditure separately recorded and within statutory limits?	yes
	Have S137 payments been approved and included in the minutes as such?	yes
Risk Management Arrangements	Does a review of the minutes identify any unusual financial activity?	no
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	No – see comments
	Is insurance cover appropriate and adequate?	No – see comments

Internal Control	Test	Observations / Recommendations
	Are internal financial controls documented and regularly reviewed?	No – see recommendations
Budgetary Controls	Has the Council prepared an annual budget in support its precept and has this been minuted as being approved?	No – see recommendations
	Has the precept been calculated from the budget and been approved?	No – see recommendations
	Does the budget include an actual completed year?	No – see recommendations
	Is actual expenditure against budget regularly reported to the Council?	No – see recommendations
	Has the Council agreed a General Reserve Policy and is this figure reflected in the ‘free balance’?	No – see recommendations
	Are there any significant unexplained variances from budget?	n/a – no budget available.
Income Controls	Is income properly recorded and promptly banked?	yes
	Does the precept recorded agree to the Council Tax authority’s notification?	yes
	Are security controls over cash and near-cash adequate and effective?	No cash.
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices / receipts?	n/a
	Is petty cash expenditure reported to each Council meeting?	n/a
	Is petty cash reimbursement carried out regularly?	n/a
Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Checked 2021 - 22
	Do salaries paid agree with those approved by the Council?	Checked 2021-22
	Are salaries above the National Living Wage / Minimum Wage?	yes

Internal Control	Test	Observations / Recommendations
	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
Asset Controls	Does the Council maintain a register of all material assets owned or in its care?	No – see recommendations
	Are the assets and investments registers up to date? When were these last reviewed?	No – see recommendations
	Does the asset insurance valuations agree with those in the asset register?	No – see recommendations
Bank Reconciliation	Is there a bank reconciliation for each account and is this reported to Council?	yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	yes
	Are there any unexplained balancing entries in any reconciliation?	yes
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis? (Receipts and Payments or Income and Expenditure)	yes
	Do accounts agree with the cash book?	yes
	Has a year-end bank reconciliation been undertaken?	yes
	Is there an audit trail from underlying financial records to the accounts?	yes
	Where appropriate, have debtors and creditors been properly recorded?	yes
Procedural	Is eligibility for the General Power of Competence properly evidenced?	n/a

Internal Control	Test	Observations / Recommendations
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Some – see recommendations
Transparency: For smaller councils with turnover under £25,000	Are minutes for the whole year on the website?	n/a
	Are agendas for the whole year on the website?	n/a
	Are payments over £100 detailed on the website?	n/a
	Have electors' rights been correctly advertised on the website, including explanatory notes?	n/a
	Are councillors' responsibilities detailed on the website?	n/a
	Is the last financial year's Annual Return on the website?	n/a
	Are the land and building asset details on the website?	n/a
Councils that are Burial Authorities	Are fees levied in accordance with the Council's approved scale of fees and charges?	yes
	Have fees for the cemetery been reviewed and agreed by the Council?	yes
	Were comparisons made with other cemeteries prior to setting the fees?	n/a
	Have burial books been kept up to date and are they safely stored?	No – fire proof safe not obtained.
Councils with Allotments	Has a list of allotment holders with amounts paid to Council been submitted?	yes
	Have fees for the allotments been reviewed and agreed by Council?	yes
Councils with Charities	Are all Charities up to date with Charity Commission filing requirements?	n/a
	Has the Council been named as Sole Trustee on the Charity Commission Register?	n/a

Internal Control	Test	Observations / Recommendations
	Is the Council acting in accordance with the Charity Trust Deed?	n/a
	Are the Charity meetings and accounts recorded separately from those of the Council?	n/a
General Data Protection Regulation	Has the Council adopted a Data Protection Policy?	yes
	Has the Council put in place Privacy Notices?	yes
Miscellaneous	Is the Council registered with the Information Commissioners Office?	yes
	Does the Council's website meet accessibility requirements (random sample)	Yes – website used: accessibility.com

Summary of Recommendations:

1. That the Council seeks independent advise on any potential VAT liability.
2. That the Council reviews an Internal Control Policy annually in accordance with the Financial Regulations adopted.
3. That the Council approve a Financial Risk Assessment.
4. That all committees have up to date Terms of Reference.
5. That an up to date Asset register be compiled urgently. That this be used to inform both insurance cover and also the AGAR figures.
6. That Council agree an investment strategy and publish same.
7. That the Council reviews the bank accounts held and ensures that no more than £85,000 is held in each bank. This was advised last year.
8. That rebuilt surveys be undertaken on Council buildings and the insurance schedule reviewed.
9. The Council must set the precept against a budget – and review spending against the budget throughout the year.
10. Council must, by law, consider a general reserve policy.
11. Community Association lease/insurance to be checked.
12. That an investment strategy be agreed by Council urgently and money transferred to bring holdings with any one bank under the limit of the FCSC agreement. I have recommended to the Clerk that the current account be transferred to UNITY bank which will offer the necessary level of authorization for payments to be made.
13. It is recommended that a fire proof safe be obtained for burial records.

Observations

I have brought a small number of additional minor observations to the clerks attention. I would bring the following to the attention of the Council:

As recommended last year the Council continues to claim under VAT126. I advise

Council to look at VAT and take advise. If £1,000 of output VAT is reached in the financial year on business activity then registration will become mandatory and previous years will be assessed. VAT notices 749 and 742 refer.

The Council has not adopted adequate internal control process. It is legislation that two signatories authorize payments. The Clerk is able to make payments through the bank account as a lone signatory, and also holds a bank debit card on the Parish Council account.

An internal control document should protect council by ensuring suitable processes are followed, that the Clerk cannot effect payments and that the account is dual signatory with two councillors authorizing all payments. For indemnity insurance to be effective council must be making all payments in a lawful manner.

In accordance with Statutory Guidance on Local Government Investments issued under section 15 (1)(a) of the local government act 2003 and effective for years commencing on or after 1st April 2018 for any council with £100,000 or above held the Council has to prepare at least an investment strategy which is approved at full council and publicly available.

Currently funds are held in an account paying 0.01% interest. With over £350,000 in one account this is not only a risk for the funds as they are not covered by insurance or FCSC guarantees it is also not maximizing the return. Council should review this thoroughly.

It would appear that the Council risks the buildings and other items being underinsured on the current policy. Rebuild surveys should be undertaken and when the asset register is completed and updated this should be provided to the insurance company to ensure that sufficient cover is in place.

There is a lease in place (unseen) with the Community Association. Council should satisfy itself that the Community Association holds the necessary insurance and that the Council has the correct landlord cover.

The Council may be responsible for annual playground inspections, the clerk is going to ascertain if these are being undertaken elsewhere. If they are then Council should obtain copies to ensure that the equipment is compliant and safe – insurance rests with Council.

There are no tree surveys undertaken. Council should have a regular schedule in place.

I have not checked salary payments this year as contracts where checked last year – I have however reconciled payments and all appears in order.

I would like to thank the Clerk for a well presented set of accounts and audit documents.

Signed: Sarah Hunt

Date: 3rd June 2023

Notes to accompany the Internal Audit Report – to be published alongside Page 3 of the Annual Governance Annual Return

Statement C. The Council has not reviewed any risk assessments within the financial year – in particular it must undertake a financial risk assessment which is currently not in place.

Statement D. The Council is not setting precept against a budget showing at least one years actual figures, nor is it reviewing spend against budget during the year.

Statement G. The salaries and payroll were reviewed extensively by myself during 2021-22 and no errors in any aspect. This year I have reviewed payments and HMRC returns which are in accordance with all legislation, and salaries – I have not reviewed contracts as they remain unchanged from 2021-22.

Statement H. There is no comprehensive asset register held.

I recommend that the Council ticks 'No' to Boxes for the following reasons:

Box 1. The Council has not adopted any form of internal control, risk assessment or reserves policy.

Box 2. Payments are solely made by the Clerk online with no second signatory involved.

Box 5. No Internal Controls adopted. No Asset register to inform insurance levels.

Box 7. Items raised at last years internal audit have not been addressed.

Sarah Hunt
Internal Auditor
3rd June 2023