Internal audit report 2022/23

Visit 1 of 3

HAYDON WICK PARISH COUNCIL

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Introduction

This report contains a note of the audit recommendations made to Haydon Wick Parish Council following the carrying out of internal audit testing remotely on 5th October 2022.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as supplemented by the requirements of later IA sections of the AGAR.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

As this audit report is an interim one, no audit opinion is offered at this stage.

The report issued after the final visit for 2022/23 (which will be in May or June 2023) will contain the audit opinion.

The following areas were reviewed during this audit visit:

1. Proper book-keeping
2. Payments
3. Risk Management (minutes review)
4. Petty Cash
5. Payroll
6. Exemption (confirmed not covered)
7. Public Rights
8. Publication

Audit Recommendations

Recommendations made during the audit are shown in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	2
Medium	5
Low	5
Info	1
TOTAL	13

I would like to thank Jodie Smart, Finance Officer & Deputy RFO for her assistance during this audit.

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
2.1 – Ensure payments supported by authorised invoices or other working papers	I checked that a sample of payments in the cashbook were supported by invoices, authorised (signed/initialled by the Clerk or other officer with delegated authority to confirm that goods or services had been satisfactorily received and that the invoice was correct and cleared for payment) and minuted (for approval by Council). I found that 9/12 payments were supported by invoice or other external evidence. 1/12 payments related to a grant approved by Council, and 2/12 related to 2 Ukraine donations approved by Council which were made over the telephone by credit card (and for which no confirmation paperwork was available from the Charities, although the related credit card statement noted that the payments were made to Unicef UK and British Red Cross). 6/12 samples had no evidence of authorisation. I recommend that all payments are	M	Process followed to approve invoices prior to payments.	JS, GMD	Complete.

	supported by authorised invoices or other working papers, in order to improve the audit trail and reduce the risk of fraud and error.				
2.2 – Ensure all payments minuted for approval	I found that 3/12 had not been minuted for approval by Council. 1/12 was overlooked during the manual preparation of payment lists during year-end, and 2/12 were credit card payments. s.5.2 of the Council's Financial Regulations (FRs) requires that the Council minutes the approval of all payments, with 'a detailed list of all payments to be disclosed within of as an attachment to the minutes of the meeting at which the payment was authorised'. Currently the Council does not minute the approval of the payments made by credit card or out of petty cash. Instead, these are checked as part of the quarterly 'spot check' completed by Members of the Internal Audit Working Party. Best practice would be for all payments to be minuted for approval by Council, which could achieved by way of minuting the total value of each type of payment reviewed by Members, with the list of payments	H	Petty cash and Credit card payments to be included in monthly approved payment schedules at F&P Committee.	JS	December meeting onwards.

	disclosed as a schedule to the minutes. I recommend that payments made around the year-end are checked, with any that have not been reported to Council for minuting to be included in the next payments list. I also recommend that all payments are reported to Council in accordance with best practice and the Council's Financial Regulations.				
2.3 – Check VAT on electricity invoice	I checked to see that VAT on a sample of payments had been identified, recorded and reclaimed. I found that VAT had been correctly treated for 11/12 payments. I found that on 1/12 samples, for electricity paid on 21/06/22, it appeared that VAT of £2.74 had been reclaimed on the finance system where the related invoice showed VAT due of £2.24. I recommend that the finance system coding is checked in order to ensure that the correct amount of VAT was reclaimed.	L	Inputting checked as part of payment approval process by Chief Officer.	GMD	Ongoing
2.4 – Consider requirement for procurements between £100 - £3k	I checked to see that the Council had formally adopted Standing Orders (SOs) and Financial Regulations (FRs). Both documents were formally reviewed and	L	For consideration at F&P Committee.	F&P	December meeting.

	re-adopted during the financial year. I noted that s11.1.h of the Council's FRs (which sets out the thresholds for each type of procurement process) notes that the Clerk/Chief Officer or RFO is required to obtain 3 quotations for contracts for supply of goods or services from £3k to £25k in value, and that for contracts for £100 - £3k the requirement is that the same officer strives to obtain 3 written quotations (ordinarily defined as a fixed price in writing). Typically at the lower level the requirements is for 3 estimates (a price with a lesser degree of certainty). The Deputy RFO has noted that the distinction between the two thresholds is the requirement to obtain or strive to obtain quotations respectively. The Deputy RFO has confirmed that the FRs will be reviewed and taken to the November Finance & Policy Committee meeting to approve. I recommend that the Council reviews its Financial Regulations as planned, and that it considers whether the lower procurement band of £100-£3k should				

	remain at 3 written quotations or be revised to 3 estimates.				
3.1 – Corrected minute links	I reviewed the minutes for the financial year to date to confirm that there was no unusual financial activity. I found no such activity but did note that: 1. The link to the minutes of the 19/07/22 Planning & Highways Committee went to the Finance & Policy Committee minutes of the same date; 2. The link to the minutes of the 19/07/22 Finance & Policy Committee was a dead link; and 3. The minutes of the 21/09/22 Personnel Sub-Committee meeting referred to in the September Council meeting were not shown on the website. All three were corrected during the audit.	Info	Corrected during audit.		Complete.
6.1 – Consider claiming VAT on simple VAT receipts	I checked to see that a sample of petty cash expenditure was recorded and supported by VAT invoices/receipts. I found that receipts were in place for all expenditure for the sample month (May 2022). The majority of expenditure was for items on which VAT is not reclaimable (bird seed for the Memory cafe, and milk and juice for staff	M	For consideration by F&P committee.	F&P Cttee.	December meeting.

	refreshments), but that no VAT was claimed in respect of a car par ticket (for the bus) and cutlery for the Memory cafe. All three receipts appear to be simple VAT receipts, which means that VAT of £4.92 (against total spend of £62.45 for the month) could potentially be claimed. HMRC has guidance about the use of simple VAT receipts here: https://www.gov.uk/guidance/record-keeping-for-vat-notice-70021 I recommend that the Council considers whether to ensure that VAT is reclaimed where possible, including on simple VAT receipts, or whether as a matter of policy VAT is only reclaimed where it is explicitly noted on a receipt or invoice.				
7.1 – Process payroll amendment as planned	I checked to see that salaries agreed with those approved by Council for one sample month. I found that one member of staff appeared to be being paid at 1SCP below the amount due, but the Finance Officer/Deputy RFO noted that this error had been identified and corrected within the payroll the following month. I noted that a second member of staff had not been paid a	L	Completed in October payroll.	JS	Complete.

	contracted uplift to their hourly rate. It was confirmed that this would be corrected in the October 2022 payroll. I recommend that the uplift payment is made in the October 2022 payroll as planned.				
7.2 – Minute value of allowances as planned	I was unable to prove that Member allowances were being paid in accordance with the amount agreed by Council. The most recent set of minutes confirms that allowances would increase in line with staff cost of living rises, but did not note the value agreed. The Finance Officer/Deputy RFO has confirmed that the Finance & Policy Committee is due to consider the matter at their meeting on 18 October 2022. I recommend that the review and minuting of the value of allowances (for both Councillor and Chairman) takes place as planned.	L	To be considered with SBC recommended remuneration report at November F&P meeting. Value to be included within Minutes.	Full Council.	Nov Full Council.
7.3 – Use signed mileage claims and timesheets	I checked that a sample of other payments to and deductions from employees reasonable, properly supported and approved by the council. I found that one amount of mileage was paid during the month, and 3 staff were paid to timesheet. The mileage claim	M	Expenses claims for to be introduced.	JS	December 2022.

	was made via email, and the copy timesheets provided were not signed (albeit one related to a member of staff who is no longer employed by the Council). The Deputy RFO noted that mileage claims are so infrequent that emails are normally used to submit the claim. I recommend that mileage claims are submitted via a formal claim form, and that mileage claims and timesheets (and any other claims for non-salary pay and expenses) are signed and dated by the claimant (to self-certify that the claim is correct and was made in relation to genuine Council business), and signed and dated by their line manager (to evidence that the claim has been confirmed as correct, and cleared for payment).				
7.4 – Check calculation of hours recovered	One member of staff had a deduction relating to time paid but not worked the previous month due to absence. I was unable to agree the calculation. A deduction was made for 60 hours, but by my calculation 88 hours were due and 37 worked over the period (based on a 22 hour week), leaving a balance of	M	To be investigated by.	JS	End November.

	51 hours to be recovered by the Council. I recommend that the calculation is checked to ensure that the correct deduction has been made, and any required adjustments are made at the earliest opportunity.				
7.5 – Correct employee pension contribution rate	I checked to see that pension contributions had been correctly calculated and paid over. I found that one member of staff was paying an employee rate of 6.5% but should have been paying a rate of 5.8% based on the annual pensionable pay. The Deputy RFO has noted that this will be corrected in the October payroll. I recommend that the rate is corrected as planned.	L	Corrected in October Payroll.	JS	Complete.
7.6 – Check if taxable mileage is pensionable	A member of staff was paid for mileage during the month. The Council reimburses mileage at 95ppm (to recognise the increased cost of fuel). As HMRC only allow 45ppm tax free, the additional amount paid is subject to tax. This taxable element has also been included in the pensionable pay calculation. Wiltshire Pension Fund note that pensionable pay typically includes	M	To confirm with WPF.	JS	End of November.

	salary, overtime, maternity pay etc, and 'any other taxable benefit specified in your contract as being pensionable'. Contributions are not paid on travelling or subsistence allowances, or money paid in lieu of a car. The employee's contract of employment is silent as to whether or not the taxable element of mileage is pensionable. I recommend that the Council confirms with Wiltshire Pension Fund whether or not the taxable element of mileage is pensionable, in order to ensure that mileage and pension contributions are calculated correctly.				
14.1 – Ensure cover for timely publication of statutory documents	I checked to see that the Council had complied with the publication requirements for the prior year Annual Governance and Accountability Return (AGAR). The Council must publish at least one day before the start of its public rights period (and no later than 30 June): s1 and s2 of the AGAR, a note that s2 is unaudited, and a note of the period of public rights and how this is exercised. These publications must remain in place until one day after the end of the public rights period. The Council complied with this requirement.	H	To arrange receipt of the notice by the Deputy RFO in future, who is able to publish on the website.	JS	22/23 AGAR.

	The Council must also publish on or before 30 September each year the notice of conclusion of audit and the external auditor's report. Unfortunately, the notice of conclusion was not received until 29 September, when the website administrator was on leave. The documents were published on 4 October, which is after the deadline. I recommend that the Council ensures that there is cover for the website administrator, in order to ensure that key documents can be published on the website within statutory deadlines.				