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Whetstone
Leicester
LE8 ████████

31 May 2022

Strictly Private & Confidential

Mr L Phillimore
Clerk to Cosby Parish Council
76 Springwell Lane
Whetstone
Leicester
LE8 6LT

Dear Les,

Internal Audit 2021/22

I would like to thank you once again for giving me the opportunity to carry out the internal audit and also to you and Sarah for your help and time.

The internal audit is now complete and the relevant section of the Annual Return duly signed.

I have attached my report to this letter, and although there are several points raised, I do not consider there to be any significant weaknesses or matters which have prevented me from signing off the relevant section of the AGAR. I am satisfied that there are robust processes in place, supporting evidence is maintained and that risks faced by the Council are known. The points raised in the report are, in the main, recommendations which will lead to a more transparent audit trail and provide further documentary evidence of the existing processes and procedures.

Should you have any queries in connection with the above, please do not hesitate to contact me.

I also enclose my fee note for your kind attention.

Yours sincerely,



Jacquie Cox

Cosby Parish Council

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I have set out below the scope of my work together with my observations and recommendations. I have also included an update on the points raised in the previous year.

Scope of Work

In order to be sufficiently satisfied to sign the Internal Auditor Statement on the AGAR, the work undertaken during the course of the internal audit was as follows:

1. The entries on the accounts section of the AGAR were agreed to the underlying records including the detailed income and expenditure report.
 - The closing reserves were proven by reference to total payments and receipts (extracted from the monthly cashbooks) and movements in debtors and creditors.
 - Fixed assets were agreed to the inventory.
2. A review of the minutes for the year was undertaken for any significant items and to ensure policies and procedures were being correctly carried out.
 - Bank reconciliations are noted as presented to Council each month and a signed copy forms an integral part of the minutes.
 - A copy of the monthly Income and Expenditure report is included with the minutes each month.
3. A detailed bank review was undertaken as follows:
 - Opening balances per the cash book were agreed to the closing balances on the 2021 AGAR.
 - Closing bank reconciliations were checked to ensure they were in agreement to the bank statements and cash books, and that any outstanding amounts cleared the bank account in a timely manner after the year end.
 - A proof in total was performed for each bank account.
 - Bank accounts reviewed for transfers to ensure no time delay.
 - Bank statements were reviewed to ensure no errors, omissions or irregularities.
 - The cashbook sheets were reviewed for any unusual reconciling or journal entries.
4. A sample of payments was selected and agreed to underlying documentation to ensure that it was bona fide for the use of the Council.
 - VAT reclaim where applicable was also checked.
5. Receipts testing was undertaken.
6. Year end debtors and creditors were agreed to underlying documentation.
7. Payroll testing was undertaken as follows (One month selected)
 - Gross pay for one month was agreed to personnel records and to the NALC pay lists.
 - Deductions were checked and agreed.

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- Net pay was agreed to the cash book.
 - Payment to HMRC and the pension payment were agreed to the cash book.
8. Risk assessments were reviewed to ensure all risks faced by the Council had been addressed.
 9. Insurance documentation was reviewed to ensure that adequate cover is in place.
 10. Asset registers and inventories were reviewed.
 11. The precept setting process was reviewed to ensure that it resulted from an adequate budgetary process.
 - The precept received was agreed to the amount set in the minutes in the previous year.

Observations/Recommendations – 2022

1. Minutes

- The Income and Expenditure Report is included in the Minute Book each month together with the budget report. In a number of months, these were not signed. There is no specific reference in the minutes that they have been discussed variance to budget reviewed. The minutes also refer to the Balance Sheet being presented, but this is not included with the minutes for any month.

I recommend that the Income and Expenditure Account is signed along with the bank reconciliations and that it is minuted that they have been presented to Council and a comparison to budget discussed.

- The minutes refer to approval of the balance sheet, but do not refer to approval of accounts paid/to be paid. No balance sheet is printed or presented to Council but each month there is a list of receipts and payments which details all the accounts paid and to be paid.

Debtors and creditors are not calculated on a monthly basis so I would suggest that the approval of the balance sheet is removed from the agenda but in order to comply with the Financial Regulations it is replaced by the requirement to approve the list of payments and receipts, and that this list is signed each month as an integral part of the minutes.

- There is reference to updates from working parties, specifically Minute 434, but the updates and minutes from the working parties. The notes/minutes from these meetings are included in the agenda papers but are not present in the minute book.

I recommend that the minute book contains copies of the minutes from both Council and the Working Parties where reference is made to updates from working parties and where the business of the working parties is a significant and relevant part of full council business, for example consideration of the budget for setting the precept, with the exception of confidential minutes which should be filed securely elsewhere.

- There is reference to a Finance Working Party Meeting on 8th November at which the budget would be discussed. There is no copy of the minutes or detailed budget present in the minute book.

See recommendation above. The budgetary process should be fully documented to demonstrate that the precept request is a result of this rigorous process.

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- An Extraordinary Meeting was held on 24th December to approve the precept for 2022/23. No budget is included with the minutes. The precept is minuted as approved but there is no mention that the underlying budget has been agreed.

All documentation to support the precept request should be filed and signed off with the minutes and the approval of the underlying budget should be minuted.

- There is no evidence in the minutes that the Standing Orders and Financial Regulations have been reviewed during the year.

The Financial Regulations and Standing Orders should be reviewed on an annual basis and updated where necessary. These should be updated to reflect the current processes and to mitigate risks highlighted by the risk assessments.

2. Basis of Accounts

- The Council has chosen to prepare the accounts on an income and expenditure basis, but the level of income and expenditure allows for the accounts to be prepared on a receipts and payments basis.

3. Bank and Cash

- There were some errors noted during testing of expenditure, as follows:
 - There is no evidence on the invoice that they have been authorised by a member of Council as part of the BACS approval process.
 - There is no evidence in the minutes that accounts paid and to be paid have been presented to Council for approval.
 - Orders are present in some instances but not in all cases where you would expect to see an order.

I recommend that a visible system of approval is put in place which will comply with the Financial regulations and provide a transparent audit trail.

Invoices should be signed as approved.

Recommendations for the approval of accounts paid and to be paid are detailed in above in the Minutes section of this report.

Orders should be raised for all goods and services where an order would be expected. The Financial Regulations should be updated to provide for goods and services not requiring an order.

A list of regular payments and direct debits should be presented to Council and approved annually in accordance with the Financial Regulations.

Payments should be made and authorised in line with the procedures set out in the Financial Regulations.

- A number of purchases are made from Chapmans garden machinery, a company owned and run by the family of Sarah Chapman. A declaration of interests should be completed by Sarah in respect of this relationship. Council should approve and minute their approval for orders through this supplier.

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- Included in income for the year are refunds from suppliers amounting to £5,804.79, one of which was provided for as a debtor in the previous year and was netted against expenditure. The inclusion in income has resulted in both income and expenditure being overstated. Refunds should be netted against the cost centre and ledger code to which the duplicate/overpayments were originally posted.

4. Payroll

- The pension contributions in respect of the March salaries was not paid until April 2022, but has not been provided for as a creditor at the year end.

5. Insurances

- The insurance cover assets other than buildings and contents falls short of the value of assets on the asset register as are the declared values on the policy documents. The asset register, in most cases, is at historic value so the replacement cost would be higher still. However, these assets are spread over several locations so it is unlikely that total loss would occur in any one instance. I do however recommend that cover is monitored on an ongoing basis.
- Fidelity Guarantee insurance is set at £250,000. This is considerably lower than the year end bank balances of £364,703.

I recommend that this cover is reviewed given the high level of reserves which are increasing due to savings for future projects.

6. Risk Assessments

- The Council is aware of the risks it faces although there is very little evidence that there are formal risk assessments in place. The following are in place to manage both the financial and non-financial risks faced by the Council:
 - Standing Orders
 - Financial Regulations
 - Regular inspections and maintenance of the playground equipment
 - Regular inspections of the cemetery
 - Adequate liability insurances

The Clerk is currently working to formalise the risk assessments, including financial, staff, open spaces, cemetery and health and safety assessments.

I also recommend that the Standing Orders and Financial Regulations are reviewed and updated where necessary.

Consideration should be given to continuity plans in the event that the Clerk is indisposed for a long period of time and not able to fulfil his duties.

Consideration should also be given to the level of balances held with each bank.

7. Creditors

- There is a creditor for Glasdon in respect of a memorial bench for Harry Corby. The effect of this is that the expense has been recorded in the 2021/22 year. However the donation received to pay for the bench has been deferred and included in income in advance, so pushing the income into the 2022/23 year. The treatment of the income and expense should match and be included in the same year.

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- The only accrual provided is the cost of the village hall for meetings. There is no provision for internal or external audit costs or the cost of the RBS closedown, amounting to approximately £1,230. However, these are annual costs and have not previously been provided for so the non-provision has an immaterial impact of the overall financial position.
- Income of £370 was received for burials/internments which took place in April 2022. This income has not been included in the income received in advance figure in the accounts. Arguably, the income reflects the work done to prepare for the burial/internment which is completed in advance of that burial/internment.
- In addition to the invoices already provided for, the pension contributions in respect of the March salaries. March litter picking and E-on charges relating to March 2022 have not been provided for amounting to £408.76. Again, these are annual costs and the effect of not providing for them is immaterial.

8. Debtors

- The only debtor provided for is an invoice to BK Entertainment for £175. No provision has been made for annual charges which span the year end as follows:
 - BHIB Insurance which runs to 31st May each year.
 - CPRE Subs which run to 30th October each year.
 - ADT CCTV maintenance contract which runs to 26th November each year.
 - SLCC Subs which run to 31st December each year
 - RBS Maintenance which runs to 31st December each year

The total prepayment in respect of the above is £1,081.48. The year on year movement does not have a material impact on the financial position as these are also year on year costs.

9. Precept Setting Process

Please refer to the report on the Minutes.

Whilst it is minuted that the precept has been agreed and that the Finance Working Party considers the budget, documentation to support the precept request is not robust.

It is clear that there is a process undertaken each year and that consideration is given, not only to the budget for the year but also to the level and type of reserves, but this should be better documented and the supporting paperwork be included in the minutes.

10. Schedule of Errors

The errors noted above have been summarised on the attached schedule. The overall effect on the accounts for 2021/22 is £312 and is not considered material to adjust.

The prepayments and accruals not provided for are annual costs and year on year, there is very little movement but I would recommend that in future the council considers fully providing for all debtors and creditors and has consideration for the timing of income and expenditure streams.

INTERNAL AUDITOR STATEMENT OF INDEPENDENCE

I confirm that I am completely independent of Cosby Parish Council, have no involvement in the day to day operations of the council and am not related to, or work with any member of Council.

Other than the provision of internal audit services, I am not a supplier of goods or services to the council or knowingly related to any such supplier.

A handwritten signature in black ink, appearing to read 'J A Cox', with a large circular flourish on the left side.

J A Cox
Internal Auditor