

Cosby Parish Council

Internal Audit Report

Year Ended 31 March 2023

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 loop on the left side.

J A Cox

Internal Auditor

Cosby Parish Council

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13 June 2023

Strictly Private & Confidential

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

Dear Les,

Internal Audit 2022/23

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. I am satisfied that there are robust processes in place, supporting evidence is maintained and that risks faced by the Council are known. I am happy to report that the recommendations from the previous year have been addressed and that the recommendations raised this year will serve to consolidate and provide further clarity.

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,

Jacquelin Cox

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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 2022 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.

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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.
 - 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 — 2023

1. Minutes

- 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

- During testing of payments, the following error was noted:
 - A payment was made to Veale, Wasbrough Vizards for professional fees. The invoice was addressed to Cosby Village Hall and not the Parish Council. Invoices should be checked prior to payment to ensure they are correctly addressed.

4. Payroll

- The pension contributions in respect of the March salaries were not paid until April 2023, 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

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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.

Given the current investment in playground equipment, I do recommend that cover is reviewed.

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 continues to work to formalise the risk assessments, including financial, staff, open spaces, cemetery and health and safety assessments.

- The Standing Orders published on the Council website do not appear to be the most up to date version. The website should be updated with the most recent Standing Orders.
- Financial Regulations have not been updated since June 2020 meaning some procedures and practices are out of date and not in line with the current operations of the Council.
 - I recommend a 'walk-through' of current practices and that the Financial Regulations are updated to reflect these.
 - The Financial Regulations still refer to Cheques as being the main method of payment. Since COVID, the Council has moved to online payments, the processes for which should be detailed in the Financial Regulations.
- 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.
- A review of the Council website indicates that the following policies have not been reviewed for a number of years:
 - Health and Safety
 - Data Protection (now GDPR and should include Privacy Notices etc)

I recommend that these policies are reviewed and brought up to date and in line with current legislation and that a register of policies is maintained detailing the review cycle.

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7. Creditors

- No Accruals have been provided for. There is no provision for internal or external audit costs or the cost of the RBS closedown, amounting to approximately £1,040. 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 £315 was received for burials/internments which took place in May 2023. 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 have not been provided for amounting to 209.93. Again, these are annual costs and the effect of not providing for them is immaterial.

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8. Debtors

- The only debtor provided for is an estimate of the Santander interest amounting £75. No provision has been made for annual charges which span the year end as follows:
 - BHIB Insurance which runs to 31st May 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 £1,319. The year on year movement does not have a material impact on the financial position as these are also year on year costs.

9. Schedule of Errors

The errors noted above have been summarised on the attached schedule. The overall effect on the accounts for 2021/22 is £323 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.