DRAFT FOR DISCUSSION v2

Internal audit report 2022/23

Visit 1 of 1

LYTCHETT MATRAVERS

PARISH COUNCIL

Date: 10th May 2023

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**Introduction**

This report contains a note of the audit recommendations made to Lytchett Matravers Parish Council following the carrying out of internal audit testing on the 14th April 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 amended for changes to later AGARs.

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**

The internal audit for 2022/23 has now been completed in accordance with the provisions of the Practitioners’ Guide and the CIPFA code of internal audit practice.

Based on the sample testing carried out at this final audit visit and during the year, all of the Council’s current financial controls reviewed during the testing appear to be operating effectively.

Please include a copy of this audit report with the annual return sent to your external auditor.

**Audit Recommendations**

Recommendations made during the audit are shown on 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 | 0 |
| Medium | 3 |
| Low | 3 |
| Information | 1 |
| TOTAL | 7 |

I would like to thank Tim Watton, Parish Clerk, for his assistance during this audit.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.1 – Ensure all invoices authorised and all payments minuted for approval | I checked to see that a sample of payments in the cashbook were supported by invoices, authorised and minuted. I found that 16/16 were supported by invoice, 14/16 authorised (initialled by the Clerk to evidence that the goods/services had been satisfactorily received and the invoice was cleared for payment) and 15/16 minuted (for approval by Council). One bank charge of £5 was omitted in error.I recommend that all invoices or other supporting working papers are authorised, and all payments minuted for approval by Council. This will improve the audit trail and reduce the risk of fraud and error. | L | Noted for action by Clerk | Clerk | 1/4/23 and ongoing |
| 2.2 – Ensure latest SOs and FRs are on the website | I noted that the Council reviewed and adopted new Standing Orders and Financial Regulations at its meeting of 22/03/23. The policy documents on its website are the original set from 2018.I recommend that the latest set of Standing Orders and Financial Regulations are uploaded to the Council's website so that users are aware of the current governance policies. | L | The latest versions (reviewed March 2023) of both documents have been forwarded to Mark Gracey (webmaster) for uploading to the LMPC website. | Parish Clerk / Mark Gracey | Actioned May 2023 |
| 5.1 – Ensure minute records exact calculation of changes to fees or charges, or the new charges themselves | I checked to see that prices charged agreed with those set by Council. I found that Council resolved to increase its allotment and burials charges by 5%, and that the Clerk had calculated the increase and then rounded the fee to the nearest £10 in order to avoid odd numbers (e.g. the standard exclusive right of burial fee was £210. A 5% increase would have made the charge £220.50, and this has been rounded to £220; a standard interment over 12 was £135, plus 5% would have been £141.75 and this has been rounded to £140). Similarly with allotments, the 5% increase on the 21/22 would have produced fees of £35.26 and £21.05: these were rounded to £35 and £21 respectively. Whilst the rounding is understandable in order to keep the pricing simple, ideally Council's minute would record the application of an increase and then a rounding, or the minute could record the actual fee proposed for the year.I recommend that Council ensures the minute recording the resolution for changes to fees and charges records the precise calculation or the actual fees to be charged, in order to ensure that there is clarity over the level of fees set. | M | The explanation of the difference is clear and practical. Since our charges are on the website there is also clarity for applicants.  | Clerk | Approval of rounded fees in next budget cycle |
| 5.2 – Consider whether to adjust for pricing errors | I found it difficult to follow the charges that had been applied in respect of Burials and memorials. £2.4k of income was received in 22/23. The Clerk provided a schedule of how each fee had been calculated, and identified that one client (in relation to a memorial) had been undercharged by £5 in error (as the previous year's fee had been applied) and another (for an out-of-parish plot memorial, for which triple fees are charged) had been overcharged £30 in error. This is an error rate of 1%.I recommend that the Council considers whether any adjustments are required. | M | Council considered this at its May meeting and agreed to refund the £30 over charged. | Clerk  | Council informed May 2023 |
| 5.3 – Collect allotment monies owed and consider further action | I checked to see that all income due to the Council is collected. I vouched 96% of the Council's income back to budget or remittance or other advice. The Clerk provided a copy of the allotment register, on which he had noted the payment status of all tenants. The Clerk's register notes that one tenant not yet paid for the 2023 rental year, ~~giving a total of £39.05 rent plus £77.00 deposit (total £106.05)~~ which is still being chased. ~~The invoice was raised in June 2022.~~I recommend that the Clerk continues to chase the monies owed, and that the Council considers whether any additional action is required in order to ensure that all income due is collected. | L | Reported to F&GP Cttee every 2 months as part of allotments report. Continuing to chase.  | Clerk | Council informed May 2023 |
| 10.1 – Review level of general reserves | I checked to see that reserve funds are adequate and regularly reviewed. I noted that the Council's policy is that earmarked funds are covered by the Council's long term investment. The Clerk confirmed that the remaining balance of funds which are equal to the Council's bank accounts comprise CIL monies and general reserves. The CIL monies are not shown separately on the Council's balance sheet in its finance system. £66.3k of CIL monies was received in 21/22 and £113.6k in 22/23. Assuming no CIL funds have been spent, this gives a total balance of £179.9k of CIL funds at 31/03/23, with general reserves of £42k or 27% of in-year expenditure.I recommend that the Council shows the CIL income and expenditure in an earmarked reserve on the finance system, in order to ensure that it is clear the funds are ring-fenced for specific purposes. This will reduce the risk of funds being applied incorrectly in a manner which could lead to a developer clawback. | M | The annual CIL reports to Dorset Council are up to date. In 21/22 CIL receipts were £69.5k, CIL expense was £30.5k. In 22/23 CIL receipts were £90.2k, CIL expense was £40.4k.  Note that the 21/22 CIL report showed that the total amount of CIL received in previous year(s) and retained (unspent) at the end of the reported year 2021/22 was zero. Because of the retrospective payment cycle of CIL it is not possible to properly control this with the books. The annual report can only be completed after receipt of the second payment (usually late April) and only at that time is there an accurate figure for CIL received. That then leads on to the assignment of infrastructure spend against those receipts; again only possible once the accurate figure is known. The Parish Council considers its current CIL monitoring process is robust and reflective of this retrospective payment cycle.  |  | No action required |
| 10.2 – Adjusted errors | The following errors were adjusted in the accounts:1. £6.1k of repayments relating to prior year Employer's Allowance claimed in error and repaid to HMRC during 2022/23 were transferred to the year to which they related. This meant that:- the prior year opening balances decreased by £5k- the prior year staff costs increased by £1.1k- the prior year closing balances and current year opening balances decreased by £6.1k- the current year staff cost decreased by £6.1k2. A £6k grant to the Citizen's Advice Bureau for 23/24 support was moved from other payments to creditors. This meant that:- current year creditors and closing reserves increased by £6k- current year other payments decreased by £6k.3. A payment of £1.4k relating to additional library opening hours for 21/22 was transferred to the year to which it related. This meant that:- the prior year other payments increased by £1.4k- the prior year closing balances and current year oprning balances decreased by £1.4k- the current year other payments decreased by £1.4k. | Info | Done. All adjustments made on Scribe system and the Annual Return for YE 31 Mar 2023  | Clerk  | Council informed May 2023 |