

Rackheath Community Council

Internal Audit Report

For Rackheath Community Council

Financial Year 2022-2023

Including Explanatory Notes for Annual Governance & Accountability
Return

(Where a 'no; has been marked)

Prepared by Tina Newby
22nd May 2023

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I have completed an internal audit of the accounts for Rackheath Community Council for the year ending March 2023.

My findings are detailed below using the tests provided in the Joint Panel on Accountability and Governance Practitioners Guide March 2022 (JPAG) and the Accounts and Audit Regulations 2015.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

| Internal control | Test | Observations |
|---|--|--|
| Proper bookkeeping | Is the cashbook maintained and up to date? | Clear and Accurate, using Scribe |
| | Is the cashbook arithmetically, correct? | Yes |
| | Is the cashbook regularly balanced? | Yes Monthly |
| Standing Orders, Financial Regulations and payment controls | Has the council formally adopted Standing Orders and Financial Regulations? | Yes |
| | Date Standing Orders last reviewed | Reviewed in April 2023 |
| | Date Financial Regulations last reviewed | Reviewed in Feb 2023 |
| | Has a Responsible finance officer been appointed with specific duties? | Yes |
| | Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted? | Payments supported by invoices and all resolved at the meetings of the full council. No purchase orders. But the individual invoices are approved at meetings. |
| | Has VAT on payments been identified, recorded and reclaimed? | Yes, completed |
| | Is s137 expenditure separately recorded and within statutory limits? | GPoC was adopted in 20/7/21 Ref 54 |
| Have S137 payments been approved and included in the minutes as such? | n/a | |
| Risk management arrangements | Does a review of the minutes identify any unusual financial activity | No unusual financial activity found |

| Internal control | Test | Observations |
|--------------------|--|---|
| | Do minutes record the council carrying out an annual risk assessment or reviews of their risk management scheme? | Yes RCC Risk Assessment April 2022 Pavilion Risk Assessment March 2022 Jubilee Park Risk Assessment March 2023 |
| | Are internal financial controls documented and regularly reviewed? | Completed on 14/7/22, 8/12/22 Council minutes 19/7/22 ref 56 |
| Insurance | Is insurance cover appropriate and adequate? | Yes, Fidelity Guarantee 250,000. Employers liability and public liability sufficient |
| | Insurance certificate | Yes |
| | Employers' liability adequate? | Yes - £10 million |
| | Fidelity guarantees adequate? | Yes - £250,000. You may want to review this, as your bank balances are close to this figure |
| | Asset values | Yes – £766,909.85 in total |
| Budgetary controls | Has the council prepared an annual budget in support of its precept and has this been minuted as being approved? | Yes – 2023-2024 20/12/22 130 (a) Yes – 2022-2023 14/12/21 117 (a) |
| | Has the precept been calculated from the budget and been approved? | Yes – 2023-2024 20/12/22 130 (b) Yes – 2022-2023 14/12/21 117 (b) |
| | Precept form for this year and previous year. Is there evidence? | Yes |
| | Does the budget include an actual completed year? | Yes |
| | Is actual expenditure against budget regularly reported to the council? | Yes |
| | Has the Council agreed a General Reserve Policy and is this figure reflected in the 'free balance'? | No |

| Internal control | Test | Observations |
|-----------------------|---|-------------------------------|
| | Are there any significant unexplained variances from budget? | No |
| 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? | N/a |
| 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? | Yes two staff |
| | Do salaries paid agree with those approved by the council? | Yes Orchard House Accountancy |
| | Are salaries above the National Living Wage/Minimum Wage? | NJC-Scales |
| | 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? | Yes |
| | Are the assets and Investments registers up to date? When were these last reviewed? | Yes |
| | Do asset insurance valuations agree with those in the asset register? | Yes |
| 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 |

| Internal control | Test | Observations |
|---|---|--|
| | Are there any unexplained balancing entries in any reconciliation? | None |
| | Is the value of investments held summarised on the reconciliation? | n/a |
| Year-end procedures | Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)? | Yes – R and P Scribe |
| | 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? | N/a |
| Procedural | Is eligibility for the General Power of Competence properly evidenced? | Adopted in 20/7/21 Min Ref 54 |
| | Have points raised on the last Internal Audit report been considered by council and actioned? | Yes 10/5/22 27a |
| Transparency: For smaller councils with turnover under £25,000 Or Over £200,000 | Minutes for whole year on website? | Yes |
| | Agendas for whole year on website? | Yes |
| | Payments over £500 detailed on website? | No, Rackheath Community Council will now fall in the upper bracket of the Transparency Code 2015 |
| | Electors' rights advertised on website? | Yes |
| | Councillors' responsibilities detailed on website? | Yes |
| | Last financial year's Annual Return on website? | Yes Agreed 10/5/22 27 (b) |
| | Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use) | n/a |

| Internal control | Test | Observations |
|--|---|--------------|
| Burial Authorities only | Are fees levied in accordance with the Council's approved scale of fees and charges? | n/a |
| | Have fees for the cemetery been reviewed and agreed by Council? | n/a |
| | 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? | m/a |
| Councils with charities only | Have the Charity accounts and Annual Return been filed within the legal time limit? | n/a |
| | Have the Charity accounts been independently audited? | n/a |
| | Are all Charities up to date with Charity Commission | n/a |
| General Data Protection Regulation (compliance from 25/5/2018) | Has the Council been named as Sole Trustee on the Charity Commission Register? | n/a |
| | Has the Council carried out an information audit? | Yes |
| | Has the Council put in place Privacy Notices? | Yes |
| | Is there evidence of the policies on the website | Yes |
| | Has Data Protection been built into the general procedures, processes, and policies of the Council? | Yes |
| | Has the Council adopted a Data Protection Policy | Yes |
| Web Accessibility | Has the Council registered with the Information Commissioner's Office? | Yes |
| | Does your website and documents comply? Using https://webaim.org/ | Yes |

| Internal control | Test | Observations |
|--------------------------|--|--------------|
| Councils with Allotments | Has a list of allotment holders with amounts paid to Council been submitted? | N/a |
| | Have fees for the allotments been reviewed and agreed by the Council | n/a |

Finance figures for 2022-2023

| | |
|--------------------------|----------|
| Precept | £50,105 |
| Total Receipts inclusive | £176,436 |
| | |
| Total Payments | £112,620 |
| | |
| Total Reserves | £220,931 |
| Includes | |
| EMR Reserves | £172,410 |
| General Reserves | £48,520 |
| | |
| Asset Values | £766,910 |

Summary of my recommendations:

Brilliant set of accounts and well done.

1. The total borrowings reduced from £251,878 to £79,500, the payment for this is not shown in Box 5, as the receipts were not received and therefore not paid. There was an agreement with BDC to use the CiL monies, and were taken out at source to pay this loan.
2. I have not been able to see the PWLB financial summary. Please send these to me when you have them. Bearing in mind that the BDC loan has finished, like you said it is easier to manage.
3. If you are continuing to receive large amounts of CiL money, bear in mind that the Banks will only insure up to a certain amount under the FSCS, (per bank nor per account). You may need to move some accounts over?
4. PKF Littlejohn may ask you in the future to move to Income and Expenditure. I believe it is up to you. Rackheath Community Council would have to be over the £200,000 (expenditure and Income) for three years. But PKF Littlejohn would then ask you to reinstate the last years Annual Return on an Income and Expenditure basis. It may be worth looking into this with Scribe.
5. You have in the past fallen into the middle of the Transparency Code. Now over £200,000, you fall into the upper [Transparency code](#), and you will need to display all expenditure over £500 per transaction. However, salaries would not be part of this.
6. Please keep the Annual Return Accounts etc. on the website for the past five years.
7. Fidelity Insurance, you may like to consider increasing this guarantee, as the your balances are very close to the £250,000.
8. You may want to look at General Reserves – (JPAG) 1.13 (page 9) The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves. (JPAG) 5.33-5.36 (page 38). The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months' net revenue expenditure. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3

months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

9. I have noticed that there was some documentation on getting a business card of some sort. You may want to refer to paragraphs 1.15 (inclusive) page 10 of (JPAG). This outlines the safe and efficient arrangements to put in place.

Internal Audit Checklist

This is a new checklist which is used under the training of Norfolk ALC. This will refer to the Joint Panel on Accountability and Governance Practitioners Guide March 2022 (JPAG). The sections referred to below represent the individual sections of the AGAR Internal Audit Report.

E15 – You may want to think about an Investment Policy as you are holding a lot of funds. JPAG refers to 1.11 (page 9) Investments – arrangements need to be in place to ensure that the authority’s funds are managed properly and that any amounts surplus to requirements is invested appropriately, in accordance with an approved strategy which needs to have regard to DLUHC’s statutory [Guidance on local government investments](#).

H – 5.58 (page 41) Assets should be first recorded in the asset register at their actual purchase cost. Normally there are two columns for asset values, one at cost and the other for insurance purposes.

K – Has your Council has moved up the levels in the transparency code, I will not mark this as No.

L – Please refer to my comments overleaf item 4.

Thank you for choosing me as your Internal Auditor.

Tina Newby

22nd May 2023

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Signed

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Date