

INTERNAL AUDIT REPORT – 2021/2022 WOOL PARISH COUNCIL

1. Background

- 1.1 Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of three sections along with an annual internal audit report, which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls. We confirm we are independent of the authority under review.
- 1.2 The internal audit work we have carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2021-22 Annual Governance and Accounts Return.
- 1.3 We have complied with the legal requirements and proper practices set out in:
- National Association of Local Councils - Joint Panel on Accountability and Governance – A Practitioners' Guide – March 2022.
 - The Accounts and Audit (England) Regulations 2015 (as amended).

2. Objectives of the Audit

- 2.1 To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

3. Scope of the Work and the areas of Audit Work examined.

- 3.1 The Scope of Work covers key control tests and the verification of assertions as listed in the Annual Internal Audit Report 2021/22 identified in the AGAR
- 3.2 To properly complete the audit the following areas of activity have been examined and tested by Internal Audit:
- Payroll
 - Expenditure and Creditors
 - Risk Management
 - Income collection and Debtors
 - Assets
 - Budgetary Control (including year-end procedures)
 - Exercise of Public Rights

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3.3 The audit findings of this report have been discussed with the Clerk.

4. Detailed Findings & Recommendations

4.1 A. Appropriate accounting records have been properly kept throughout the financial year.

4.1.1 The accounting records examined (receipts and payments accounts prepared using Sage) provided a detailed record of the transactions which occurred during the year. These fully meet council and accounting requirements.

4.2 B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

4.2.1 A sample of payments in the year were reviewed in detail and supporting invoices were available for all payments reviewed. There was sufficient evidence that expenditure was approved by a minimum of two councillors. Authorisation was either visible through minutes at monthly council meetings or via email.

4.2.2 The council have implemented dual authorisation routines through online banking in the year to improve the segregation of duties of the clerk.

4.2.3 VAT has been appropriately recorded and claimed during the year.

4.3 C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

4.3.1 Financial Regulations for the Council are reviewed each year or when necessary. Throughout the year, the Council agreed various policies, which are reported to the Full Council.

4.3.2 The Council maintain a risk register, which highlights the main risks and steps in place to manage these risks.

4.3.3 The Council also has appropriate insurance in place and documentation for this has been reviewed.

4.4 D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

4.4.1 The process for the calculation of the 2021/22 precept for the year was based on the funds held at the time of the calculation, the expected income and agreed expenditure for the remainder of the period and any additional future planned expenditure. The precept calculation performed in the year for the upcoming 2022/23 year was put before the Policy & Resource Committee before being approved by the full Council in November 2021. A precept of £94,240 was agreed for the 2022/23 year. The budget was reviewed in the year to actual figures as part of budgetary process.



- 4.4.2 Funds held by the Council as at 31/03/21 were £65,903, which is an increase on the prior year. The increase is attributed to a reduced spend on skatepark expenditure due to completion of the project as well as a larger precept during the year. The council has worked towards maintaining a balance of £50,000 in reserve in line with best practice. This is in addition to its day to day balances and specific project funding (grant funded and unrelated to the precept). Reserves are considered appropriate.
- 4.5 E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- 4.5.1 Receipts as at 31 March 2021 totalled £120,201. Satisfactory records were kept in support of these receipts and the balance was comprised mainly of the precept receipt (£94,860), grants and funds raised for the skate park project (£16,549) and VAT reclaims (£3,884).
- 4.6 F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
- 4.6.1 A response of not covered has been given. The clerk does not hold a petty cash account.
- 4.7 G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.
- 4.7.1 During the year, the Council employs a Parish Clerk who is the Responsible Finance Officer (RFO) and this clerk was present for the full duration of the year.
- 4.7.2 There was an error in submission to HMRC at the end of the previous year which resulted in a discrepancy between tax actually due and the HMRC record. The total value of this was £213. Given the relatively small amount and the time required to resolve this, the council decided to write off the amount and pay the additional tax over during this year to clear the balance. The error was caused due to a miscommunication during the handover of the clerks and is not considered an issue going forward. The issue has been sufficiently resolved and PAYE and NI rules are considered to be appropriately applied throughout the year.
- 4.7.3 All other payments to HMRC and employees were made on time and approval of payments was provided by councillors.
- 4.7.4 No members received an allowance in the year.
- 4.8 H. Asset and investments registers were complete and accurate and properly maintained.
- 4.8.1 The asset register has been reviewed in the year and updated to reflect the assets held. As at 31 March 2022 assets with a value of £518,482 were held. Assets are valued at purchase cost.
- 4.8.2 During the year, the clerk agreed a higher premium with the insurer to ensure that the full asset value was covered by the policy.
- 4.9 I. Periodic bank account reconciliations were properly carried out during the year.
- 4.9.1 The bank is reconciled monthly and agreed by councillors on review of the accounts at monthly meetings. The year-end reconciliation was re-performed and agreed.



4.10 J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

4.10.1 The *National Association of Local Councils - Joint Panel on Accountability and Governance – A Practitioners' Guide – March 2022* point 5.120 states that:

4.10.2 “Current rules require authorities where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure (I&E) basis, from the third year onwards. Authorities operating below the £200,000 threshold have the option to report either on an income and expenditure basis or on a receipts and payments (R&P) basis.”

4.10.3 The authority has not exceeded the £200,000 income or expenditure limit and has chosen to present its figures on a receipts and payments basis.

4.11 K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”)

4.11.1 A response of not covered has been given because the authority has not certified itself for audit exemption.

4.12 L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements

4.12.1 According to guidance published in the *National Association of Local Councils - Joint Panel on Accountability and Governance – A Practitioners' Guide – March 2022*, this test applies only to those councils covered by the £25,000 external audit exemption. A response of not covered has been given as the authority exceeds annual turnover of £25,000.

4.13 M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

4.13.1 The deadline for publishing the period for the exercise of public rights for 2020-21 was 30th June 2021. The council published this along with the other required documents to the website on 25th June 2021.

4.14 N. The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).

4.14.1 Publication requirements for the full audited AGAR required were required no later than 30th September 2021. The council published the required documents to the council website on 27th September 2021.

4.15 O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.



- 4.15.1 A response of not covered has been given as this does not apply to this authority.
- 4.15.2 As a result of the conclusions outlined above, I am of the opinion that I have adequate assurance to complete and sign the Annual Internal Audit Report section of the Annual Governance & Accountability Return.
- 4.15.3 Should the Council or Clerk have any queries with this report please do not hesitate to contact me. I would like to thank Steve for his assistance in the review.

Ward Goodman