

Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Islip Parish Council		
Name of Internal Auditor:	K Houlihan	Date of report:	14/06/2023
Year ending:	31 March 2023	Date audit carried out:	12/06/2023

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the council through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

The council is required to take appropriate action on all matters raised in reports from the internal and external audit and to respond to matters brought to its attention by the internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chairman of the Council:

I carried out the audit on the 12th June 2023, my thanks to Jill, the Clerk and RFO for her time. I would congratulate Jill on the work she has done to prepare the year end accounts and documentation in the short time she has been working at Islip Parish Council.

To complete the audit, I have tested each of the Internal Control objectives detailed in the Annual Internal Audit Report (AIAR) which forms part of the Annual Governance and Accountability Return (AGAR). [The Practitioners Guide](#) details the types of checks that Internal Auditors should carry out in order to meet the requirements of the AIAR. My findings are shown in the table on the following pages, but I would particularly draw the council's attention to the following points.

Islip Parish Council operates the local sports field and pavilion, with the land leased from the Drayton Estates. The facilities are well used and generate significant income. The pavilion was part funded by a grant from the Football Foundation and the Football Foundation have a registered interest in the lease of the field. It is right for the parish council consider the best structure to manage this asset. It may be that these facilities are best run as a separate entity and the council is right to review this. However, the council **must** meet their legal obligations to manage council assets and funds whilst the review is undertaken, until any such transfer is completed the council is entirely responsible for the financial management of these assets.

The current transitional arrangements have resulted in the Clerk, and therefore the council, not having a full picture of the council's finances. I have not been able to answer "yes" to all the sections of the Annual Internal Audit Report.

The Clerk couldn't supply me with a list of year end debtors, and does not have access to the bookings database and does not always have copies of invoices sent prior to them being paid. I

was not able to follow the audit trail for bookings. I would expect to be able to view a booking and follow a trail from booking form to invoice, to payment and banking of the payment.

The Councils own Financial Regulations 9.1 state: "The collection of all sums due to the council shall be the responsibility of and under the supervision of the RFO". But the Clerk/RFO does not have the necessary information to fulfil this.

The income for the Sports Field and Pavilion is less than was budgeted for in this financial year, however it isn't clear if this is due to outstanding debts, a reduction in bookings or both. The council must satisfy itself of the reasons for this and the external auditor will require a detailed explanation of the variance.

I understand that the council has engaged the services of James Corrigan to support the council with any change in arrangements for the Sports Field and I would strongly recommend that the council follow Mr Corrigan's advice and take full account of the requirements of the Football Foundation.

The council should also consider the following matters:

The Clerk is using HMRC basis tools to support the payroll function. The Council may wish to consider appointing a third-party contractor to carry out this function, to ensure a segregation of duties. There are a number of payroll providers available offering cost effective services for parish councils. I have passed the clerk details of two companies offering this service. The council can review other providers should they decide to proceed with this.

The council currently uses a spreadsheet to maintain the cashbooks, however the council may benefit from using a bespoke financial package, such as Scribe, Alpha from Rialtas Business Solution, or Edge. This will assist the council in the production of budget reports and simplify the year end process.

As part of the councils general governance arrangements it would be prudent to ensure contractors supply the council with copies of their public liability insurance and risk assessments which would include any COSH data sheets as appropriate.

Whilst the Clerk has only been in post for a short time, Jill has quickly identified areas where the council can strengthen their internal controls and governance I am sure the council will want to support this.

Yours sincerely,

Kate Houlihan

Internal Auditor to the Council

<p>A. Appropriate accounting records have been properly kept throughout the year.</p> <p>AND</p> <p>I. Periodic bank account reconciliations were properly carried out during the year.</p>	<p>The spreadsheets held by the clerk are accurate and match the bank statements. I was able to test several transactions and follow the audit trail from payment lists to invoice and bank statements. However, the current arrangements for managing the Sports Field/Pavilion income are not appropriate as detailed above.</p> <p>Monthly bank reconciliations are carried out, these are verified by members.</p>
<p>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT appropriately accounted for.</p>	<p>The council did not fully comply with its financial regulations (see note above)</p> <p>The council had monitored its VAT position and taken appropriate advice in respect of its operations.</p> <p>VAT has been reclaimed. The changes to the guidance on how VAT on pitch bookings has been noted by the council.</p> <p>I have suggested that members signing off payments are also supplied with a copy of the invoice so that they can verify bank details for suppliers.</p>
<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>The council has approved its Risk Assessment.</p>

<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p>	<p>A budget was set, and the precept appropriately agreed by the council.</p>
<p>E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.</p>	<p>It wasn't possible to test the income from the Sports Field and Pavilion. No aged debtor list was available.</p>
<p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for</p>	<p>The council does not operate a Petty Cash system.</p>
<p>G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.</p>	<p>The council uses HMRC basic tools for the payroll function and appropriate deductions are made. There has been an issue accessing HMRC online services, but the Clerk is working to resolve this.</p>

<p>H. Asset and investment registers were complete and accurate and properly</p>	<p>The asset register is up to date. The asset register would be easier to navigate if the description and date acquired or disposed of were separate in separate columns.</p>
<p>J Accounting Statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p>	<p>The accounting statements have been prepared on a receipts and payments basis.</p>
<p>K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.</p>	<p>Not applicable.</p>

<p>L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with any relevant transparency code requirements</p>	<p>The required information is available on the council's website. But it would benefit the council to review the structure of the website to ensure information is easily accessible.</p>
<p>M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.</p>	<p>The council met with the requirement and documentation is available on the council website.</p>
<p>N. The authority complied with the publication requirements for the prior year AGAR.</p>	<p>The council met with the requirement and documentation is available on the council website.</p>
<p>O. Trust funds (including charitable) - the Council met its responsibilities as a trustee</p>	<p>N/A</p>

The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2022	Year ending 31 March 2023
1. Balances brought forward	74,554	52,623
2. Annual precept	23,500	23,500
3. Total other receipts	43,016	22,029
4. Staff costs	6,217	6,413
5. Loan interest/capital repayments	1,148	1,148
6. Total other payments	81,082	45,112
7. Balances carried forward	52,623	45,480
8. Total cash and investments	52,623	45,480
9. Total fixed assets and long-term assets	579,083	583,153
10. Total borrowings	2,221	1,125

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2020)*. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<https://www.northantscalc.com/uploads/practitioners-guide-2020-2.pdf>