

# Honingham Parish Council

## Internal Audit Report

### Financial Year 2022-23

Prepared by Lorraine Trueman  
15 May 2023

Internal control	Test	Observations
	Has the Council considered the establishment of specific earmarked reserves and reviewed them?	Earmarked reserves have not been reviewed but policy is currently being reviewed
Income controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
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?	Current clerk only
	Do salaries paid agree with those approved by the Council?	Can only check current clerk and this agrees
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the Council?	Yes
	Have PAYE/NIC been properly operated by the Council as an employer?	No, payments to HMRC are being made late. See recommendations.
Asset controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Is the assets register up to date? When was this last reviewed? Are additions and disposals in-year clear?	Yes, now due for review
	Do asset insurance valuations agree with those in the asset register?	Yes
	Does the asset value to be reported in the AGAR (section 2, Box 9) equate to the prior year reported value, adjusted for the nominal value of any new acquisitions and/or disposals?	Yes

Internal control	Test	Observations
	Are all long-term investments (i.e. over 12 months) covered by an investment strategy?	n/a
	If a loan has been taken out, are repayments reported to the Council?	n/a
	If the Council issued a loan to a local body, are there signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt?	n/a
Bank reconciliation	Is there a bank reconciliation for each account and is this regularly reported to Council?	The bank reconciliation does not appear to correlate to the cashbook. See recommendations.
	Are there any unexplained balancing entries in any reconciliation?	No
	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
	Do accounts agree with the cashbook?	The overall totals are correct but office allowance allocated to staff costs instead of other payments. See recommendations
	Has a year-end bank reconciliation been undertaken?	Yes but this includes April 2023 payments. These should be removed.
	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?	n/a
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Yes
	Has the Council demonstrated that during the previous financial year it correctly provided for the exercise of public rights, as required by the Accounts and Audit	Yes

Internal control	Test	Observations
	Regulations? [Full publication requirements are detailed on page 1 of the AGAR.]	
Exemption from external audit: Only for smaller councils with receipts and payments each totalling less than £25,000	If the Council certified itself as exempt in the prior year, did it meet the exemption criteria and declare itself exempt? <i>[Confirm that the certificate was prepared and minuted by the Council within the statutory submission deadline. Confirm that the required information was published on the Council's website.]</i>	Yes
Adherence to the Transparency Code: Only for smaller councils with receipts and payments each totalling less than £25,000	Minutes for whole year on website?	No
	Agendas for whole year on website?	No
	Payments over £100 detailed on website?	Yes, all expenditure listed
	Electors' rights advertised on website?	Yes
	Councillors' responsibilities detailed on website?	Yes
	Last financial year's AGAR on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	Yes
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council carried out an information audit?	No
	Has the Council put in place a privacy notice and policy?	Yes
Website accessibility (relates to the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018)	It is a legal requirement for councils to publish a website accessibility statement on its website. Has the Council published this statement?	Yes, dated Nov 2022
	Has the Council updated and reviewed its statement [must be reviewed annually]?	Yes due for review Nov 2023

## Summary of my recommendations

Cashbook – the allocation of expenses (columns L to AG) does not always total the actual cost. Columns L to AG should total the net expense. This can make it difficult to track actual spend against budget. I recommend an additional column is added that checks columns L to AG total the net expense.

Payments – I recommend 2 councillors are required to approve all payments and the clerk sets these payments up at the bank. This shows a clear segregation of duties. I also recommend that you increase the number of councillors who can authorise the payments so that you always have 2 authorisers available.

VAT has not been reclaimed since 2021. I recommend this is bought up to date and a return is completed at least once a year.

HMRC are being paid late, e.g., March minutes approve a payment of £33.40 which appears to relate to Jan salary when Feb salary was approved at this meeting. The payment of £33.40 had not cleared the bank at the end of March, nor was it recorded in the cashbook. The P60 for the current clerk shows £76 tax charge yet only £28.74 is shown in the cashbook. I recommend paying any overdue amounts and ensuring all future payments are made on time.

The bank reconciliation should show total receipts and payments as detailed in the cashbook. I have shared a template with the clerk and I recommend she uses this or something similar.

Office allowance has been allocated to staff costs on the AGAR but this should be included in other payments. I recommend this is adjusted. †

Lastly, I would like to say thank you to the clerk for her hard work pulling all of the documentation together and responding so promptly to my questions.

