

HOGSTHORPE PARISH COUNCIL

INTERNAL AUDIT REPORT

INTERNAL CONTROL OBJECTIVES – taken from the information presented to me for the financial year 2022 - 2023

A. **Appropriate Accounting Records (Yes)**

The accounting book submitted has been properly kept during the year, however the totals are incorrect in that VAT has been accounted for twice in some instances – once in the category column and again in the VAT column. These incorrect figures need to be clearly clarified and the net amount entering so that the category columns can be accurately added up and checked against the final total.

B. **Finance Regulations/invoice supporting/VAT (No)**

Financial Regulations were reviewed in March 2023. However not all payments made in the financial year 22/23 appear to have supporting invoices, there are some items of expenditure which do not appear to have been approved by Council and there is no evidence of VAT claims for the previous year.

C. **Risk Assessment by Authority (No)**

It would appear that the Council amended its Risk Assessment in January 2023 however the Council needed to satisfy itself fully that financial matters were being managed correctly. It appears that payments made were not, in some cases, approved by the Council, some totals were incorrect and some did not have supporting invoices. Members signing cheques should satisfy themselves that the payment is correct and that supporting invoices were presented with the cheque for signature and verification. As there appears to have been payments made without supporting invoices, the Council has not fulfilled its obligation under its Risk Management Strategy.

D. **Precept & reporting against precept (No)**

The precept setting seems to have been adequate, however there does not appear to be any reporting of expenditure against precept headings being approved by the Council.

E. **Expected income (Yes)**

It would appear that all expected income has been banked. However, the “cancelled” minutes of 19th January 2023 make mention of £50 being given to the Chair and a receipt requested from the Clerk. This implies receipt of £50 which does not appear in the accounting book or the paying in book. This needs clarification.

F. **Petty Cash (N/A)**

There is no petty cash held.

G. **Salaries (Yes)**

The Council operated a PAYE system for its Clerk, as required by the Inland Revenue guidance which states that a Parish Clerk is an Office Holder and as such is an employee and cannot be considered self employed, be paid “gross” and where relevant must be taxed under PAYE system.

H. **Asset registers (Yes)**

These appear complete

I. **Bank Account reconciliations (Yes)**

These appear to have been undertaken monthly.

J. **Accounts Statements, supported by adequate audit trail (No)**

The end of year accounting statement is correct and prepared on the correct basis of income and expenditure. Whilst this is correct and could be ticked as “Yes”, I have ticked “No” due to the poor audit trail and the difficulty in matching many payments against approvals and cash book.

- K. **Exemption (Yes)**
The Council correctly declared itself exempt from a limited assurance review in 21/22
- L. **Website (Yes)**
The Council's website shows the AGAR forms being published for year 21 / 22 in full.
- M. **Exercise of Public Rights (Yes)**
The notice advising of public rights to examine the accounts 21 / 22 was correctly published on the Council's website
- N. **Publication requirements 21 / 22 (Yes)**
The completed AGAR forms for 21 / 22 year were published on the Council's website.

NOTES

VAT

This needs to be claimed for the financial year, it can be done on line.

Minutes

- a) There does not appear to be a minute recording Cllr Green signing declaration of acceptance of office, or such declaration being signed by the Proper Officer (see minute 4 amended minutes 2/2/23), but it was mentioned in the "cancelled" minutes.
- b) It is noted in the "cancelled" minutes of 2/2/23 that the Clerk had been asked to do minutes "word for word", and the Clerk had indicated that minutes should be brief. This is partially correct in that verbatim minutes are not relevant, minutes should record primarily the proposal and resolution, with recorded votes where approved, and with brief outline of the discussion which enabled the Council to reach that resolution.
- c) The supplied minutes were unsigned by the Chairman.
- d) Minutes of meeting 6/10/23 – there does not appear to be a minute of Cllr Worley signing his Declaration of Acceptance.
- e) In the public session of the meeting 1/9/22 the Chairman indicated that the Council would object to a planning application, this was before the Council had discussed the application fully in the actual meeting. The Chairman should not pre-empt the Council's decision.
- f) There is brief mention of the previous Internal Audit report in the minutes 7/7/22, however the previous Internal Auditors report was quite substantial and Council should record its actions to correct any matters raised therein.
- g) "Amended" minutes – it is noted that minutes have been amended after being approved by Council. There is no record of a decision being made by Council that such minutes were incorrect and should be amended, the reason for such amendments and that the amended minutes have been approved by Council as amendments.
- h) There does not seem to be any minute authorising the Clerks increase in salary and agreement to back date increase – when was this authorised?
- i) There does not seem to be any minute authorising the employment of the Acting Clerk.

Accounts

- a) There are minute references in the account book which do not appear to bear resemblance to the actual minutes, which should be numbered sequentially to make back referencing easier. I could not find any relevance of the folio number.
- b) The following is a list of payment queries:
- LALC invoices 16/10 – cheque (633) dated 2/2/23 totalling £36 – when was this approved?
 - January payments listed chq 618 - £11.35 (post) £22.23 chq 619 (stationary) – when were these approved?
 - January – net pay for Clerk £812.50 (chq 616)– no PAYE – when approved?
 - Clerks salary £717.70 (chq 630) and £94.80 PAYE (chq 632) - when approved?

- Minutes 6/10/22 agreed payment for speed and dog signs of £50.94; invoices appear to total £72.78
- Sid Dennis invoice dated 30/9 totals £41.08 – chq denoted on invoice and in accounts book totals £52.94 – when was this approved?
- A payment for stationary and stamps was agreed at £24.67, receipts total £21.59 and account book totals £21.59 (7/8/22 – chq 572)
- Invoice RDR for £1097 (chq 568) – when was this approved? (stub missing)
- Village Hall chq 574 - £15 – when was this approved? (stub missing)
- Minutes 7/7/22 approved stationary and stamps at £34.24, cheque 558 appears to be £34.24 but receipts total £32.24.
- April chq 525 – clerks wages £747.50 – no payslip/invoice.
- Invoice 19/4/ (chq 545) being 19/4 & 9/5 village hall invoices – when approved?
- Minutes 12/5 approved payments £127.95 (Tesco); Flowers £22.50 and GNS £100 – no corresponding invoices located.
- Sid Dennis payments chq 527 (£74.64) – when approved?
- Minutes 14/4/22 approved payments £747.50 Clerks salary (see above) and £56 Kerry Stafford – no invoices.
- Cheque book stubs missing 551 – 620 so unable to verify.
- Cheque book stubs 546 – 550 and 552-554 undated.

Conclusion

- There are several errors in the accounting system which need clarifying and rectifying, such as missing invoices and mis-entered payments.
- VAT needs to be claimed
- £50 given to the Chairman needs clarifying as to where it went.
- Minutes and decisions taken need to be carefully monitored, Council members must ensure that the minutes they propose as accurate are accurate and cheque signatories need to ensure that the cheques they are signing correspond to the invoices presented to them.
- Regular expenditure against budget heads needs to be presented to Council so members can ensure they have adequately budgeted for such expense.
- The bank account for the play park which appears to have been closed as dormant needs urgent investigation. Minutes (6th April) state that a cheque for £1600 was received by ex clerk, but it is not clear as to what this cheque relates – is it the total funds from the playpark HSBC account? It is noted the cheque re-issued is now out of date again and the HSBC account closed as dormant. Should the appeal be successful then monies should be paid into the parish Council's current account as a temporary holding account until the play park account issue is settled and a new account opened. Such monies should be securely ring fenced.
- Councillors should be clear in their responsibilities to ensure public finances are managed correctly as the final responsibility for the management of public funds lies with themselves and not totally with the Responsible Financial Officer.

I have audited the Council's activity for the financial period 2022/2023 and, apart from the issues relating to missing invoices, some payments not being approved by council, some minor errors in the cash book, minutes and their accuracy, and the concerns listed above relating to the receipt of £50 by the Chairman and the loss of the HSBC Play park account I am confident that the final accounts are correct, and that with the comments noted above being taken into account, the Council will find itself on track for the future.