



Simon Thwaites
Parish Clerk
Sandridge Parish Council
Marshalswick Community Centre
The Ridgeway
St. Albans
Herts
AL4 9TU

23rd May 2023

Dear Simon,

Report on Internal Audit carried out on 28 March 2023

An audit was carried out by Kevin Rose on Tuesday 28 March 2023. This was the Year End audit following on from the Interim Internal Audit carried out on 30 November 2022. Further testing was carried out after the 31st March to verify the asset register, the year end bank reconciliations and the computed numbers for the Accounting Statements.

The audit was undertaken using our standard IAC Audit Checklist, used for all Local Councils, which has 198 items. A total of 79 items were tested during this audit. Including the items tested during the Interim Internal Audit visit a total of 155 items have been checked during the financial year a further 43 items on the standard Checklist were checked and confirmed as being Not Applicable to your Council. There were no items unchecked at the year end.

Areas subject to audit were;

the accounting system and records (Box A), the payment system (Box B), risk and insurance (Box C), budget and precept setting and monitoring (Box D), income billing, collection and VAT (Box E), payroll (Box G), assets and investments (Box H), bank reconciliations (Box I), and accounting Statements (Box J).

Of the 79 items tested during this audit a Positive response was obtained in respect of 71 tests. There were 8 Negative responses identified, details of which are set out in the attached Year End Internal Audit Observations. A detailed breakdown of our audit testing and Responses is set out in the attached Year End Internal Audit Summary.

I can confirm that none of the Observations raised during the year will give rise to a Negative response in the year end Internal Audit Report.

I would like to express my thanks for the assistance provided to me during my audit.

Yours sincerely,

A handwritten signature in black ink, appearing to read "K. Rose". The signature is written in a cursive style with a large initial "K" and a smaller "R" for "Rose".

Kevin Rose ACMA
Director

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

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	The Council formally set a budget	From a review of records it was not possible to verify when the Council formally approved the budget for the year. Council Minutes of 8th December 2021 refer to Council review of 6 year plan but do not refer specifically to review and approval of the budget for the 2022-23 financial year. (It is accepted that this may be a matter of how the Minutes record the decision, rather than an absence of Council scrutiny and approval of the budget).	The Council to note that Minutes do not record when the Budget for the year was approved. The Council to ensure that, in future, approval of the budget is formally recorded in the Minutes of the meeting at which it was approved.	High	
2	The Minutes of the meeting of Full Council, in which the precept was set, clearly states the value of the precept to be raised	The Minutes of the meeting in which the precept was set, do not state the value of the precept to be raised. (They refer to an increase of 2.25% but do not state the value to be demanded)	In future the Council should ensure that the value of the Precept to be raised is clearly recorded in the Minutes of the meeting in which the Precept is set.	High	

E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Is there is an investment policy in place? (obtain copy)	The Council does not have a formal Investment Policy in place.	The Council should note that it is a specific requirement of the 'Statutory Guidance on Local Government Investments' paragraph 14 that Local Councils with total investments above £100,000 have in place an Investment Strategy. (An example strategy has been provided to the Clerk)	High	

2	<p>Is income due on investments subject to regular check and verification? (Is investment performance regularly reported to Council?)</p>	<p><i>Income due on investments is not subject to a process of formal, regular, review. (This is increasingly important as interest rates have risen and the Council holds significant deposits on which it may be able to earn an improved return).</i></p>	<p>The Council should put in place arrangements for the regular review and reporting of investment performance (this will mainly relate to the interest rates applicable on its cash and bank deposits). This review should be recorded in Minutes of the appropriate meeting.</p>	High	
3	<p>Income received has been appropriately treated for VAT purposes</p>	<p><i>It was noted that the Council hires out sports facilities, the supply of which are normally standard rated for VAT purposes. The Council is not VAT registered and it does not appear that the Council has checked and verified that its supplies are below the threshold set by HMRC (currently £1,000 of output VAT see VAT Notice 749 para 3.2).</i></p> <p><i>From discussion with Council staff it appears that they have not received training in respect of VAT compliance and consequently are not fully aware of how these apply to local Councils.</i></p>	<p>Council to review the VAT treatment of its income to ensure that VAT is correctly accounted for.</p> <p>The Council should consider the provision of training for its Officers, or obtaining specific VAT advice, to ensure that it is correctly complying with HMRC VAT requirements.</p>	Medium	

M The authority, during the previous year (2021/22) 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).

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	<p>The period for the Exercise of Public Rights commenced the day after the Council published the Accounting Statements, the Annual Governance Statement and the Notice as set out in Regulation 15.3 of the Accounts and Audit Regulations 2015.</p>	<p>It was noted that Announcement Date on the Notice for the Exercise of Public Rights was the 6th of June 2022, prior to the date of Council approval of the Annual Governance Statement and Accounting Statement, which was on the 8th of June.</p> <p>The Period set, which commenced on the 13th June, was correct.</p>	<p>The Council to note that the 'Announcement Date' should be after the Council approval of the Annual Governance Statement and the Accounting Statements. (As the Council complied, in all other respects, with the Notice it is not intended to return an Negative response in respect of Internal Control Objective M on the 2022-23 Annual Internal Audit Report).</p>	High	

4	For unregistered bodies - VAT claim made covers most recent accounting year?	<p>It was noted that the VAT due to the Council as at the 31st March 2022 (circa £11,000) had not been received as at the date of the Interim Audit, although a claim had been submitted by post. A subsequent claim for the current year has been received so it appears that the prior claim may not have been received by HMRC. (A further copy of the Claim was submitted by the Clerk by post during the audit visit).</p> <p>It was noted that the Council submits its VAT reclaims by post and does not use the Online facility to do this.</p> <p>It was also noted that the Council does not currently have in place a process to 'reconcile' the VAT returns on Sage, this raises a risk the invoices received late, after the VAT return has been prepared, will not be picked up in subsequent VAT returns (a number of items were identified where this had happened, but they were of relatively low value). It was</p>	<p>The Council should, as a priority, consider moving to the Online submittal of VAT reclaims.</p> <p>The Council should ensure that in future, VAT Returns are 'reconciled' on Sage so that the risk of failing to claim VAT due can be avoided.</p>	High
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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

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Prior year accruals have been correctly reversed in the current year. (Interim)	It was noted that prior year accruals, value £3,281.48, have not been reversed in the current year (so current year expenditure is understated by this amount).	Council to review accruals previously made and arrange to make any appropriate reversals in the current year.	Medium	

E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Cash income received is promptly received	Income from court bookings is collected by a shop who are paid a commission. At present a receipt is not issued when this money is collected from the shop.	The Council to introduce a pre numbered receipt book to record cash income received/collected from the shop in respect of Court Bookings.	High	This has been implemented.

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.

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	The Council has published the details of Members Allowances paid in accordance with Regulation 15 (3) of Members Allowances Regulations 2003.	The Council has not published the details of Members Allowances paid in accordance with Regulation 15 of Members Allowances Regulations 2003.	The Council to note the publication requirements in respect of Members Allowances and to ensure that details of allowances paid are published in accordance with the Regulations.	High	This will be implemented by publication of the Chair's Allowance on our new website.
2	Tax and National Insurance have been appropriately accounted for on Members Allowances	Tax and National Insurance have not been appropriately accounted for on Members Allowances.	The Council to note that Members Allowances are taxable under PAYE. The Council to ensure that, in future, it correctly processes such payments through its payroll system.	High	This will be implemented the next time the Chair's Allowance (£150) is paid.
3	Accounting Statements Box 4 - Staff Costs value agrees to total payments of Salaries, Wages and Pensions	The draft Accounting Statements Box 4 value does not agree to total payments of Salaries, Wages and Pensions from the Sage accounting system.	The Council to note the difference between the draft Accounting Statements Box 4 value and the value computed by the Internal Auditor. The Council to review the computation and, if appropriate, amend the Box 4 value.	High	This has been largely corrected on the AGAR with a revised Section 2 sent to the auditor. A journal relating to a previous pension contribution had been incorrectly applied.

Sandridge Parish Council
Financial Year 2022-23



IAC Audit and Consultancy Ltd

Audit date: 28 March 2023

Year End Internal Audit Observations

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

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Have tenders been obtained as set out in Financial Regulations?	The Council, with the support of the District Council, undertook a procurement exercise for a Pump Track. Council Minutes of 22nd June 2022 record a report from the Clerk relating to the award of the Contract, but do not record formal Council approval of the award of the Contract, or the agreed contract sum. It is understood that work has not yet commenced on these works as planning permission is still awaited.	Council to formally Minute approval of the award of the Contract and confirm the agreed contract sum.	High	This was brought to Full Council on 12th April 2023 when the award was formally noted (minute 5481). The recommendation to formally note the award was detailed, however the contract sum was not given because it was thought by the Clerk to be commercially sensitive. Members have previously discussed the contract sum (which is the same as the sum budgeted).

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

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Council has formally documented Internal Controls	Council has not formally documented Internal Controls	Council should formally document its Internal Controls.	Medium	The Clerk would appreciate some guidance on what this recommendation requires.
2	The Council, meeting as a whole, has reviewed the effectiveness of its internal control system as required by Regulation 6 of the Accounts and Audit Regulations 2015	The Council has not reviewed the effectiveness of its internal control system as required by Regulation 6 of the Accounts and Audit Regulations 2015.	Council to note the requirement for it to regularly review its internal control system.	High	The Clerk undertakes to review these regulations accordingly. This may assist with recommendation C1.

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.

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Current year end accruals and prepayments are reasonable and accurate [Year End]	It was noted that the Accruals values stated in the draft Accounting Statement numbers for 2022-23 do not agree to the Trial Balance from the Sage accounting system. It appears that differences identified at the previous Internal Audit visit have not been rectified.	Council to review the accruals and consider whether they should be amended.	Medium	This has been largely rectified through the correction at G3, however a date has been agreed for the accountant to come to the Parish Office to work through the remaining anomalies which are not high value.
2	Audit Extended Trial Balance agrees to draft Accounting Statements	It was noted that the internal audit Extended Trial Balance produced from the Sage accounting system does not agree to the draft Annual Accounting Statements. A copy of the Internal Auditors workings have been provided to the Clerk.	The Council to review the computation of the draft Accounting Statements and ensure that they agree with the Council's Sage accounting system. A copy of the Councils detailed computation of the AGAR Accounting Statement values to be provided to Internal Auditor.	High	As above. When complete, a copy of the corrected extended trial balance, reconciled to the AGAR Section 2 will be provided to the auditor.

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M *The authority, during the previous year (2021/22) 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).*

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	The period for the Exercise of Public Rights commenced the day after the Council published the Accounting Statements, the Annual Governance Statement and the Notice as set out in Regulation 15.3 of the Accounts and Audit Regulations 2015.	It was noted that Announcement Date on the Notice for the Exercise of Public Rights was the 6th of June 2022, prior to the date of Council approval of the Annual Governance Statement and Accounting Statement, which was on the 8th of June. The Period set, which commenced on the 13th June, was correct.	The Council to note that the 'Announcement Date' should be after the Council approval of the Annual Governance Statement and the Accounting Statements. (As the Council complied, in all other respects, with the Notice it is not intended to return an Negative response in respect of Internal Control Objective M on the 2022-23 Annual Internal Audit Report).	High	This has been noted and applied correctly for the year ending 2022/23.