



CHIPCHASE MANNERS

CHARTERED ACCOUNTANTS & TAX CONSULTANTS

Our Ref: GRB

The Clerk
Potto Parish Council
[By email]

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08 May 2024

Dear Sirs

Potto Parish Council
Internal Audit : Year Ended 31 March 2024

Executive Summary

Following completion of our internal audit we enclose our report for your attention and presentation to the Council.

The audit was conducted in accordance with current practices and guidelines.

An internal audit does not require that all transactions are checked, rather that transactions are tested on a sample basis where this is appropriate.

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. Each section sets out the work undertaken and is concluded with an opinion as to whether the assertion has been met or not.

This report contains recommendations for a number of changes.

The AGAR can be submitted to the external auditor without amendment.

Regulation

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the parish council on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

The function of an internal audit is to test and report to the parish council on whether its specific system of internal control is adequate and working satisfactorily.

The internal audit report should therefore be made available to all members to support and inform them when they are considering the parish council's approval of the annual governance statement.

Independence & Competence

The internal audit was conducted by Graeme Boagey, FCA of Chipchase Manners, Chartered Accountants. We confirm we are independent from the management of the financial controls and procedures of the parish council and that the internal auditor has no conflicts of interest with the parish council, nor do they provide any management or financial assistance to the parish council.

The internal auditor is a qualified practicing accountant with over 35 years' experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued on 25 April 2024 covering the 2023/24 internal audit assignment.

Planning & Inherent Risk Assessment

Our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

Testing will be carried out on a sample of data to encompass the period of the parish council year under review.

Contents

- A. BOOKS OF ACCOUNT
- B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS
- C. RISK MANAGEMENT & INSURANCE
- D. BUDGET, PRECEPT & RESERVES
- E. INCOME
- F. PETTY CASH
- G. PAYROLL
- H. ASSETS AND INVESTMENTS
- I. BANK & CASH
- J. YEAR END ACCOUNTS
- K. LIMITED ASSURANCE REVIEW
- L: TRANSPARENCY
- M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS
- N. PUBLICATION REQUIREMENTS
- O. TRUSTEESHIP

A. BOOKS OF ACCOUNT

Internal audit requirement

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

The parish council maintains its financial records using Excel. Given the size of the parish council, and the small number of transactions in the year, the use of Excel is an appropriate and cost-effective method of maintaining the parish council's financial records.

We make no recommendation for changes in this system.

We tested opening balances as at 1/4/23 and confirmed they could be agreed back to the accounts for 2022/23.

Section Conclusion

The control assertion of "Appropriate accounting records have been properly kept throughout the financial year" has been met.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS

Internal audit requirement

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

The parish council's financial regulations are set out in a document dated February 2023 which is available on the website of the parish council.

The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Minutes are uploaded to the council website on a timely basis.

The minutes show authorisation of payments lists in accordance with the parish council's regulations.

All payments for services / goods in 2023/24 have been supported by invoices, no sampling was required in this instance given the small number of payments made in the 2023/24 year.

Costs are recorded inclusive of VAT and no input VAT has been recovered in 2023/24. Input VAT is recovered periodically.

Cheques must be signed by two signatories.

Section Conclusion

The control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for", has been met.

C. RISK MANAGEMENT & INSURANCE

Internal audit requirement

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

The parish council undertakes a risk assessment that covers operational and financial risks, the parish council's risk management strategy is set out in a document dated February 2023 which is available on the parish council's website.

The parish council reviews its insurance requirements as part of the renewal process.

Section Conclusion

The control objective of "This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.", has been met

D. BUDGET, PRECEPT & RESERVES

Internal audit requirement

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

The minutes contain evidence of budget reporting.

The reserves held at 31 March 2024 appear adequate for a parish council of this size.

Section Conclusion

The control objective of "The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.", has been met.

E. INCOME

Internal audit requirement

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

The parish council has precept, grant and interest income.

The precept income, received in two instalments throughout the year, has been checked against remittance advices from North Yorkshire Council.

The council does not have any debtors

Section Conclusion

The control objective of "Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.", has been met.

F. PETTY CASH

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

There has been no petty cash expenditure in 2023/24. The year end cash balance of £9.07 is held by the Clerk.

Section Conclusion

The control objective of "Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT accounted for" has effectively been met.

G. PAYROLL

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

The parish council has only one part-time employee being the Clerk.

PAYE has not been operated by the parish council against salaries paid during 2023/24, this is not in accordance with PAYE regulations set out by HMRC.

Section Conclusion

The parish council has not met its obligations with respect to operating a PAYE scheme. A PAYE scheme has now been established and will be operated for 2024/25 and future tax years..

H. ASSETS AND INVESTMENTS

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

The Council has a simple fixed asset register in place, the Village Hall is recorded at nil cost in the absence of any historical cost information.

Section Conclusion

The control objective of "Asset and investments registers were complete and accurate and properly maintained" has been met.

I. BANK & CASH

Internal audit requirement

Periodic and year-end bank account reconciliations were properly carried out.

At the year-end date the parish council had a reconciled bank position.

There is evidence in the minutes of regular bank reconciliations being prepared and presented to council for review.

Section Conclusion

We are of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of "Periodic and year-end bank account reconciliations were properly carried out" has been met.

J. YEAR END ACCOUNTS

Internal audit requirement

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.

The year-end accounts have been correctly prepared on the receipts & payments basis with no requirement for a box 7 & 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2022-23 AGAR.

The parish council had made provision within its schedule of meetings to sign off the annual governance statement.

Section Conclusion

The control objective of "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" has been met.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")

Not applicable

L: TRANSPARENCY

Internal audit requirement

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.

The parish council's website contains up to date information including minutes of meetings.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority, during the previous year (2022/23) 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).

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Section Conclusion

The control assertion of *"The authority, during the previous year (2022-23) 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)"* has been met.

N. PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2022/23 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

A review of the parish council website shows that the parish council posts the relevant information to its website in accordance with regulations.

Section Conclusion

The control assertion of *"The authority has complied with the publication requirements for 2022/23 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage"* has been met.

O. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

The parish council is entitled to and does appoint a trustee to the board of Potto Village Hall, the registered charity which is responsible for the operation and management of the Potto Village Hall.

Section Conclusion

The control assertion of "*The council met its responsibilities as a trustee*" has been met.

Yours faithfully

A handwritten signature in cursive script that reads "Chipchase Manners".

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Date

8 May 2024