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YEAR-END AUDIT REPORT 2022-23

Baildon Town Council

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Yearend Internal Audit Report 2022-23
Town Parish Audit

Status: Complete
Date Issued: 07 June 2023
Amended:

1 INTRODUCTION AND SCOPE

- 1.1 Local councils in England must complete an Annual Governance and Accountability Return (AGAR) which includes an Annual Governance Statement, Accounting Statements and an Annual Internal Audit report.
- 1.2 Proper practices for Town Councils and the preparation of the AGAR is included in the Governance and Accountability for Smaller Authorities documentation.
- 1.3 The Internal Audit is a key component of the Council's system of internal control. The purpose of internal audit is to review and report to the Council whether its systems of financial and other internal controls and procedures are effective.
- 1.4 As part of the AGAR the Council's internal auditor, acting independently and on the basis of an assessment of risk, carries out assessments of compliance with relevant procedures and controls in operation throughout the financial year.
- 1.5 This work has allowed us to complete the **Yearend** Internal Audit report and form judgements on the operation and effectiveness of **Baldon Town Council's** internal control arrangements for 2022-23.

2 FINDINGS

Overall Assessment

- 2.1 We have provided a 'Yes' conclusion to all applicable areas of internal control when providing our assessment on arrangements at the Council for 2022-23.

Maintenance of Accounting Records

- 2.2 The Council uses a combination of Excel spreadsheets and an Edge finance system package. Income and expenditure were coded to individual cost centres. During the audit we concluded the finance system had been used and updated regularly throughout 2022-23 year.
- 2.3 Digital banking allows the Council to make payments and process invoices digitally and for the finance system to be updated in a timely manner.
- 2.4 The Council has a detailed internal controls checklist in place that is used and signed off by two Cllrs the minimum of annually.

Payments

- 2.5 We reviewed and sampled expenditure for 2022-23.
- 2.6 We tested a sample of income and expenditure. No issues were noted with the receipts or payments that were tested.
- 2.7 Evidence was provided that VAT was correctly filed and recorded in the accounts.

Charge Card and Petty Cash

- 2.8 Charge card payment are appropriately recorded in the cashbook.
- 2.9 We reviewed a number of transactions and no significant matters were noted.

Payments to Employees/PAYE

- 2.10 PAYE is contracted out to Bradford CPA. The payroll services agreement was provided.

Income

- 2.11 We tested a sample of items of income. We confirmed the precept was agreed, based on £48.83 per band D household, by members at Full Council at the 6 December 2021 meeting with the first £250,000 received on 11 April 2022.
Note: It is important that the minutes accurately reflect the fact that at the time of the meeting, the tax base for 2022-23 had not been confirmed and therefore the actual precept figure reported in the minutes was provisional.
- 2.12 For all area tested we confirmed income reflected in the financial statements had been received in the bank.

Bank Reconciliations

- 2.13 Bank reconciliations are completed on a monthly basis and are reported along with bank statements to full council meetings. A schedule of payments is also reported to the Governance committee.
- 2.14 A yearend (31 March 2023) bank reconciliation was completed and all bank statements provided, along with income and expenditure cashbook reports, AGAR box 7 to 8 reconciliation document, VAT summary report and appropriate annual return calculations. There are no matters to report to members regarding this from our review.

Budget setting and monitoring

- 2.15 A budget for 2022-23 was prepared covering all current activities of the Council based on a cost centre line by line budget analysis, in order to help confirm spending plans and budgets in advance of the precept demand confirmation meeting.

It is advised that the reporting of the budgetary process is recorded in a more detailed manner in the full Town Council minutes. As a minimum the total estimated income and expenditure figures should be included as well as the precept request sum and in addition any deficit amount that is to be taken from existing Council reserves. See recommendation 3.1.

- 2.16 Financial information was regularly provided to members during 2022-23 at full Council meetings and the Governance Committee.

Reserves

- 2.17 We reviewed the level of reserves to ensure these were appropriate. As Governance and Accountability for Smaller Authorities explains 'As authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority's year-end general reserve is significantly higher than the annual precept or rates and special levies, an explanation should be provided to the auditor.' External audit requires an explanation be provided as part of the annual reporting to them when reserves exceed two times the annual precept. The Council reserves are well below this level, at £320182 (as per AGAR Box 7).

Investments

- 2.18 The Council, at 31 March 2023, still holds its entire balance in a current account. As per 2021-22 Internal Audit recommendation a proportion of these reserves should be held in a higher interest account, particularly now interest rates are rising. It is further advised that a review process be put in place in order to continue to receive competitive rates of interest on this substantial sum. See recommendation 3.2.

Risk Management

- 2.19 The Council's Corporate Risk Assessment for 2022-23 was reviewed and approved by the Governance Committee in February 2022.
- 2.20 The Council has a one-year insurance policy in place for 2022-23. This like for like policy was arranged by the Council's insurance broker as the previous insurance provider was in jeopardy due to Covid. See recommendation 3.3.

Asset Registration

- 2.21 An up-to-date and accurate asset register is the starting point for any system of financial control over assets. The information also provides disclosures for the AGAR.
- 2.22 The Council's asset register for 2022-23 was provided.

Trust Funds

- 2.23 The Council is not responsible for any trust funds.

Annual Governance and Accountability Return 2022 – 2023

- 2.24 We checked the figures in section 2 of the return and found them to be correct and ready for submission to the external auditor.
- 2.25 Internal Control Objective K is not applicable to the Town Council as they did not certify themselves as exempt from a limited assurance review in 2020/21.
- 2.26 Internal Control Objective L is not applicable to the Town Council as they have a turnover exceeding £25,000.
- 2.27 In respect of Internal Control Objectives M and N, the Chief Officer provided information to support that the Town Council had correctly provided for the 2021-22 period of notice of public rights and followed the publication requirements for the 2020-21 AGAR. In addition, no issues were raised by the external audit in respect of these requirements.

ISSUES TO NOTE AND ACT UPON

3 RECOMMENDATIONS

- 3.1 It is advised that the reporting of the budgetary process is recorded in a more detailed manner in the full Town Council minutes at the precept/budgetary meeting. As a minimum the total estimated income and expenditure figures should be included, as well as the precept request sum and in addition any deficit amount that is to be taken from existing Council reserves.
 - 3.2 The Council, at 31 March 2023, still holds its entire balance in its current account. As per 2021-22 Internal Audit recommendation a proportion of these reserves should be held in a higher interest account, particularly now interest rates are rising. It is further advised that a review process be put in place in order to continue to receive competitive rates of interest on this substantial sum.
 - 3.3 The Council should review the level of fidelity insurance in order to make sure that it is more than the maximum amount of funds that the council holds at any point during the year.
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