

Cold Ash Parish Council

Internal Audit

Year Ended 31st March 2023

Prepared by: M Hillman (mhaccounting)

Date: 12th June 2023

Executive Summary

INTRODUCTION

This report outlines the internal audit work I have carried out for the year ended 31 March 2023.

The Public Sector Internal Audit Standards require internal audit to provide an annual review, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a plan of work, agreed with the Clerk/Responsible Finance Officer (RFO), which should provide a reasonable level of comfort, subject to the inherent limitations described on page 18. This does not imply that Internal Audit has reviewed all risks relating to the organisation.

My internal audit work was performed in accordance with Public Sector Internal Audit Standards.

ANNUAL REVIEW

I am satisfied that sufficient internal audit work has been undertaken to allow an independent view to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this view, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable comfort that there are no major weaknesses in the system of internal control.

My view is that improvements are required – There are some weaknesses in the framework of governance and control which could be enhanced in accordance with guidance, to reduce the risks that could have an impact on the organisation achieving its objectives. Improvements are required in those areas to strengthen the adequacy and effectiveness of governance and control.

BASIS OF MY VIEW

My view is based solely on my assessment of whether the controls in place support the achievement of the Council's objectives. The commentary below provides the context for my view and together should be read in its entirety.

Three findings were identified, all three findings were rated Medium risk. The findings related to Charity Trust Funds, Financial Records, and the Data Controls. The Clerk/Responsible Finance Officer (RFO) has agreed that actions will be taken with the Council Members to strengthen the areas of weaknesses identified.

A follow up review was also undertaken to establish the progress that has been made to the actions, that were planned as a result of the findings in the prior year internal audit report. The actions planned from the prior year findings are in progress, although further work is still required. It is important that action is taken to fully implement these outstanding actions.

As there are not any high or critical risk findings within this report, this should give the Council some source of comfort.

ACKNOWLEDGEMENTS

The Clerk/Responsible Finance Officer (RFO) demonstrates a good working knowledge of the Council and actively shows willingness to ensure compliance with controls. I would like to take this opportunity to thank the Clerk/Responsible Finance Officer (RFO) for her co-operation and assistance provided during this review.

Summary Findings

I enclose my report for your attention and presentation to the Parish Council. My audit was conducted in accordance with current practices and guidelines and controls testing were conducted in line with the requirements of the Governance and Accountability for Local Councils – A Practitioners' Guide. Whilst I have not performed substantive tests for individual transactions, my controls testing sample has where appropriate covered the entire year to date. Amongst others, the following areas were covered in my testing:- Review of Policies (including Financial Regulations & Standing Orders), Review of the Budget monitoring process, Review of Payroll process, Review of Bank reconciliation process and Review of Bookkeeping arrangements.

It is my conclusion that there is evidence to show the Parish Council is following its financial regulations and other Council policies

and procedures. Although to ensure that the Council stays compliant with General Data Protection Regulations, the Council should review its privacy and data protection policies at least once a year to make sure it reflects current data processing activities.

As raised in prior years, it is important the Council develop an IT disaster recovery plan and undertake backup recovery testing to ensure essential data is being fully and accurately preserved and can be restored in the event of an IT disaster.

Audit testing of income, expenditure and fixed assets identified some minor data entry issues; therefore, it is suggested that the Council consider reviewing book-keeping software options available to the Parish Council. It was also noted that the Clerk's salary was not approved by Members and paid on a timely basis.

The Council acts as sole trustee for the trust fund – Poor's Allotment & Recreation Grounds. Currently, the trust funds are held in the Council's bank account and the income & expenditure is recorded within the Council's annual return, and also the figures are reported in the Charity's annual return.

Within the Joint Panel on Accountability and Governance (JPAG) Guide 2023 it states that Authorities should ensure that each trust or charity has its own bank account. Only amounts paid and received that bank account should appear in the accounts the charity annual return. If, exceptionally the authority's bank account is used to receive monies intended for the trust or to pay for any expenditure on behalf a trust, then these transactions, including any irrecoverable VAT, must be included in the Annual Governance & Accountability Return (AGAR) of the Council. Where, following legal advice, authorities are wholly managing the assets of a charity trust funds, a memorandum of understanding should in place.

Audit discussions with the Clerk/RFO revealed that the Poor's Charity income and expenditure are currently reported in both the Council's annual return and the Charity's annual return, and there is no memorandum of understanding in place. Therefore, steps should be taken to ensure the Council complies with the JPAG Guide 2023.

I conclude that improvements could be made to enhance existing control arrangements, and that actions should be taken by the Council Members and the Clerk/RFO to:

- Review the Charity trust fund legal documents, asset records and financial reporting requirements
- Enhance the accuracy of the Council book-keeping records and timely approval of Clerk/RFO salary
- Ensure data protection policies updated, back-up recovery tests undertaken and an IT disaster plan created.

A. BOOK-KEEPING

The Parish Council use several Excel spreadsheets to record its accounting transactions – a receipts schedule, a cheque payment schedules, a payments against budget schedule and a bank reconciliation. The Excel spreadsheets are used on a regular basis to report and record the financial transactions of the Council.

The Council approves all expenditure before it is made, the invoices and cheques are taken by the Clerk/RFO to Council Members for sign off. Grants are awarded on a regular basis and are formally approved by Council before any grant payments are made.

Whilst reviewing the payments against budget spreadsheet to the bank reconciliation spreadsheet, it was noted that the website expenditure cost centre was overstated by £4 and the VAT entry was overstated by 80 pence, this was due to a Ionos website invoice being accidentally recorded twice in the spreadsheet. During the course of this audit, the Clerk/RFO removed the duplicated entry from the payments against budget spreadsheet.

The Council should consider reviewing its method for book-keeping and reporting to establish whether there are accounting software packages suitable for its needs, which enables information to be automatically populated from the bank statements rather than having to manually enter data into spreadsheets, thus reducing the risk of errors arising.

The Council's VAT return is submitted to Her Majesty's Revenue & Customs (HMRC) on a bi-annual basis. The VAT figures on the VAT return for the period 1st April 2022 to 30th September 2022 and on the VAT return for the period 1st October 2022 to 31st March 2023 were checked back to invoices. Minor comments were made to the Clerk/RFO within the return, before the return was submitted to Members for approval.

B. FINANCIAL REGULATIONS, STANDING ORDERS & PAYMENT CONTROLS

The Council's financial regulations were updated and approved by Council in December 2019. The Standing Orders were updated in July 2019. These documents were developed by the Clerk/RFO using the model guidelines suggested by the National Association of Local Councils (NALC). The Clerk/RFO stated that the Council's Financial Regulations are being reviewed and will be updated at the Council's Full Meeting on 13th June 2023, and the Standing Orders are planned for review and updating in July 2023.

The Council's Emergency Plan was updated in May 2022. The Council has written procedures for Code of Conduct (April 2021), Equal Opportunity Policy (February 2023), Procurement (June 2021), Complaints (August 2022), Social-Media (September 2021), Grant Policy (February 2022), Crime and Disorder (September 2021), and Freedom of / Access to Information Policy (November 2022). The Clerk/RFO stated that the Council's Code of Conduct, Procurement, Complaints, Social-Media and the Crime and Disorder are planned to be reviewed and updated in 2023/24.

The Council's website www.coldashpc.org.uk provides information on Cold Ash Parish, Latest News, Councillors, Council Meeting Minutes and Agendas, Finances, Key Documents/Policies, Council Charges, Grant Scheme, Allotments and Burial Grounds. The website also contains the Terms of Reference for the Finance Committee (November 2021), Environment Committee (February 2020), Staff Committee (February 2022) and Neighbourhood Development Plan Steering Group (January 2022).

The National Association of Local Councils (NALC) website accessibility and publishing guidelines should be formally reviewed by Council Members and the Clerk/RFO to ensure that it is fully compliant and has published all necessary documents on its website under the Transparency Code.

Cold Ash Parish Council last paid its annually data protection fee in July 2022 to the Information Commissioner's Office (ICO). The Council has an Information & Data Protection Policy (June 2018), a Privacy Policy (June 2018) and Document Retention / Disposal Policy (June 2018).

To help ensure that the Council complies with the General Data Protection Regulation (GDPR), it is good practice that the Council formally reviews its Data Protection and Privacy Policy at least annually or when further advice is issued by the ICO. All employees and councillors are expected to comply with this policy at all times to protect privacy, confidentiality and the interest of the Council.

The Parish Council use West Berkshire Council's Members Acceptance of Officer and Declaration of Interests forms. Members are responsible for confirming annually if any changes are required to their Register of Interests. At the Council meeting on the 9th May 2023, Members reported to the Clerk/RFO any changes that were required to their Register of Interest forms. The Cold Ash Ward Councillor register of interest forms are published on the Council's website.

Whilst reviewing the Council's policies, procedures and register of interest documents displayed on the website, some minor weaknesses were discussed with the Clerk/RFO who agreed to update the website.

C. RISK MANAGEMENT & INSURANCE

The Council's Risk Management Schedule was updated by the Clerk/RFO at the end of the financial year 2022/23 in line with the JPAG Practitioner's Guidance, the risks were approved by Council Members on the 11th April 2023. The Risk Management Schedule includes a description of the risk, the impact that the risk on the Council would be, the likelihood score, the impact score, risk rating – high, medium or low and the response / actions that have been taken by Council.

The Council's computer records are backed up on a weekly basis, and the back-up drive is held offsite. In the prior year internal audit report, it was suggested that the Council develops an IT disaster plan and tests the IT back up arrangements to assess whether data can be restored, this has not been actioned. Audit discussions revealed that the Council are looking into new computer systems which will include cloud back-ups. The Council should take steps to undertake backup recovery testing as it a crucial part of ensuring the availability and integrity of data and systems in the event of a disaster or failure.

The Council has public liability and employers' liability insurance with AXA, which was purchased through the Risk and Insurance Brokers - Came & Company Local Council Insurance. The Council annually review the insurance policy, it was last renewed on the 1st April 2023.

The Parks within Cold Ash are regularly inspected to assess any health & safety issues, and evidence is retained by the Clerk/RFO. On the 5th May 2023, RoSPA Play Safety undertook detailed safety inspections of the Toddler Play Area, Hermitage Road Recreation Ground, Junior Ball Court and Amenity Area, these reports were also reviewed by Members. Also, Ards Playgrounds undertook its bi-monthly playground inspection on 1st April 2023, and reported back to the Council its findings. The Clerk/RFO also undertakes weekly visits to the playground areas to identify any major health and safety issues.

D. BUDGETARY CONTROLS

Monthly budget monitoring takes place, the payments against budget report is presented to Council, so that any slippages in expenditure can be monitored by Members. Also, on a monthly basis, actual receipts and cheque payment figures are reported and approved by Members. The Council's payments against budget report at the year-end 31st March 2023 showed expenditure of £65,822.08 which was below the set 2022/23 budget expenditure of £66,280.52.

The Council's budget for the financial year 2023/24 was approved by Members at its meeting on 10th January 2023. The Council's reserves are reviewed by the Clerk/RFO with reports being presented to Council.

E. INCOME CONTROLS

Cold Ash Parish Council have the right to raise money from their parishioners via the Council Tax process, they do this by 'precepting' on the Principal Council - West Berkshire Council, who then levy on taxpayers in Cold Ash Parish as part of the Council Tax billing. In the financial year 2022/23 the precept recorded was £51,000 this agreed to West Berkshire Council's notification.

Income from burial grounds, allotments, recreation grounds, sports facilities, Community Infrastructure Levy (CIL), Section 106 Agreements (S106) are banked by the Clerk/RFO. The fees and charges were reviewed and updated by the Finance Committee on 30th November 2022. A sample of invoices raised in 2022/23 was reviewed to ensure that the correct charges were raised, no discrepancies were identified.

Sample testing on the Council's income receipts spreadsheet revealed that £62.60 bank interest received on the 6th October 2022 had been omitted and the allotment plot 21 income received on the 11th April 2022 was understated by £15.00. During the course of this audit, these omissions were corrected on the income receipt spreadsheet by the Clerk/RFO.

F. PETTY CASH

The Council has a £150 petty cash float, which is used for small value expenditure transactions. The petty cash float was checked as part of this audit, no discrepancies were noted.

G. PAYROLL

The Council's payroll processing has been outsourced to a third-party provider – Autela Payroll Services. Each month, Autela Payroll Services provides the Clerk/RFO with their pay details. The payroll payments are then reported and approved by Members on the 'Items for Payment' sheet. Two different Councillors then sign the pay cheques, before the cheques are issued. The Clerk/RFO sends the cheque payments to the Pension Provider NEST on a monthly basis and to HMRC on a quarterly basis. Sample testing on the payroll and pension calculations for June 2022, November 2022 and March 2023 were undertaken, it appears that the Council is fully adhering to the HMRC payroll and Pension Regulator requirements.

During payroll testing, it was noted that the Clerk/RFO salary pay effective April 2022 was not approved by Members until February 2023, this backdated salary increase was not paid until April 2023. Therefore, it is important that when the new payrates effective April 2023 have been formally agreed by West Berkshire Council, Cold Ash Members must ensure that the 2023/24 salary for the Clerk/RFO is approved within a shorter time period, enabling payments to be made in the correct financial year.

H. ASSETS AND INVESTMENTS

The fixed asset register is annually reported to Councillors. The assets are shown at original cost and the market/rebuild value. The Council does not currently have any long-term investments. The fixed asset register for 2022/23 was updated by the Clerk/RFO with additions and disposals in accordance with JPAG guidance and approved by Members on the 11th April 2023.

The figures on the fixed asset register were compared to the draft annual return for year ending 31st March 2023, and it was noted that the prior year fixed asset balance 2021/22 did not agree to the opening balance on the fixed asset register, there was a difference of £1,000. During the course of this audit, the draft annual return for year ending 31st March 2023 was corrected by the Clerk/RFO and an explanation for the change to the prior year fixed asset figure was recorded on the variation spreadsheet sent to the external auditors.

I. BANK RECONCILIATIONS

On a monthly basis, the Clerk/RFO carries out the bank reconciliation. The bank reconciliation is then taken monthly to the Council meetings for review. There have been no changes in the banks used by the Council since last year. The 2022/23 bank reconciliation file was reviewed, and it was noted that the monthly reconciliations were undertaken. The bank reconciliation as at 31st March 2023 agreed to the figures within the Council's main bank account and savings bank account.

J. YEAR END PROCEDURES

Based on the findings from this review, the draft 2022/23 annual return figures were updated and agreed back to the updated receipts schedule, bank reconciliation, fixed asset register and payments against budget spreadsheets. The public rights to review the Council's accounts will be the 14th June 2023 to 25th July 2023. The Clerk/RFO stated that the notice period would be displayed on the Council's noticeboard and on its website.

K. TRUST FUNDS (including Charitable)

The Council is the Sole Trustee responsible for the trust fund - 'The Poor's Allotment & Recreation Ground Charities' (Charity Number 300138). The Charity owns the allotments and recreation grounds (including the orchards). Annual charity returns are due to be submitted annually to the Charity Commission by 31st January. For the period 1st April 2021 to 31st March 2022, the Poor's Allotment & Recreation Ground Charities annual return included income of £8,508 and expenditure of £11,713 and the return was submitted to the Charity Commission on the 11th January 2023.

The Council's bank account is used for 'The Poor's Allotment & Recreation Ground Charities' and the income & expenditure transactions are recorded within the Council's book-keeping spreadsheets – expenditure against budget report and receipts schedule.

The JPAG guidance 2023 states that only amounts paid and received through the trust's own bank account should appear in the accounts of the charity/trust fund. Therefore, as the Poor's Allotment & Recreation Ground Charities does not have a separate bank account, the guidance appears to imply that the trust figures do not need to be reported to the Charity Commission.

Therefore, the Council should seek advice from the Charity Commission or an accountant who specialises in Charity returns to establish whether nil entries should appear in the annual return to the Charity Commission.

Within the JPAG guidance 2023 on Trust funds it states that if exceptionally, the Council's bank account is used to receive monies intended for the trust or to pay for any expenditure on behalf of a trust then these transactions must be included in the Annual Governance and Accountability Return (AGAR) of the Council. Where Councils wholly manage the assets of a charity, legal advice should be sought and a memorandum of understanding should be in place.

Audit discussions with the Clerk/RFO revealed that Poor's Allotment & Recreation Ground Charities trust funds are included in both the Charity's Annual Return and the Council's Annual Governance & Accountability Return (AGAR) of the Council, there is no memorandum of understanding in place between the Council and the Trust.

Therefore, the Council should seek legal advice regarding a memorandum of understanding between Cold Ash Parish Council and the Poor's Allotment & Recreation Ground Charity.

Furthermore, the JPAG guidance 2023 states that the value of trust property must not be shown in the Council's books and on the AGAR as Council property. Trust assets held by the authority as custodian or managing trustee should, however, be recorded in the Council's asset register and identified there as 'charity assets held by the Council as trustee' with their value excluded from the total.

The Council should carry out a review to ensure that any assets of the trust are recorded in accordance with this JPAG guidance.

M Hillman (Internal Auditor) - 12th June 2023

This year findings – Action Plans 2022/23

2022/23 Findings	Implications/ Risks	Action Plan
<p>1. Trust funds - 'The Poor's Allotment & Recreation Ground Charities'</p> <p>The Council is the Sole Trustee responsible for the trust fund - 'The Poor's Allotment & Recreation Ground Charities' (Charity Number 300138). The Charity owns the allotments and recreation grounds (including the orchards). The Council's bank account is used for 'The Poor's Allotment & Recreation Ground Charities' income & expenditure and transactions are recorded within the Council's book-keeping records.</p> <p>The JPAG guidance 2023 states that only amounts paid and received through the trust own bank account should appear in the accounts of the trust fund. As the Poor's Allotment & Recreation Ground Charities does not have a separate bank account, guidance suggest that the trust figures do not need to be reported to the Charity Commission, as they are reported in the Council's AGAR. <u>Therefore, the Council seek advice from the Charity Commission or an accountant who specialises in Charity returns to establish whether nil entries should appear in the Poor's Allotment & Recreation Ground annual return submitted to the Charity Commission.</u></p> <p>Within the JPAG guidance 2023 on Trust funds it states that if exceptionally, the Council's bank account is used to receive monies intended for the trust or to pay for any expenditure on behalf of a trust then these transactions must be included in the Annual Governance and Accountability Return (AGAR) of the Council. Where Councils wholly manage the assets of a charity, legal advice should be sought and a memorandum of understanding should be in place.</p> <p>Audit discussions with the Clerk/RFO revealed that the trust funds from the Poor's Allotment & Recreation Ground Charities are included in <u>both</u> the Charity's annual return and the Council's annual return. Also, it was stated that the Council has not obtained any legal advice to establish whether a memorandum of understanding should be in place between the Council and the Trust. <u>Therefore, the Council should seek legal advice regarding a memorandum of understanding between Cold Ash Parish Council and the Poor's Allotment & Recreation Ground Charity.</u></p> <p>Furthermore, the JPAG guidance 2023 states that the value of trust property must not be shown in the Council's books of account and on the AGAR as Council property. Trust assets held by the authority as custodian or managing trustee should, however, be recorded in the Council's asset register and identified there as 'charity assets held by the Council as trustee' with their value excluded from the total. <u>The Council should carry out a review to ensure that any assets of the trust are recorded in accordance with this JPAG guidance.</u> (Risk Rating: Medium)</p>	<p>Non-compliance with Joint Panel on Accountability and Governance Practitioner's Guide.</p> <p>Non-compliance with Charity Commission requirements.</p>	<p>The Clerk/RFO will contact West Berkshire Council legal team to seek advice on whether a memorandum of understanding between the Council and the Poor's Allotment & Recreation Ground Charities is required.</p> <p>One of the Finance Council Members and the Clerk/RFO will contact the Charity's Commission to clarify whether nil figures should be included in the annual return for Poor's Allotment & Recreation Ground Charities as it does not have its own separate bank account. Also, they will check with the Charity Commission the Charity income and expenditure can be banked into the Council's own bank account and shown in the Council's annual return.</p> <p>The Clerk/RFO will review the fixed asset register to ensure that any property/assets held by the Council as trustee on behalf of the Poor's Allotment & Recreation Ground Charities are clearly marked and the value excluded from the fixed asset total shown on the Council's annual return.</p> <p><u>Target Date: December 2023.</u></p>

<p>2. Financial records</p> <p>Sample testing on the Council’s income receipts spreadsheet revealed that £62.60 bank interest income on the 6th October 2022 had been omitted from the spreadsheet and the allotment plot 21 income received on the 11th April 2022 was understated by £15.00 on the spreadsheet. The Clerk/RFO updated the income receipts spreadsheet during this audit.</p> <p>Whilst reviewing the payments against budget spreadsheet to the bank reconciliation spreadsheet, it was noted that the website expenditure cost centre was overstated by £4 and the VAT entry was overstated by 80 pence, this was due to a Ionos website invoice being accidentally recorded twice in the spreadsheet. During the course of this audit, the Clerk/RFO removed the duplicated entry from the payments against budget spreadsheet.</p> <p><u>The Council should consider reviewing its method for book-keeping and reporting to establish whether they could use an accounting software package suitable for its needs, which enables information to be automatically populated from the bank statements rather than having to manually enter data into several spreadsheets, thus reducing the incompleteness or inaccuracies in Council’s financial data.</u></p> <p>During the audit, the figures on the fixed asset register were compared to the draft annual return for year ending 31st March 2023, and it was noted that the prior year fixed asset balance 2021/22 did not agree to the opening balance on the fixed asset register, there was a difference of £1,000. As a result of this finding, the Clerk/RFO changed the 2021/22 fixed asset figures on the 2022/23 annual return, and added an explanation on the variance spreadsheet sent to the external auditors explaining the reason for the difference on fixed asset figure compared to prior year annual return.</p> <p>During the internal audit review, it was noted that the Clerk/RFO salary pay effective April 2022 was not approved by Members until February 2023, and the backdated salary increase was not paid in the correct financial year, it was paid in April 2023.</p> <p><u>It is important that Cold Ash Members ensure that the 2023/24 salary for the Clerk/RFO is approved within a shorter time period, enabling payments to be in the correct financial year.</u></p> <p>(Risk Rating: Medium)</p>	<p>Receipts and payments which are not correctly recorded could have impact on budget monitoring and annual return.</p> <p>Manual data input of book-keeping transactions increases the risk of errors arising.</p> <p>Delay in authorising and paying expenditure in correct financial year could have impact on budgets and inaccurate financial reporting.</p>	<p>Members and Clerk/RFO will consider undertaking a review of what accounting software options are available to Parish Council, and whether they would be appropriate for Cold Ash Council.</p> <p>Members will need to ensure that the Clerk/RFO salary pay review is undertaken on timely basis so that any payrises can be paid in the correct financial year.</p> <p><u>Target Date: March 2024.</u></p>
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<p>3. Data Controls</p> <p>The National Association of Local Councils (NALC) website accessibility and publishing guidelines provides details on documents that should be published on Council websites under the Transparency Code. Also, the National Association of Local Councils (NALC) and the Information Commissioner’s Office provides guidance to assist organisations with General Data Protection Regulation (GDPR).</p> <p>During the audit, it was noted that the Council’s Information & Data Protection Policy, Privacy Policy and Document Retention / Disposal Policy were last updated in June 2018. The Clerk/RFO stated that the website is updated regularly during the year with relevant documents, although no specific formal review has been undertaken by Members to ensure that the website clearly displays all the information required under the Transparency Code.</p> <p>For best practice, it is recommended that <u>Council Members formally review at least annually their Data Protection and Privacy Policy and that the website data is cross checked against the NALC website guidance.</u></p> <p>Whilst reviewing the Council’s policies, procedures and register of interest documents displayed on the website, some minor weaknesses in relation to Community Infrastructure Levy (CIL), member interest forms and website privacy liability disclaimer were discussed with the Clerk/RFO.</p> <p>The Council’s computer records are backed up on a weekly basis, and the back-up drive is held offsite. Audit discussions revealed that the Council are looking into new computer systems which will include cloud back-ups, although the Council have not yet developed an IT disaster recovery plan or tested current backup arrangements.</p> <p>It is important that <u>the Council creates an IT disaster recovery plan and tests its back up recovery arrangements annually.</u></p> <p>(Risk Rating: Medium)</p>	<p>Non-compliance with General Data Protection Regulations could result in the Council’s reputation being damaged or warnings/fines from the Information Commissioner’s Office (ICO).</p> <p>Information provided on website may be inaccurate, incomplete or unsuitable for its purpose.</p> <p>Data may not be fully and accurately preserved, or data could be lost in the event of an IT disaster or failure.</p>	<p>Members and the Clerk/RFO will review and update the Data Protection and Privacy Policy on an annual basis.</p> <p>Members and the Clerk/RFO will carry out a formal annual review to ensure that the website clearly shows information required under the Transparency Code.</p> <p>Members and the Clerk/RFO will take steps to develop an IT disaster plan and undertake backup recovery testing.</p> <p><u>Target Date: March 2024.</u></p>
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Follow Up on Prior Year 2021/22 Action Plans

Prior Year 2021/22 Agreed Action Plan	Implications / Risks	Current position
<p>a) Book-keeping records – Follow up on prior year recommendation</p> <p>i) Sample testing on the Council’s payments against budget spreadsheet, income receipts spreadsheet, bank reconciliation spreadsheet and fixed asset spreadsheet was undertaken and cross referenced to the figures on the draft 2021/22 annual return spreadsheet, the following was noted:</p> <ul style="list-style-type: none"> • The draft annual return showed an incorrect total for other receipts and an incorrect total for other payments. • The income receipts spreadsheet did not include interest of £7.59 received in the savings bank account and funds transferred to the savings account had been understated by 60 pence. • The payments against budget spreadsheet was overstated by 80 pence relating to a VAT typing error recorded on the cheque payment sheet. • The draft annual return showed an inaccurate total for cash and short-term investments due to a typing error. • The bank reconciliation spreadsheet had a few minor typing mistakes within the audit note sections and one of the entries needed to be removed as it related to the prior month. • The draft annual return showed an incorrect total for fixed assets. <p>Action Plan: The Clerk/RFO will update the draft annual return and book-keeping spreadsheets to correct the errors identified by internal audit, before the final annual return is submitted to the external auditor.</p> <p>ii) Some of the website expenditure was inconsistent on the payments against budget spreadsheet, some of the amounts for Ionos included VAT and some of the amounts for Ionos did not include VAT. As a result, not all the VAT on the Ionos invoices had been recovered from HMRC. Action Plan: The Clerk plans to ensure that VAT on future Ionos invoices will be recovered from HMRC.</p> <p>iii) The Clerk/RFO should create a monthly reconciliation checklist showing the cross referencing of totals from each of the book-keeping spreadsheets, so that any calculation or typing errors can be spotted, and immediately rectified each month. This checklist should be signed off by a Member of the Finance Committee. Action Plan: The Clerk/RFO will look at developing a monthly reconciliation checklist so that the totals on each of book-keeping spreadsheets are cross-checked. (Risk Rating: Medium)</p>	<p>Manual entry of book-keeping transactions increases the risk of typing errors and/or missing data.</p> <p>VAT may not be accurately recorded on book-keeping records therefore not fully recovered from HMRC.</p> <p>Discrepancies or mistakes between book-keeping records may not be detected or are more difficult to identify unless monthly checks are undertaken.</p>	<p>The Clerk/RFO updated the 2021/22 draft annual return and book-keeping spreadsheets identified.</p> <p>From April 2022, the Clerk/RFO created a new spreadsheet that recorded the total in the bank, cheques not drawn and total in the bank reconciliation to help identify any banking inaccuracies.</p> <p>During the course of the internal audit review in 2022/23, discrepancies were identified between the bank statement figures and the figures in the income receipts spreadsheet and payments against budget spreadsheets.</p> <p>Auditor’s view: Partially implemented.</p> <p>It is very important that the Council consider further ways to minimise the risks of data entry differences between the banking figures and the book-keeping spreadsheet figures.</p> <p>Council response: See action proposed for financial records on page 12.</p>

<p>b) Risk Register – Follow up on prior year recommendation</p> <p>i) The Council’s Risk Register for the financial year 2021/22 was reviewed and it was noted that it does not contain all the information suggested within the JPAG Practitioner’s guide 2021/22, for example risk descriptions, impact and likelihood scores.</p> <p>The Clerk/RFO was provided with a variety of potential designs for the risk register, and was also referred to the guidance within the JPAG Practitioner’s guide 2021/22 which gives an example of a risk register, risk assessment matrix and typical categories of risks.</p> <p>It is important that the Clerk/RFO enhances the risk register over the next financial year to ensure that the document incorporates the guidance within the JPAG Practitioner’s Guide, such as extra columns for risk descriptions, impact and likelihood scores.</p> <p>Action Plan: Risk Asset will be updated by the Clerk/RFO based on JPAG guidance and reported to Members.</p> <p>ii) One of the key risks that should be on risk registers is ‘the failure of IT systems’ resulting in loss of data, all organisations should ensure that data back-ups are held in more than one location and by more than one person.</p> <p>The Council should develop an IT Disaster Recovery Plan and physically test whether the IT back up data could be successfully restored if the Clerk/RFO was not available.</p> <p>Action Plan: The risk of IT systems will be added to the fixed asset register. The Council will consider developing an IT Disaster Recovery Plan and consider physically test whether the IT back up data could be restored if Clerk was unavailable.</p> <p>(Risk Rating: Medium)</p>	<p>Incomplete risk register could result in an unsuccessful risk management process that does not help mitigate potential business issues arising.</p> <p>Inability to effectively restore data if back-ups only held by one person or in one location.</p>	<p>The Clerk/RFO updated the Council’s risk register to include the information suggested with the JPAG Practitioner’s guide, this was approved by Members on the 11th April 2023.</p> <p>The Council are currently reviewing its IT systems, at this stage the Council have not developed an IT Disaster Recovery Plan or physically tested whether the IT back up data could be successfully restored.</p> <p>Auditor’s view: Partially implemented.</p> <p>It is important that the Council takes action to minimise its risks relating to the failure of IT systems and restoring from back up data is tested.</p> <p>Council response: See action proposed on page 13.</p>
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<p>c)Website information – Follow up on prior year recommendation</p> <p>i) The Clerk/RFO stated that the Council’s website is being enhanced to ensure that it provides useful information for the Cold Ash community. Whilst reviewing the Council’s websites, the following was noted:</p> <ul style="list-style-type: none"> • The Website Privacy policy did not contain a disclaimer, which limits any liability to the Council, if errors are found in the content on the website. • The Community Infrastructure Levy (CIL) report showed estimated figures which required updating to reflect the actual figures at the year-end 31st March 2022 and the typing error on the expiry date column needed correcting. • Three Council Members (Vice-Chair/Manor Park Ward Member, a Cold Ash Ward Member and a Florence Gardens Ward Member) had not provided their biographies to the Clerk for uploading onto the website. Also, the Cold Ash Ward Member register of interest had yet to be uploaded onto the website. • The Grant Scheme document did not contain full details of the grant scheme or the date that the document was approved by Council. • The Retention and Disposal Policy did not contain the date that the document was approved by Council and did not have the date when will be next reviewed. • The Staff Committee terms of reference did not contain the date that the document was approved by Council or the date when it will be next reviewed, plus the document is in a different format/style to the Council’s usual terms of reference. This document was created by Members in 2021/22 to ensure that they undertake a review of the Clerk/RFO’s salary and appraisal each year. <p>Action Plan: Members will be responsible for providing their Biographies & Register of Interests, adding a disclaimer to the website privacy policy, and update the format/style of the Staff Committee term of reference so that these documents can be added to the website.</p> <p>ii) The minutes from the Council’s Meeting on the 14th December 2021 stated that the Members noted the Poor’s Allotment & Recreation Charity Return losses of £317.01 for the year ending 31st March 2021, and it was agreed to add the Charity finances to a future agenda to discuss further. Discussions with the Clerk/RFO stated that the Members had yet to discuss what action could be taken to reduce the loss on the Charity Return, this will be added to a future meeting.</p> <p>Action Plan: ii) Members to formally discuss the loss on the Poor’s Charity Return and decide whether any action should be taken to reduce the loss.</p> <p>(Risk Rating: Low)</p>	<p>If policies are not dated, then each policy may not be reviewed between one and three years, which could result in non-compliance with new laws and regulations.</p> <p>Financial position of the Charity may not be regularly and actively monitored and reported by Members.</p>	<p>A Council Member in conjunction with the Clerk/RFO updates the Council’s website throughout the year with Council meeting details and minutes. The website has been recently updated to include the newly appointed Council Members.</p> <p>The Clerk/RFO stated that the website will be updated this month with the latest Community Infrastructure Levy (CIL) information, the website policy disclaimer and the public accounts notice period dates.</p> <p>During the financial year 2022/23, the Clerk/RFO and Finance Members started their analysis of the Poor’s Allotment & Recreation Charity financial records, further work is required in this area based on new guidance issued by the JPAG.</p> <p>Auditor’s view: Partially implemented.</p> <p>It is important that a detailed review of the Poor’s Allotment & Recreation Charity legal, asset and financial records are undertaken to ensure that the Council is adhering to JPAG guidance and the Charity Commission regulations.</p> <p>Council response: See action proposed on page 11.</p>
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Background - Law and Regulation regarding Internal audit

Regulation 6 of the Accounts and Audit Regulations 2015 imposes a duty on local Councils to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

Internal audit is a key component of the 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 over its activities and operating procedures are effective.

Internal audit's role is to assist the Council in fulfilling its responsibility to have and maintain proper internal control arrangements and those for the prevention and detection of fraud, error or mistakes. All internal audit work must be reported to the Council. Any report by internal audit is addressed to the Council, may recommend actions to be taken by the Council, and should be treated as a document open to view by local taxpayers.

Legislation set out how local Councils should behave when accounting for the public funds they manage and what rights local taxpayers have in relation to those accounts. The requirement for local Councils to prepare accounts annually and to subject them to external audit.

Under the regulations, all local Councils must at least once a year, conduct in accordance with proper practices a review of the effectiveness of their system of internal control and publicly report the outcome. The Annual Governance Statement in Section 2 of the annual return provides the means for local Councils to report to local taxpayers on their system of internal control.

This report is prepared for the Council and proper officers of the Council named above, for use in fulfilling their obligations and reviewing the effectiveness of their system of internal controls. mhaccounting accept no responsibility for any action or inaction taken as a result of the findings of this report and accept no responsibility to any other party other than those named above. No part of this material may be reproduced in any form without the prior permission of mhaccounting.

Limitations and responsibilities

My work has been performed subject to the limitations outlined below.

The annual view is based solely on the work undertaken as agreed with the Parish Clerk/Responsible Finance Officer (RFO). There might be weaknesses in the system of internal control that I am not aware of because they did not form part of my programme of work, were excluded from the scope of the internal audit assignment or were not brought to my attention.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management / councillors overriding controls and the occurrence of unforeseeable circumstances.

My assessment of controls relating to Cold Ash Parish Council is for the period 1 April 2022 to 31 March 2023. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

A low rated finding is one with little/no impact on the operational activities and the reputation of the organisation. A medium rated finding is one that will cause an impact but not a serious one. A high rated finding is one that causes high impact. A critical rated finding is one that has significant impact and immediate action must be taken.

It is the Council's responsibility to develop and maintain sound systems of risk management, internal control, governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for Clerk/Responsible Finance Officer (RFO) and Councillor's responsibilities for the design and operation of these systems.

I endeavour to plan my work so that I have a reasonable expectation of detecting significant control weaknesses and, if detected, I shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and my examination as an internal auditor should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

In the event that, pursuant to a request which Cold Ash Parish Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information relating to this report, it will notify mhaccounting promptly and consult with mhaccounting prior to disclosing such information. Cold Ash Parish Council agrees to pay due regard to any representations which mhaccounting may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with mhaccounting, Cold Ash Parish Council discloses any such information, it shall ensure that any disclaimer which mhaccounting has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Cold Ash Parish Council and solely for the purpose and on the terms agreed with Cold Ash Parish Council in our agreement dated 3rd March 2018. I accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.