

# TOPLIS ASSOCIATES LTD.

STREETHAY LODGE  
STREETHAY  
LICHFIELD  
STAFFORDSHIRE WS13 8LR

TEL: 01543-419202

22 May, 2023

The Chairman  
Uttoxeter Rural Parish Council  
c/o Mrs VRE Gibson – Clerk  
6 Alexandra Crescent,  
UTTOXETER  
Staffordshire ST14 7LQ

RECEIVED 24 MAY 2023

Dear Councillor

## **Conclusion of Internal Audit of your Parish Council For the year ended 31<sup>st</sup> March 2023**

Following the completion of my work for the above year we are writing to inform the Council that having carried out the year-end review I have been able to sign the Annual Governance and Accountability Return Form 3 ("AGAR") but have had to qualify Internal Control Objective D (Precept Setting). As we have raised this qualification your council must discuss our comments before signing Section 1 of the AGAR (Annual Governance Statement) and make a NO declaration to the relevant assertion. Your council must also write an accompanying letter to the External Auditor (see footnote to table) either agreeing to our recommendation or stating how the issue will be resolved.

The independent internal examination of the Councils governance, financial affairs and certification of the 2022-23 AGAR to the External Auditor was carried out in accordance with the standards laid out in the Accounts and Audit Regulations, 2015 and embodied in the Joint Panel on Accountability and Governance Practitioners ("JPAG") Guide March 2023.

In summary, we covered the following areas in our examination:

- Proper Bookkeeping
- Financial Regulations, Standing Orders and Payment Controls
- Risk Management and Insurance arrangements
- Budgetary Controls
- Income Controls
- Payroll Controls
- Asset Control

Registered Office as above  
Registered in England No 3219234



- Bank Accounts and Reconciliation
- Year End Procedures.
- Charitable Trusts (when appropriate)

This year we have carried out a review of your web site to evaluate its conformance to the Local Government Transparency Code 2015 which is to be viewed as a minimum standard. We confirm your web site meets this requirement.

We carried out two reviews during the fiscal year and were accorded with full co-operation by your Clerk. Any issues which we raised with the Clerk during the conduct of our work have either been satisfactorily rectified or are noted below.

A copy of our Annual Internal Audit certification (page 3 of the AGAR) together with supplementary comments for 2022-23 is attached.

We would also wish to draw your council's attention to the following matters:

- We note that your general reserves cover (after the exclusion of properly voted earmarked funds of £17,301) is 0.19 years and therefore below the JPAG guidelines. We consider this to be a dangerously low level of general reserves balance at the year end. The minimum cover specified in the JPAG guidelines is .25 years for small parish councils. Please see my further comments on your precept setting practices in my supplement to the AGAR Internal Audit Report. You will appreciate I am not allowed to instruct you on this matter but we have taken the liberty of attaching page 38 of the Practitioners Guide 2021 which in para 5.32 – 5.36 gives guidance on General Reserves;
- We would wish to draw your attention to the "Publication Requirements" on page 1 of the AGAR.

In respect of the new Council year we make the following additional observations and recommendations for your consideration:

1. We recommend that during the fiscal year your council should review the Risk Assessment to ensure that it still reflects the current environment. Your council should then minute its ratification;
2. During the fiscal year your council should review your Standing Orders and Financial Regulations to ensure that they still reflect the current environment. Your council should then minute that ratification. Please note that it is important that your Financial Regulations meet the standard set by those published by NALC in July 2019. The Model Financial Regulations templates were produced by the National Association of Local Councils (NALC) in July 2019 and contain a number of important legal changes;

3. Copies of both your current Standing Orders, Finance Regulations and Risk Assessment should be displayed on your councils web site and must show the latest date of revision and ratification;
4. You are reminded that when the council discusses, amends or ratifies significant documents copies should be made available on your web site for members of the public to view. These documents should be either appendices to published minutes and agenda papers or as separate documents on the web site (preferably with a hypertext link to facilitate ease of searching);
5. You must discuss the appointment of your internal auditor and ratify and minute the appointment during the current financial year. We were pleased to have been your internal auditor during 2022-23 and offer ourselves for re-appointment. You may use either our company name or refer to Alan Toplis by name in the appropriate minutes;
6. If your council wishes to carry forward earmarked funds at the yearend these must have been ratified by your council. This is best done at the time you draw up the next budget or at final meeting of the fiscal year.

It is your Council's responsibility to note these comments and to consider what action should be taken.

Can we take this opportunity to remind you that when the AGAR comes back from the External Auditor you do have a duty to display the accompanying notice of Completion of Audit on each of your usual notice boards and on your council's website.

The complete AGAR and any auditor's comments or qualifications should also be displayed on your web site to allow electors to see the complete card and read the External Auditors comments if they wish to do so.

*In accordance with Regulation 13 (of the Audit and Accounts Regulations), after the conclusion of the period for the exercise of public rights), the authority must publish (including on its website) the annual governance statements, statement of accounts, and the external auditor's certificate and report – Sections 1, 2 and 3 of the Annual Governance and Accountability Return. Authorities must keep copies of these documents for purchase by a person at a reasonable sum and ensure that they remain available for public access for 5 years*

Please do remember to retain a copy of the notice on file as proof that you have followed the requirements of the Local Government Act. You should also minute the External Auditors approval of the AGAR and any qualification or comments made and resolve to take action where necessary.

We will make our next visit in October/November but please do not hesitate to contact me should you require advice in the meantime.

Yours sincerely,

Alan Vorlis



### Reserves:

- 5.30. As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.
- 5.31. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.

### General reserves:

- 5.32. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.
- 5.33. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.
- 5.34. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.
- 5.35. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.
- 5.36. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

### Earmarked and other reserves:

- 5.37. None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.
- 5.38. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors.



# Annual Internal Audit Report 2022/23

Uttoxeter Rural Parish Council

uttoxetererruralparishcouncil.org.uk

During the financial year ended 31 March 2023, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2022/23 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.		✓*	
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.		NO PETTY CASH KEPT ✓	
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.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
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.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")			✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR Page 1 Guidance Notes).	✓		

O. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

\*SEE ATTACHED SUPPLEMENT  
Date(s) internal audit undertaken

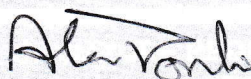
Name of person who carried out the internal audit

04/01/2023

04/05/2023

Alan Toplis - Toplis Associates Ltd

Signature of person who carried out the internal audit



Date

23/05/2023

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



# Uttoxeter Rural Parish Council

## Annual Internal Audit Report 2022/23

(This document is a supplement to page 3 of 6 of the Annual Governance and Accountability Return ("AGAR") 2022/23, Part 3 and is intended to be read and published with that document). Copies of this document must be displayed with the AGAR and forwarded to the External Auditor.

### Internal Control Objectives

Internal Control Objectives (as per page 3 of the accompanying AGAR). Headings in *Italics* are a direct copy of the objectives in the AGAR

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

YES

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

YES

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

YES

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

NO

*We are concerned that your council has failed to understand the need for adequate cover of free funds at the year-end in calculating the precept for 2022/23 and 2023/24 and we therefore recommend the following actions:*

- a. *At the commencement of the 2024/25 precept process (Oct/Dec 2023) we will time our interim audit to coincide so that we can carry out a step by step review of the precept methodology and the robustness of the estimates for Projected, Committed and Next Year Budget. This will at least ensure that the precept does properly ensure cover for free funds. We must point out that this process relies totally on your council controlling expenditure, gaining predicted income and predicting income for the remainder of the 2023/24 fiscal year. It would be our objective to ensure that cover at the yearend does not fall below the minimum recommended (0.25 years).*
- b. *That the Clerk and all members of the council should attend a tailored course on setting budgets and precepts as clearly there are some areas of incomplete or*

**inaccurate knowledge. The External Auditor may wish to reinforce this recommendation. We are happy to recommend a source of such training courses.**

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

**YES**

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

**NO PETTY CASH KEPT**

- G. Salaries to employees and allowances to members were paid in accordance with the authorities approvals, and PAYE and NI requirements were properly applied.**

**YES**

- H. Asset and investments registers were complete and accurate and properly maintained.**

**YES**

- I. Periodic bank account reconciliations were properly carried out during the year.**

**YES**

- 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.**

**YES**

- K. 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**

**NOT APPLICABLE**

- L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.**

**YES**

- M. In the year covered by this AGAR the authority correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by the notice on the website and/or authority approved minutes confirming the dates set).**

**YES**

- N. The authority has complied with the publication requirements for the 2021/22 AGAR**


**YES**

- O. Trust Funds (including charitable) – The council met its responsibilities as a trustee.**  
**NOT APPLICABLE**



Other matters requiring attention

NONE

Signed 

Internal Auditor

Date 23/05/2023