
Wickersley Parish Council

Internal Audit 2023/24: Final report

For and on behalf of Phil Parkin Ltd



Internal Audit Forum

THE VOICE FOR LOCAL COUNCIL AUDIT

This report has been prepared for the sole use of Wickersley Parish Council. No responsibility or liability is accepted by Phil Parkin Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Background and Introduction

All town and parish councils are required by statute to make arrangements for an independent internal audit and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Council has requested that Phil Parkin Ltd provides this service, based on a letter of engagement agreed and signed by the Council. Phil Parkin Ltd is a member of the Internal Audit Forum – an association of Internal Auditors for local councils which seeks to promote high quality internal audit.

This report sets out the interim work undertaken in relation to the 2023/24 financial year. I wish to thank the Clerk/RFO and her staff for assisting the process and providing documentation in electronic format as well as hard copies to facilitate the audit.

Independence and Ethics

I can confirm that I comply with the FRC's Revised Ethical Standard 2024 covering Integrity, Objectivity and Independence. Additionally, I confirm that I comply with the International Ethics Standards Board of Accountants (IESBA) Code of Ethics which is based on five principles:

- integrity
- objectivity
- professional competence and due care
- confidentiality
- professional behaviours

I am not aware of the any relationships that might constitute a threat to my independence.

Internal Audit Approach

In undertaking my audit, I have been guided by the revised Section 4 of the Practitioners' Guide, March 2023. The Council's Clerk/RFO assisted the audit by preparing an Advance Audit Information questionnaire in February 2024, which was supported by suitable evidence.

In addition to the information provided in advance, substantive testing of underlying accounting records was undertaken.

Following the final stage of my audit, I will prepare a further audit report to the Council and complete the Annual Internal Audit Report section of the AGAR for

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submission to the external auditor. I have now done this. I repeat the findings from my interim audit, and have added additional comments in highlighted text.

Overall Conclusion

I found that, generally, there are effective controls within the Council. However, there is scope for improvement, including the need to move from a single bacs authorisation and to publish all minutes on the Council's website. Additionally, the procedures at Winthrop Gardens could be strengthened – the new development later this year would provide an opportunity to revise cash handling and security.

My interim audit was undertaken in February /April 2024, and I am satisfied that sufficient evidence has been made available to support this conclusion. Additional work in May 2024 confirmed this position and I have entered positive assessments on the Internal Audit section of the AGAR.

Detailed Report

My detailed report follows the structure of the Annual Internal Audit Report section of the AGAR .

A. Appropriate accounting records have been kept throughout the year

The Council uses the SAGE accounting package, which is self balancing and is kept up to date. I saw evidence that confirmed the correct rolling forward of the previous year's balance.

An Investment Strategy has been prepared and is to be considered by the Council in March 2024.

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

Quotations are sought for all work, and when appropriate, are evidenced in the Council's minutes. There are controls over the receipt and payment of invoices. However, bacs payments are initiated by just the Clerk, which is accepted as being insufficient.

I recommend that the Council move to a minimum of dual authorisation, including one or more councillors.

VAT is reclaimed promptly on a quarterly basis.

I reviewed payments made in September 2023 (including some for Winthrop Gardens) and found that all were supported by invoices and that VAT was correctly accounted for. I also reviewed a sample of debit card payments relating to Winthrop Gardens and found them all to

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be supported by invoices with VAT correctly accounted for.

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

A risk assessment was prepared and presented to the Council on 15 May 2023.

Monthly play inspections are carried out by Rotherham MBC's inspection personnel at two locations – Bob Mason Recreation Ground and Wickersley Park. Annual independent external play inspections are also made at both locations.

The Council has an out-dated internal controls policy, but is in the process of updating this.

A review of the effectiveness of its system of internal controls is to be undertaken in the very near future.

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

The Town Council approved a budget and set a precept of £218,730 at its meeting on 16 January 2023. Pleasingly, consideration was given to reserves as part of this process. Regular budget monitoring reports are provided to the Council, with variations from budget documented together with a narrative explanation for major variations.

A series of earmarked reserves exist. The previous internal audit recommended that general reserves be set at a minimum of £71,000; they currently stand at around £30,000. Encouragingly, I understand that a review of reserves will shortly confirm that general reserves will be set at around £70,000.

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

I confirmed that the precept of £218,730 was received in two installments in April and September 2023.

Invoices are raised for football usage twice a year. I reviewed charges from January 2023 to May 2023 and confirmed that all users had been invoiced and that income had been received. September 2023 to December 2023 invoices had not been raised at the time of my visit (March 2023) due to staff sickness. I understand that these invoices were to be raised shortly.

Income from Winthrop Gardens is paid into the bank by the Organiser. I agreed a sample of summaries provided by the Organiser to credits to the bank.

Income is received from Rotherham MBC for a share of staff costs in the annual sum of £25,000, and a lease for the library generates £3,000 a year. These are invoiced at the year end. I saw evidence that these were received after the year-end.

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

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No petty cash is held by the Council.

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

All staff have a contract of employment signed by the employee and employer.

I sample tested payroll payments and deductions for September 2023, and confirmed gross pay was correct and that overtime had been approved. All deductions and net pay were also correct.

H. Asset and investment registers were complete and accurate and properly maintained.

The Council maintains a suitable asset register, recording new assets and removing asset disposed of. Assets are correctly recorded at cost price.

Discussions at my audit suggested that a review of the register would be useful; for example "Contents of Community Centre..." should be disaggregated and sack barrows and laptops be revisited to confirm the value of assets held. At my final audit, I confirmed that the assets recorded on the asset register agreed with the entry on the AGAR.

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

Regular bank reconciliations were carried out, scrutinised by the Council and signed by the Chair. I reviewed the June and September reconciliations and agreed them to bank statements. I reviewed the year-end bank reconciliation totaling £286,897.15 and agreed it to bank statements.

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.

The Council maintains its accounts on the correct basis, namely income and expenditure. I reviewed the AGAR and confirmed that it had been correctly compiled from the accounting system. I saw evidence to support the PWLB payments and outstanding balance.

K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.

This does not apply to the Council.

L. The authority published the required information on a website / web page, up to date at the time of the internal audit in accordance with the relevant legislation.

The Council maintains a website, though some minutes were not published, including all the Winthrop Gardens sub-committee and some of the HR committee. The Council's own

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publication scheme (reflecting the ICO's model scheme) says that all minutes will be published.

It is also good practice to publish draft minutes of meetings within one month of the meeting, though this is currently not the case.

The Council has adopted the ICO's model publication scheme (dated July 2020) and publishes this on its website. However, there is a newer version (V.3) which the Council should adopt.

The Winthrop Gardens Committee is part of the Council and its minutes must be published.

I also recommend that the Council considers publishing draft minutes within one month of meetings.

The Council maintains at least five years of accounts on its website in line with the statutory requirement.

M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.

The Council provided for public rights in line with legal requirements, covering 30 working days and the first 10 days of July. It currently does not formally approve these dates, but intends to do so in the future.

N. The authority complied with the publication requirements for the prior year AGAR.

The Council has published the required information on its website, including page 3 of the AGAR (the Internal Audit report) as well as the detailed Internal Audit report. This is good practice.

O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee.

The Council act as sole trustee to Miners Welfare Recreation or Pleasure Ground charity (Charity number: 523993). The Charity Commission website shows that the annual return for 2022/23 was overdue by 32 days on 3 March 2024. However, I understand that this was due to difficulties experienced with the Charity Commission system, and that the Council was unable to post its return. I therefore conclude that the responsibilities were met.

Other matters

The Council's minutes record apologies received but not whether or not the reasons for absence were accepted by the Council. This is important, in the event that a councillor misses meetings for six months and the Council wishes to retain their position as a councillor. I understand that the Clerk was already aware of this and intends to correct this in future.

I drew attention to one instance where an item not on the agenda was considered but action was nevertheless agreed. NALC Legal Topic Note 5, paragraph 22 says "A council cannot lawfully transact any business which is not included on the agenda.". The Clerk and the Chair of the Council acknowledge this and recognise the need to adhere to the correct procedure in future.

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Winthrop Gardens

Background

I was asked to consider the arrangements in place relating to Winthrop Gardens - a therapeutic garden setting offering a sensory and healing space. The Council took over the management and running of Winthrop Gardens in February 2016 and it is overseen by a sub-committee of the Parish Council.

The Council has plans to develop Winthrop Gardens and holds substantial reserves, which are earmarked for the project. A grant has been recently approved to build a new café, due to be completed by 20 December 2024.

As well as investing in infrastructure, the Council should also consider improving the financial and governance arrangements in line with recommendations in this report.

The Gardens are led by an Organiser, employed by the Council who is assisted by a team of over 80 volunteers. Winthrop Gardens comprises gardens, plant sales, Tea Rooms and the Curiosity Corner. Volunteers support a Memory Café for people living with dementia and their carers, as well as a weekly Craft Class and weekly 'Wednesday Walks'.

Finances

In Financial terms, the Gardens has recorded a surplus every year as follows:

2016/17	£10,821
2017/18	£2,430
2018/19	£6,787
2019/20	£23,650
2020/21	£3,168
2021/22	£25,909
2022/23	£28,665
2023/24 (estimate)	£21,000

Clearly, as well as providing a much valued facility for the area, the Gardens are run with enthusiasm and dedication and the limited costs are more than covered by the income received.

I note that the surpluses, which are retained separately in earmarked reserves (currently around £122,430) do not take account of the cost of the Organiser. The surpluses are therefore overstated.

I recommend that the all costs should be reflected when computing the surplus.

As Winthrop Gardens is part of the Parish Council, it complies with the Council's Financial Regulations. In addition, an (undated) document provides procedures for the Controls of handling of money. The Organiser provides all the relevant information to officers who maintain the accounts for Winthrop Gardens as part of the Parish Council's accounts.

As recorded in B and E above, I reviewed a sample of payments and receipts for Winthrop

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Gardens and found them to be correctly recorded. More detailed records held by the Organiser supported the accounting records of the Council. However, one item showed a discrepancy (shortfall) of £45. The Organiser explained that this may have been due to the volunteer involved erroneously including the retained float of £40, indicating a small shortfall of just £5. This is a plausible explanation. Two receipts in September 2023 were not supported by booking forms (one for £45 and one for £275), though these were subsequently provided.

There is no formal stock control. However, as there is little stock held, and control measures are potentially burdensome, such operations may have to rely on a degree of trust. A further measure is to monitor the gross margin (ie income less costs of ingredients, as a percentage of income).

Cash handling

There is no secure safe to store cash receipts on site. Consequently, the Organiser generally takes cash home and retains it in a personal safe, banking around once per month. On occasions that the Organiser is not present to take the cash, it is kept unsecurely in the premises. Floats of around £70 are also retained on the premises but, again, not securely. Whilst the Council acknowledges the risks involved, which exceed the insurance cover, this is not an ideal situation.

Whilst little can be done to address this in the short term, the new development should include a safe for secure storage of cash and floats. Also, banking should be more frequent than once per month.

Most of the income generated by the Gardens is in cash; records are maintained by the volunteers with daily cashing up from each activity being summarised and passed to the Organiser for banking. Periodic checks are made by the Organiser to confirm that takings agree to order forms. Like similar set ups, much is placed on trust and cash is accounted for on the basis of paper records.

Card payments can be made on the sum-up facility, though volunteers are reluctant to use it; indeed some customers prefer to pay in cash.

As the new development is introduced, an opportunity exists to consider introducing a cash register to provide a modern system and analysis of income. Also, as is becoming more usual, card payments could be encouraged reducing the use of cash. I recognise that such developments need to be handled sensitively so that volunteers are able to adapt to new procedures.

Events

Events are usually paid in advance, but not banked, in order that refunds for any cancellations can be facilitated.

Having discussed this with the Organiser and Assistant Clerk, I suggest that such payments be banked and any refunds be made from the Council's bank account.

Structure and succession planning

The success of this venture is in no small part due to the Organiser who arranges the rotas for

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staff, manages the Gardens and maintains detailed records and spreadsheets which provide the necessary financial information including VAT. As the Gardens are heavily reliant on the Organiser, there needs to be adequate back up and succession planning. I understand that the Organiser is considering standing down in the medium term and that the Council is aware of this.

I recommend that consideration be given to how the eventual succession will work, and how cover for the Organiser can be put in place.

Previous audit suggestions have been made regarding the status of the gardens and possible alternative models. There are pros and cons to each option, but a separate structure may be advantageous in the Gardens' future development, accessing grants and achieving charitable status.

I recommend that the Council makes an assessment of the most suitable status for the Gardens, taking appropriate advice.

Next steps

My interim audit has covered around 75% of the required audit work and I will raise an invoice to reflect this. As agreed, the additional work related to Winthrop Gardens will be not more than £200. The remaining work will be completed later in 2024, when the AGAR and final year end documentation is available.