

ORLETON PARISH COUNCIL

EXPLANATIONS TO THE INTERNAL AUDITOR'S REPORT 2022/23

AGAR 2022/23

BACKGROUND:

Orleton Parish Council has experienced a difficult and challenging year.

In January 2022 a longstanding Clerk and RFO tendered his resignation (**Clerk A**) and the PC appointed a new Clerk and RFO (**Clerk B**). Clerk A remained in the supporting role until late February 2022 to carry out a detailed handover. By the time of meeting of 24th March 2022 Clerk B also resigned and the PC resolved to offer the post to a second candidate interviewed in the original recruitment process (**Clerk C**). Clerk C was appointed at the meeting of 21st April 2022 and was immediately put in the difficult position of having to carry out end of year accounts and procedures, including AGAR 2021/22, for a period entirely before his employment. Clerk C remained in the post until early October 2022 and following his resignation the PC was without a Clerk and RFO for the remainder of the financial year. The current Clerk and RFO was appointed in March 2023 and I have taken the position on 1st April 2023. I have also found myself in the position of having to conduct the end of year accounts, AGAR 2022/23 and preparation for internal and external audit for a financial year entirely before my taking the role.

Concurrently to the personnel changes as outlined above, the Council itself has undergone multiple changes in Membership, with several resignations, co-options and elections (contested and uncontested), and changes in Chairmanship.

Between January and April 2022 the PC has also been in the process of changing the banking provider and some unclarity resulted from this situation.

Most of the failures in AGAR objectives as pointed out by the internal auditor have occurred as a result to this unstable situation, due to the lack of continuity, significant instability and, in some cases insufficient experience. In my assessment most, if not all, of the deficiencies occurred as honest mistakes, human errors and, in some cases, consequence of not having an RFO and lack of awareness of the required procedures and processes.

EXPLANATIONS TO THE FINDINGS OF THE INTERNAL AUDIT:

3.A	Appropriate accounting records have been properly kept throughout the financial year	See below	No	R.4.1
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Explanation:

See below.

3.B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	<p>Due to the layout of the cashbook submitted, it was difficult to get assurance that payments were authorised by the Parish Council and bearing in mind that according to the Cheque Stubs Cheque number 300009 for £257.74 was marked cancelled and replaced by Cheque number 300013 for £193.20. both cheques were cleared according to the Bank Statement. Therefore, unable to get the level of assurance needed.</p> <p>The Cash book does not take account of VAT, neither does it record Payee details for Cheque payments.</p>	No	R.4.1 R.4.2
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Explanation:

- Cash book has not been established and kept during the FY 2022/23. I have prepared a rudimentary cash book in order to carry out the year end accounts, but it was not practicable to prepare a detailed cash book, which in any case would not reflect the practice as it actually was during the year. Cash book for current financial year has been however established, is kept up-to-date and proper procedures are in place to carry out quarterly verifications and budget monitoring. The cash book takes account of VAT, records Payee details and all payments are made by BACS.
- It is, however, my contention that Cheque No. 300009 (£257.74) was not replaced by Cheque No. 300013 (£193.20). Instead, Cheque No. 300013 was a replacement for Cheque No. 300008 (£193.20), whilst Cheque No. 300009 was mistakenly marked “cancelled” on the stub. All of the cheques in question have been (removed – confidential) payments for (removed – confidential). The history of the cheques is as follows:
 - Cheque No. 300008 - £193.20 – issued on 7/04/22 – (removed – confidential) – presented to the bank on 12/04/22 and returned on 12/04/22 – marked “cancelled” on the stub
 - Cheque No. 300009 - £257.74 – issued on 7/04/22 – (removed – confidential) – presented to the bank on 09/05/22 – marked “cancelled” on the stub in error
 - Cheque No. 300013 - £193.20 – issued on 28/04/22 – replacement for cheque No. 300008 – presented to the bank on 09/05/22

It is admitted that there seem to have been deficiencies in the procedures of the PC properly authorising the above payments, however, it is worth noting that all payment were due and proper. It is also worth underlining that (removed – confidential) has not been involved in the process of issuing any of the cheques, nor in the process of approving the payments. There is no evidence of fraud, to the contrary.

Currently, a proper system of approval is in place, all payments are duly authorised by the PC and processed with observance of strict procedures by BACS, providing for clearer audit trail. All invoices are scrutinised and double-signed, all procedures of prevention of fraud and error are properly established.

3.C	This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	There is a Risk Register, but it does not comply with the Practitioners Guide. There was no review of Risk. During the year	No	R.4.3
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Explanation:

The PC will be reviewing its Risk Register at the meeting of 20th July 2023 in compliance with the Practitioners Guide. This is one of the areas of procedural deficiencies which arose as a result of the PC being without a Clerk and RFO for prolonged period. The Risk Register assessed by the Internal Auditor was inherited from previous years and is one of the legacy issues which are being addressed by the current administration.

3.D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly	There was no regular budget monitoring during the year. There is no Reserve Policy and there was no review of Reserves.	No	R.4.4 R,4,5
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Explanation:

This is another area where proper procedures have not been in place and overlooked due to lack of Proper Officer in post. It does not seem that the PC has ever had a Reserves Policy in place.

Budget monitoring procedures have now been established and the PC will be adopting Reserves Policy at its meeting in September 2023.

3.F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.		N/a	
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Explanation:

No petty cash is kept.

3.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	A payment of £654.18 was paid, which was not correctly authorised for payment/paid. this due mainly to weak controls relating to online banking payments. Proper controls are now in place.	No	R.4.6
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Explanation:

An improper payment has been detected in October 2022. This issue has been thoroughly investigated and promptly dealt with. For details, please refer to the confidential *"Final report on financial governance issues within Orleton Parish Council. September/October 2022"*

3.L	The Authority published the required information on a website/webpage up to date at the time of the internal	The 2021/22 Accounting Statement was signed by the Responsible Financial Officer	No	R.4.7
	audit in accordance with legislation	(RFO)after it was presented to the Parish Council.		

Explanation:

The RFO at the time of AGAR 2021/22 has incorrectly signed the Accounting Statement 2021/22 after it was presented to the PC for approval.

The proper procedure has been followed correctly this year (AGAR 2022/23). The Accounting Statement 2022/23 was signed on the day of preparation – 26/04/23, and approved by the Council on 15/06/23.

Most issues identified have already been remedied and actions taken to introduce proper procedures, practices and controls:

- New RFO and Clerk was appointed as of 1st April 2023;
 - All payments are made by BACS, properly authorised and recorded in the minutes;
 - Bank signatories and authority have been reviewed and updated according to proper practice to ensure adequate controls and safeguards; Regular reviews will be carried out throughout the year;
 - Proper procedures have been followed in preparation, approval, minuting and publication of the AGAR 2022/23; All signatures and dates properly applied; All documents (including Notes) displayed and made available for public inspection;
 - Cash book is established and maintained up-to-date with proper records of all receipts and payments, and VAT;
 - Budget monitoring procedures are in place;
 - Bank reconciliations will be verified quarterly and proper procedures in place to prevent fraud and error;
 - Proper records are being kept and maintained, authorities evidenced in minutes;
 - Risk Register will be reviewed and updated to comply with recommendations in July 2023;
 - Reserve Policy will be adopted and Council Reserves reviewed during the year.
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Olena Barrett

Clerk & RFO

Orleton Parish Council

8th June 2023