

Parish Council

Internal Audit Report 2023-24 (Final Report)

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Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2023-24 financial year, as part of our interim review for Drayton Parish Council and which was undertaken remotely on 18th March 2024 and on 5th June 2024. We wish to thank the Clerk for her help in assisting the process, providing all necessary documentation to facilitate the conduct of our final review.

Internal Audit Approach

In undertaking our review, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusions

We have concluded that, based on the satisfactory completion of our programme of work for the year, the Council has maintained adequate internal control arrangements. There are a few issues arising this year warranting formal comment or recommendation, some of which are carried forward from previous reports and which are also included in the accompanying action plan.

We have completed and signed the 'Internal Audit Report', providing positive assurances, apart from boxes 'C', 'L', 'M', and 'N'.

We ask that the report be considered by members, as required by the Practitioner's Guide.

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in cashbooks or financial ledgers. The Council operates a Current bank account with Unity Bank for its day-to-day transactions, a savings account with NS&I, which is maintained within the same cashbook as the current account, and a project account with Unity Bank. We have: -

- Ensured that an appropriate coding structure is in place in the RBS Rialtas Alpha accounting software;
- Ensured that the closing balances for 2022-23, as reported in the Statement of Accounts and AGAR for that year, have been correctly rolled forward as opening balances for 2023-24 in the Alpha software;
- Checked and verified a sample of three months' transactions in the Current account cashbook (September 2023, December 2023 and March 2024) by reference to the supporting bank statements;
- Verified transactions on the Unity Bank account for the year to 31st March 2024 by reference to supporting bank statements, etc;
- Noted that payments are made exclusively online or by Standing Order / Direct Debit; and
- Reviewed and agreed detail of bank reconciliation on the Current Account as at 31st March 2024 to the cashbook and bank statements, noting that they are reported on at each Council Meeting.

Conclusions

The balance on the bank reconciliation for the NS&I account does not agree to the last statement received. An interest receipt of £19.07 has been credited to Cashbook One, which reflects the difference between the balance on the NS&I bank account and the bank reconciliation. We understand that the Council is looking to close the account, as it is proving difficult to amend the signatories and obtain up to date bank statements, however it appears the bank reconciliations were signed off without checking the bank statements to confirm the correct figures had been recorded.

An outstanding receipt of £107.74 is shown on the March 2024 bank reconciliation, this is an incorrect entry, the interest being received for the project account in December 2023 and correctly credited to the project account cashbook.

We have ensured that the combined cash and bank balances are accurately disclosed in the year's AGAR Section 1, Box 8.

R1. The bank statements should be initialled along with the bank reconciliation to confirm that the balances have been correctly recorded. The new model Financial Regulations refer (para 2.6).

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have undertaken an examination of the minutes of the Full Council meetings and of the Finance Committee meetings that have taken place during the course of the year to ensure that no significant issues affecting the Council's financial stability either in the short, medium or long term exist.

We note that the Council's Financial Regulations (FRs) were last re-adopted at the meeting in May 2023, however we note that these are not the Model document provided by NALC. The SOs were re-adopted at the May 2023 Annual Meeting.

We note that the external audit report for 2022-23 has been signed off with the following comments.

'The inspection period for the exercise of electors' rights was set for 32 working days which is more than the mandatory 30 working days as set out in the Accounts and Audit Regulations 2015, Paragraph 14(1). Although this is considered to be a minor technical breach, given more than the standard amount of time was provided for, in future the Council should ensure it provides the precise public inspection period. We would anticipate the Council taking this into account when it completes Assertion 4 on its 2023/4 Annual Governance and Accountability Return.

The announcement date provided on the Notice of Public Rights showed that the period was announced (published) on the same day as it commenced. This is contrary to the Accounts and Audit Regulations 2015, Part 15(3) which states this should be published no later than one day before the date of that commencement. In future the Council needs to provide a minimum of 1 day prior to the commencement of the period of public rights.'

Other matters not affecting the opinion of the external auditor but which they wished to bring to the attention of the external auditor were as follows.

'Section 2 of the AGAR was initially submitted without the Trust Fund disclosure in Box 11a completed. This was later resubmitted with a 'No' answer which was in line with our expectations and so there are no further concerns in this area.

On initial submission of the AGAR, Assertion 7 of Section 1 was not answered. On query, this section was resubmitted with a 'Yes' answer which was in line with our expectations and so there are no further concerns in this area.

Insufficient information was provided with the initial supporting data submitted for review with regards to variances and bank reconciliation, the later was provided on request. The parish council should in future ensure that all the necessary supporting information is provided with their annual submission.'

Conclusions and recommendations

Apart from the comments of the external auditor, we note that the Notice of Public Rights was not published on the Councils' website, nor were the AGAR, the analysis of variances or bank reconciliation, which is breach of the Audit and Accountability Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities, which require these documents to be published on a publicly available website. As these were not published, we are unable to provide a positive assurance for Internal Control Objectives 'L', 'M', or 'N'.

We note that the Council has a page on the Drayton Village website but does not appear to have its own website. As a public body, the council should comply with the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018. To ensure it is complying with

the Regulations and to ensure it is able to publish the required data to comply with the Audit and Accountability Regulations 2015, the Council should consider having its own website.

We also note from the minutes of the January 2024 Council meeting that the budget was not approved, although it was resolved to approve the precept. The Practitioners Guide, (Joint Panel of Accountability and Governance (JPAG)), states

'1.8 Budgeting — In accordance with relevant legislation, the authority needs to prepare and approve a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year'. As there is no evidence that the Council has approved the budget for the financial year 2024-25, we are unable to provide a positive assurance for Internal Control Objective 'D'.

The external auditor commented that Section 2, boxes 11a and 11b had not been completed prior to submission, and we note that these have not yet been completed for 2023-24 in the draft version provided to us.

The existing financial regulations are not the NALC model regulations. We highly recommend that the council adopts in full the updated version recently published by the National Association of Local Councils (NALC).

R2. When completing Section 1 of the AGAR for 2023-24 the council is unable to provide a positive response to assurance 4, due both to the date errors on the Notice of Public Rights document and the failure to publish on a publicly available website.

R3. When completing Section 1 of the AGAR for 2023-24 the council is unable to provide a positive response to assurance 1, as in approving the precept before approving the budget it has not considered the risk that the precept may not cover the full cost of the Councils' expenses and existing commitments.

R4. Boxes 11a and 11b of Section AGAR should be completed before signing and submission to the external auditor.

R5. The Council should adopt in full the latest model Financial Regulations provided by NALC.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate controls are in place over the release of funds and that they accord with the adopted FRs;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and / or an acknowledgement of receipt, where no other form of invoice is available;
- An official order has been raised for all purchases and service delivery where one would be expected;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;

- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have selected a sample of processed invoices for the year to 31st March 2024 including all payments individually in excess of £1,200, together with a more random selection of every 15th cashbook transaction, irrespective of value: our test sample comprises 36 individual non-pay related payments totalling £107,045 and equating to 89% by value of all non-pay related payments to the above date.

We note that two different Councillors are selected each month to log on to authorise payments, and that they sign the payment form at each Parish Council meeting in confirmation.

We also note that whilst some of the invoices we reviewed had been signed, this was not the case across the whole sample. We also noted a large expenses repayment to a member of staff for £1,205.99.

We note that the 2023-24 VAT return was completed on 31st March 2024, we have checked and verified the VAT return, ensuring agreement with the underlying detail in the Alpha nominal control account.

Conclusions and recommendations

At our previous review we were unable to confirm that appropriate procedures were in place to afford an appropriate level of financial control due to the inconsistency of approval. We have discussed this with the new Clerk and understand that improved arrangements are in place.

We previously noted that although a Multipay card was approved for use at the August 2022 meeting, staff were paying for goods on their personal debit or credit cards, including for items that should have been paid through the Councils bank account. We understand that this practice is being discouraged by the new Clerk.

As we have insufficient evidence at this stage that improved practices are in place, we have repeated our previous recommendations.

R6. A consistent method of approving the correctness and approval for the payment of invoices should be established and we recommend that to support this, the recommendations in the updated Financial Regulations should be adopted.

R7. Whilst the use of the Multipay card was put on hold until a new Clerk had been employed, we recommend that this is now out in place along with suitable maximum levels for which the card may be used and by whom within the Council staff.

Review of Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

We note that the Council has not formally re-affirmed the Risk Assessment Policy Document since the Parish Council meeting held on 11th October 2022. We have reviewed the document presented to Council at the May 2024 meeting.

We have examined the year's insurance schedule with Zurich Municipal running, until 31st May 2024, noting that Public & Employer's Liability stand at £10 million respectively, which we consider appropriate for the Council's present requirements. Fidelity Guarantee cover is presently £250,000. The Fidelity Guarantee cover should cover 50% of the precept plus the year end balance, which currently stands at £333,794. Our recommendation from last year that if the Council expects to retain balances at this level, then the Fidelity Guarantee should be increased remains.

We note that the Council operates effective arrangements for the regular inspection of playgrounds: these are inspected monthly by the RPI qualified Village Caretaker, the further annual inspection is undertaken by Rospa Play Safety, their subsequent report being reviewed by Council, no significant risks were identified.

Conclusions and recommendations

As the Council did not review the Financial Risk assessment, we are unable to provide a positive affirmation for Internal Control Objective 'C' of the AGAR.

The Society for Local Council Clerks has recently published an updated Financial Risk Assessment, the Council should review its existing document against the revised model, to ensure it complies with all relevant legislation and has covered all areas of risk.

R8. *As the Council did not review its financial risk assessment during the financial year, it is unable to provide apposite assertion for Section One, Box 5.*

Review of Precept Determination and Budget Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

The Council met in January 2024 and resolved to increase the precept by 10% from £119,628.00 to £131,590.80, however the budget was not approved with the minutes stating another budget meeting was required. We have covered this situation earlier in our report.

We have reviewed the budget position at March 2024, as set out in the detailed report generated by the Alpha accounting software, the variances are within the parameters noted within our previous report.

The general reserve was £103,550 at 31st March 2024, with earmarked reserves of £167,549. The general reserve represents 8 months spending and is within the normal range for parish councils of 3 to 8 months.

Conclusions

No matters of concern arise in this area at present, apart from the precept being approved, without the budget being set and which has been raised previously in this report.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that invoices are prepared and issued in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. We note that, in addition to the Precept, the Council receives income from a variety of sources including, interment and related cemetery management fees, allotment fees, savings account interest, recovered VAT, and S106 monies.

We note that at the time of our review, Cemetery Fees had not been reviewed since 1st April 2022.

Burials: We selected a sample of 3 interments as recorded in the official Burial Register during the year to date examining the underlying undertakers' applications and ensuring that the appropriate fees have been charged and received with all the necessary legally required documentation held for each (i.e., Burial and / or Cremation certificates).

Allotments The Council manages an allotment site comprising 41 individual plots. As of 31st March 2024, £185.00 of allotment income remained outstanding.

Conclusions and recommendations

Fees should be reviewed annually each year, preferably as part of the budget setting exercise and the results minuted even if the decision is not to increase any fees.

We were unable to complete a full reconciliation of the allotment income as there was insufficient detail on the nominal ledger. It would be useful if either the tenant name or plot reference could be included.

Petty Cash Account

The Council does not operate a petty cash account.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the LGPS.

The Council manages production of its monthly payroll in house. Consequently, we have examined the November 2023 payslip detail: -

- Ensuring that all staff gross pay for the month has been paid in accordance with the Clerk's record of individual's scale point and basic weekly working hours;
- Ensuring that tax and NI deductions / contributions have been calculated appropriately by reference to the relevant tax and NI tables;
- Ensuring that the correct percentage superannuation deductions have been applied where appropriate;

- Checking to ensure that, where overtime payments have been made, they are supported by appropriately certified time records and been paid at the appropriate enhanced hourly rate; and
- Verifying that the net salary payments for November 2023 have been made to staff appropriately and been recorded accurately in the accounting records.

Conclusion

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Asset register

The “Governance and Accountability Manual – The Practitioner’s Guide”, requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council’s documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

The Council has an asset register which includes detail by category eg play area equipment, land and buildings etc. and in some cases a location and description of the asset is provided, however this needs to be extended for all the assets and ideally a photographic record of the assets maintained, to support a claim in the event of damage or theft.

We have checked the value of the fixed asset register to Line 9 of Section 2 – Accounting Statement of the AGAR.

Conclusions and recommendations

As noted in our report last year, the asset register should be extended to include the location and a description of the asset along with the date of purchase (net of VAT) where possible. We understand that a review of the assets took place in October 2023, but the outcome of the review was not recorded in the Council minutes.

R9. Where possible the detail of the Asset Register should be extended to include the location and description of the assets.

Review of Investments and Loans

Our objectives here are to ensure that the Council is investing “surplus funds”, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

We are pleased to note that the Council has a Treasury and Investment Policy, noting in particular that all funds will be held as cash deposits in Bank Accounts or with CCLA Public Sector Deposit Fund.

Currently the Parish Council currently has some £274k in its accounts with Unity Trust and NS&I, with negligible interest earned and whilst we understand that these funds are held for a short term,

due to dispute with a developer, we would recommend that the Council places some of these funds elsewhere, in line with its Policy.

We have checked and agreed the receipt and recording of interest arising on both the savings accounts and Projects Account to the Alpha cashbooks in the Rialtos software and supporting bank statements.

The Council has no outstanding loans repayable to PWLB.

Conclusions and recommendations

Whilst no significant issues arise in this area, as per our previous reports we refer to our concerns regarding the level of funds held with Unity Bank, as the Government's Compensation Scheme would only guarantee up to £85,000 in the event of the failure of the Bank, albeit however unlikely that may be to happen.

In line with the Council's Treasury and Investment Policy, the council should look to maximise interest earned. As mentioned above negligible interest has been earned, if funds had been suitably invested, the council would have earned considerable interest sums.

We shall continue to monitor the position regarding surplus funds at future visits, again reminding the Council of the financial compensation limit of £85,000 per banking institution. We therefore repeat our previous recommendation.

R10. The Council should consider investing on a short-term basis some of the funds it is holding in Unity Bank, both to increase interest income and to spread the risk in the unlikely event of the failure of Unity Bank.

Statement of Accounts and AGAR

The Accounts and Audit Regulations require all Councils to prepare summary accounts which are reported in the AGAR.

We have examined the detailed accounting records and the AGAR test checking them to the detailed accounting system (Rialtas Ledger). Specifically, we agreed the Rialtas trial balance at the year end to the accounts and ensured income and expenditure was consistent. As previously noted, we checked the accounts to the fixed asset register.

Conclusions

There are no additional matters arising that require formal comment or recommendation. We ask that we be provided with a copy of the final adopted and signed AGAR Sections 1 & 2.

On the basis of the work undertaken during the course of our review for the year, we have completed and signed the year's IA Certificate assigning positive assurances apart from Boxes, 'C', 'L', 'M', and 'N'.

We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements & Bank Reconciliations		
R1	The bank statements should be initialled along with the bank reconciliation to confirm that the balances have been correctly recorded. The new model Financial Regulations refer (para 2.6).	
Review of Corporate Governance		
R2	When completing Section 1 of the AGAR for 2023-24 the council is unable to provide a positive response to assurance 4, due both to the date errors on the Notice of Public Rights document and the failure to publish on a publicly available website.	
R3	When completing Section 1 of the AGAR for 2023-24 the council is unable to provide a positive response to assurance 1, as in approving the precept before approving the budget it has not considered the risk that the precept may not cover the full cost of the Councils' expenses and existing commitments.	
R4	Boxes 11a and 11b of Section AGAR should be completed before signing and submission to the external auditor.	
R5	The Council should adopt in full the latest model Financial Regulations provided by NALC.	
Review of Expenditure & VAT		
R6	A consistent method of approving the correctness and approval for the payment of invoices should be established and we recommend that to support this, the recommendations in the updated Financial Regulations should be adopted.	
R7	Whilst the use of the Multipay card was put on hold until a new Clerk had been employed, we recommend that this is now out in place along with suitable maximum levels for which the card may be used and by whom within the Council staff.	
Review of Assessment and Management of Risk		
R8	As the Council did not review its financial risk assessment during the financial year, it is unable to provide appositve assertion for Section One, Box 5.	
Asset register		
R9	Where possible the detail of the Asset Register should be extended to include the location and description of the assets.	
Review of Investments and Loans		
R10	The Council should consider investing on a short-term basis some of the funds it is holding in Unity Bank, both to increase interest income and to spread the risk in the unlikely event of the failure of Unity Bank.	