

Pucklechurch Parish Council

Internal Audit Report: 2023-24

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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 during our interim & final reviews of the records undertaken on 12th March 2024 following collection of the records from the Clerk and remotely on 28th April 2024. We thank the Clerk for assisting the process, providing all necessary documentation in electronic or hard copy format to facilitate completion of this year's review. We have duly signed-off of the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Internal Audit Approach

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council has robust financial systems in place that 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" as part of the Council's AGAR process, which requires independent assurance over several control objectives.

Overall Conclusion

We are pleased to again conclude that, based on the satisfactory conclusions drawn from our programme of work for the year, the Clerk and Council have again maintained adequate and effective internal control arrangements. Whilst there are no significant concerns arising, we identified one or two minor errors in the cashbook at our interim review which we discussed with the Clerk who has made appropriate amendments before the final closedown for the year. Detail of these issues is set out in the body of the following report with any resultant recommendations further summarised in the appended Action Plan.

Based on the satisfactory conclusions drawn from our review, we have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to draw the Clerk and Council's attention to 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.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Clerk records financial transactions in a spreadsheet cashbook with two bank accounts in place at NatWest plc, together with an account with Unity Bank which is now used for all bar regular direct debit and standing order payments. We have: -

- Ensured that an appropriate analysis of receipts and payments exists in the spreadsheet cashbook;
- Ensured the accurate carry forward of the 2022-23 closing balances to the 2023-24 spreadsheet cashbook detail;
- Ensured that the cashbook remains in balance at the financial year-end;
- Checked and agreed the full year's transactions on the NatWest Current and Unity bank accounts to the supporting bank statements (as indicated in the preface to this report);
- Verified the accurate recording of detail on the combined account bank reconciliations throughout the year with no long-standing uncleared transactions existing at the year-end; and
- Ensured the accurate disclosure of the combined account balances at 31st March 2024 in the AGAR at Section 2, Box 8.

In undertaking our pre-year-end review, we noted that VAT on the payment of £1,664.50 to Andrea Pellegram on 20th November 2023 had not been identified in the cashbook and, secondly, that VAT on the refund received from Plusnet on February 2024 had not been identified in the cashbook: as the Council's year-end Accounts and AGAR are prepared on an Income & Expenditure basis, this refund should be recorded in the cashbook as a negative payment. We also note that the pension payment in January 2024 was incorrectly analysed in the spreadsheet cashbook as "Clerk's expenses" rather than as a Pension payment. We have drawn these details to the attention of the Clerk who has duly amended the cashbook prior to the year-end closedown.

We are also pleased to note that bank reconciliations continue to be subjected to independent scrutiny and sign-off throughout the year and that the Clerk sets up the Unity account payments online with two councillors then going online to release them.

Conclusions

We are pleased to record that no residual concerns arise in this area at the financial year-end. However, we suggest that, as a minimum, the dormant (apart from addition of annually earned interest) Nat West Business Reserve account should be closed with funds transferred to the Unity Account with a view to investing them in a different bank offering a more beneficial rate of interest. Similarly, we urge that the NatWest Current account be closed with the existing standing order and direct debit payments set up for release from the Unity Bank account.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing

Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have examined the Council's minutes for the year to determine as far as we are able as we do not attend meetings whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to report that no such matters appear to exist currently.

We note that both the SOs and Financial Regulations (FRs) have again been reviewed and re-adopted at the Council meeting in May 2023, both including appropriate reference to the requirements relating to tendering and compliance with the Public Contract Regulations 2015.

We again note that payment detail is submitted to the Council monthly and formally incorporated in the minutes, including detail of payees' names, cheque numbers and the payments due to each.

We are also pleased to note that the external auditors signed-off the 2022-23 AGAR without recommendation other than endorsing our 2022-23 report recommendations: we also note that the Council has published an appropriate Notice of Public Rights in accordance with the requirements of the Accounts and Audit Regulations 2015 affording the requisite 30 working days for the public to examine the Council's financial records.

Conclusions

No issues arise in this area this year warranting formal comment or recommendation. We shall continue to consider the effectiveness of the Council's approach to governance issues, also reviewing the minutes of meetings, at our future years' reviews.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- 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;
- All payments are being reported to Council;
- VAT has been calculated correctly for periodic recovery; and
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.

We have reviewed the procedures for the approval and processing of trader and other payments and consider them generally sound, although we consider that, to afford a greater degree of protection to the Clerk in the event of any untoward externally generated fraudulent transactions occurring on the bank accounts, members should, ideally in line with best practice and to demonstrate the effective discharge of their fiduciary responsibilities, formally review and initial the original individual invoices / supporting payment documentation.

The 2023-24 VAT reclaim was prepared and submitted to HMRC with repayment received in May 2023. We have reviewed the 2023-24 reclaim agreeing detail to the year's cashbook (as amended following our initial review).

Conclusions and recommendation

We are pleased to record that no significant issues have been identified in this area, although, as indicated above, we urge that to further strengthen and demonstrate members involvement in the payment approval process, invoices and other payment supporting documentation should be initialled by members.

R1. To demonstrate the effective discharge of their fiduciary responsibilities and afford further protection to the clerk, members releasing payments online should examine and initial the original documentation supporting all payments throughout the year.

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 are pleased to note that a formal Risk Register remains in place and that it has been reviewed and formally re-adopted by the Council at its meeting in May 2023: we have reviewed the resultant document and consider that it remains appropriate for the Council's present requirements.

The Council's insurance cover has again been provided through the Local Council's scheme: we have examined the year's schedule and consider that appropriate cover is in place with Employer's and Public Liability both set at £10 million, together with Fidelity Guarantee cover at £250,000.

Conclusions

No issues arise in this area. We shall continue to monitor the Council's approach to governance at future reviews.

Precept Determination and Budgetary Control

We aim in this review area 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 parent 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.

We note that the 2024-25 budget and precept were debated appropriately and approved at the January 2024 full Council meeting with the latter set at £121,896.

We are again pleased to note that the Clerk provides members with detail of the Council's budgetary performance quarterly during the year and have examined the year-end outturn with no significant concerns identified.

We have reviewed the level of reserves retained by the Council, which have increased to £137,990 (£135,000 as at 31st March 2023) including earmarked reserves (EMRs).

Conclusions

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

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, to ensure that income is invoiced, where appropriate, in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

To gain assurance that appropriate controls are in place, we have examined income arising from allotment rents, noting that a formal register of tenants is again in place with a proportion of the rents for 2024-25 received and banked appropriately in March 2024.

Eight interments occurred during the year: we have examined the underlying paperwork (undertaker applications and the legally required burial / cremation certificates), together with documentation supporting the headstone / additional inscription requests from stonemasons. In each case, we have ensured that the appropriate fees have been received and banked accordingly with no issues arising.

Finally in this review area, we note that cemetery fees were formally reviewed at the May 2023 meeting, members determining that they remain unchanged for 2023-24.

Conclusions

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

Petty Cash Account

No petty cash account has been in operation during 2023-24.

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 requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions. We have note previously that the Council approved an increase in the Clerk's contracted weekly hours to 30 per week in 2022. We also note approval for implementation of the 2023-24 national pay award which was applied to the November 2023 salary payment together with arrears backdated to 1st April 2023. We have consequently: -

- Ensured that the Clerk's monthly gross pay for a sample of two months during the year (November and December 2023) has been calculated in accordance with the approved spinal salary scale point and contracted weekly hours, including the backdated arrears paid in November 2023;
- Ensured that Income Tax codes and National Insurance Tables are being applied correctly;
- Noted that the Clerk contributes to the NEST pension scheme; and
- Ensured that payments to HMRC and NEST are made appropriately each month.

Conclusions

We are pleased to record that the procedures in place for the determination and physical payment of the Clerk's salary continue to operate soundly.

Fixed Asset Register

The Practitioner's Guide requires all Councils to maintain a comprehensive register of all assets owned and leased by the Council. We are pleased to note the continued existence of an appropriate register with no new Council equipment / assets acquired nor any disposals occurring during 2023-24. Consequently, the asset value to be reported in the year's AGAR at Section 2, Box 9 has remained unchanged to that reported in the 2022-23 AGAR.

Conclusions

No matters of concern have been identified in this review area this year.

Investments and Loans

The Council has no "investments" in place currently, all funds being held in the two NatWest and single Unity bank accounts. Similarly, there are no loans in place either repayable by, or to the Council. We have noted previously the development and adoption of a formal Investment Policy, which we also now note was reviewed and re-adopted in May 2023.

Statement of Accounts and AGAR

The Accounts and Audit Arrangements require councils to submit their annual Accounts in the form of a summarised financial statement in the AGAR. We are again pleased to note that the Clerk has prepared a more detailed Statement of Accounts for the year adjusting the cashbook values accordingly to reflect the few debtors and creditors existing at the financial year-end, full detail of which is reported accordingly in the detailed Statement of accounts. We have agreed the entries recorded in the detailed Statement of Accounts to the cashbook values as adjusted by the disclosed year-end debtors and creditors and then transferred to the AGAR at Section 2.

Conclusions

Based on the satisfactory conclusions drawn from our review programme for the year, we have duly signed off the Internal Audit Certificate in the year's AGAR assigning positive assurances in each relevant area.

| Rec. No. | Recommendation | Response |
|-------------------------------------|---|----------|
| Review of Payments & VAT | | |
| R1 | To demonstrate the effective discharge of their fiduciary responsibilities and afford further protection to the clerk, members releasing payments online should examine and initial the original documentation supporting all payments throughout the year. | |