

Sutton Bridge & Wingland Parish Council

Internal Audit Report: 2023-2024

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*For and on behalf of
Auditing Solutions Ltd*

Background

The Accounts and Audit Regulations introduced from 1st April 2001, as amended periodically, require all Town and Parish Councils to implement 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 review of the records undertaken remotely during April 2024. We thank the Clerk and her staff for assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year.

Internal Audit Approach

In undertaking our review, we have as previously 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 appropriate 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' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to conclude that, on the basis of the programme of work undertaken this year, the Clerk and Council maintain adequate and effective internal control arrangements over the Council's finances, despite a difficult year, with both a new Clerk and the sad loss of the Chairman. We have identified two procedural issues that should be addressed going forward and this is recorded in the body of the report and Action Plan.

Based on the overall satisfactory conclusions drawn from our review programme for the year and testing applied, we have signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, apart from Internal Control Objective 'C'.

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

Detailed report

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and on a timely basis, and that no anomalous entries appear in cashbooks or financial ledgers.

The accounting records have been maintained using Excel spreadsheets with two bank accounts in operation with TSB and a further account with Unity Bank.

To ensure the appropriateness and accuracy of the recording of transactions, we have:

- Checked and agreed the opening balances for 2023-24 to the closing balances and certified AGAR for 2022-23;
- Ensured that the spreadsheet analysis structure is appropriate for purpose;
- Verified all transactions for the financial year for each of the three accounts in operation by reference to the supporting bank statements;
- Verified the accuracy of the combined account bank reconciliations as at 30th April, 30th June, 31st December 2023 and 31st March 2024, ensuring that no long outstanding unrepresented cheques or other anomalous entries exist; and
- Ensured that the accounts remain “in balance” throughout the year.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We are pleased to note that the new Clerk has arranged for the use of Scribe Accounting for the new financial year, especially as we noted a couple of inaccuracies between the totals on the monthly reports to Council and the monthly value recorded in the cashbook.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework 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 Council or Committee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

Consequently, we have examined the Council’s minutes for the financial year date to ensure that no issues affecting the Council’s financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred.

We note that both the SOs and Financial Regulations (FRs) were reviewed and re-adopted at the May 2022 full Council meeting, again noting the inclusion of appropriate reference to the extant EU Regulations in relation to contracting and tendering in both documents, including the requirement to formally advertise any contractual work in excess of £25,000 on the Government Contract Finder Website.

We are also pleased to note the issue of a clean external audit report for 2022-23.

Conclusions

We are pleased to report that there are no issues arising in this area of our review.

Review of Expenditure & VAT

Our objective here is to ensure that:

- Council resources are released in accordance with the approved procedures and budgets;
- Appropriate documentation supports payments, 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 discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- Payments are correctly analysed in the accounting records and end of year accounts;
- VAT has been appropriately identified and coded to the control account for periodic recovery; and
- Section 137 payments have been identified accordingly and are within the Council's spending limit.

Due to undertaking this review remotely, we have selected a sample of 39 payments processed in the year to 31st March 2024 for compliance with the above criteria also again noting that payment invoices are being stamped with the Clerk and two councillor's initials added appropriately approving release of funds. Our test sample totals £52,126 and equates to 74.2% by value of non-pay related payments processed in the year to the above date.

We note that VAT claims were prepared for each quarter, being duly paid by HMRC, apart from the final quarter. We are pleased to note that the outstanding claims from 2022-23 have both been repaid by HMRC.

Conclusions and recommendations

The Council has suitable processes in place for the approval and payment of expenditure, however we note that staff expense claims can be rather high, one claim being for a job advertisement of over £700.00. In this instance it could be expected that the company should have invoiced the council for payment in the usual way. Staff should not be using their personal debit or credit cards to pay for council expenditure, Financial Regulation 6.20 refers.

R1. The credit card expenditure limit of £25.00 should be reviewed, with perhaps a debit card provided to pay for ad hoc purchases, that cannot be paid for by bank transfer. Staff should not be using their personal credit/debit cards to pay for goods or services for the Council.

Assessment and Management of Risk

Our objective 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 operational / health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We have examined the Councils approach to risk management noting that the Council did not review and re-adopt its formal risk register during 2023-24: we have reviewed the existing document which we consider generally appropriate for the Council's present requirements.

We have examined the year's insurance schedule noting that cover for the year was provided by Aviva, through Clear Councils with Public and Employer's liability both set at £10 million, and Fidelity Guarantee set at £250,000. As mentioned in our previous report, the bank account balances at 31st March 2024 are close to the Fidelity Guarantee limit, the receipt of the precept in April, will likely cause the Fidelity Guarantee limit to be exceeded, Council should consider increasing the value of the Fidelity Guarantee limit in due course.

We have reviewed the Annual RoSPA report, noting a number of high-risk items, which were removed following the annual inspection. Upgrading of the play area has been delegated to the newly combined Open Spaces, Burials and Allotments Committee..

Conclusions

The Council is required to review and adopt the Financial Risk Assessment annually in order to confirm it has complied with Section One, Box 5 of the AGAR (Annual Governance and Accountability Return), as the Council has not done so in year, we are unable to provide a positive assertion on the Annual Internal Audit report, Internal Control Objective 'C'.

Councillors should keep under review the value insured for Fidelity Guarantee Insurance and consider increasing this amount in due course. As a guide the Fidelity Guarantee should be six months precept plus the year end balances.

R2. As the Council has not reviewed the Financial Risk Assessment, during 2023-24 it is unable to provide a positive response to Section One, Box 5.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has robust procedures in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council, and that effective budget reporting and monitoring arrangements are in place.

We have considered the procedures in place for preparation and adoption of the Council's annual budget and precept and consider them sound and appropriate for the Council resulting in the formal adoption of a precept of £86,000 for 2024-25 at the January 2024 full Council meeting.

We are again pleased to note from our review of minutes that members continue to be provided with regular budgetary performance reports throughout the year. We note however that the total revenue spending for 2023-24 was just under £132,000 against income of just under £117,000, a shortfall of £15,000.

We have considered the appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements and development aspirations: We note that total reserves on 31st March 2024 have decreased to £216,794 (£231,766 as at the prior year-end) with Earmarked Reserves of £144,098 in place (no change from the prior year). The residual General Reserve balance of £72,696 equates to just under 7 months' revenue expenditure at the 2023-24 level and is considered appropriate for the Council's ongoing revenue spending requirements.

Conclusions

We are pleased to report that no issues have arisen in this review area this year, but recommend that the Council considers the impact on reserves when setting the 2025-26 budget.

Review of Income

The Council receives income from a variety of sources in addition to the precept by way of cemetery fees, various grants, allotment rents, playing field hire and recoverable VAT.

We have reviewed a sample of the year's interments as recorded in the formal Burial Register (3 of the 12 entries) ensuring that the appropriate fees have been levied in accordance with the approved scale of fees and charges also ensuring their timely recovery.

We have also reviewed allotment income noting that some 5 allotments have not paid in full for the year, with an outstanding balance of £48.00.

Income is banked in a timely manner and recorded appropriately in the accounting records.

Conclusions

We are pleased to report that no issues have arisen in this review area this year.

Petty Cash Account

The Council does not operate a petty cash account: any incidental "out-of-pocket" expenses are repaid to staff periodically in conjunction with salary and are approved and minuted as part of the normal controls exercised over payments.

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 in relation to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme. To meet this objective, we have,

- Noted that the Clerk calculates salaries using the Government's PAYE Tools software;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in December 2023;
- Ensured that PAYE, NIC and superannuation deductions have been made accurately by reference to the HMRC Basic PAYE Tools software and appropriate pension contribution bands; and
- Ensured that the appropriate month's deductions and contributions have been paid over to HMRC and the Pension Fund Administrators in a timely manner.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Asset Register / Inventory

The Governance and Accountability Manual requires that all Councils develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

The reporting arrangements for assets in the AGAR require councils to report the value of each asset at purchase cost (net of VAT) or at a suitable proxy where that value is not known, and for community assets to be valued at a nominal £1. The value of individual assets should not change from one year to another, other than where new assets are either acquired or old ones disposed of

We are pleased to note that a comprehensive register remains in place identifying the type of asset (i.e., by category), its location in the parish, detail of the asset, cost price (net of VAT), insured value and, where known, acquisition date, all of which we consider represents best practice.

Conclusions

No issues arising in this area of our review process warranting formal comment or recommendation. We have also ensured the accurate disclosure of the total asset register value in the year's AGAR at Section 2, Box 9.

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 accounts; 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 appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts as fixed assets, nor are there any loans with external bodies in existence repayable by or to it.

We are pleased to note that the Council updated and re-adopted its' Investment Strategy in May 2023.

Conclusions

We note that the combined TSB bank accounts total over £200,000, well above the £85,000 that would be covered by the FSCS (Financial Services Compensation Scheme) in the unlikely event that the TSB failed. Further we note that the Councils Investment Strategy has included the requirement for an additional two accounts to be opened, which we expect will take place in due course during the coming year.

Statement of Accounts and AGAR

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs. Following implementation of the "Limited Assurance Regime" in 2002, the Council's Statutory Accounts are now embodied in the AGAR and are subject to external audit review and certification.

We have reviewed the Section Two AGAR detail, as prepared by the Clerk based on the Excel spreadsheet cashbook agreeing the content therein.

Conclusions

No issues have been identified in relation to the verification of detail in the AGAR this year and we have duly signed-off the IA Certificate embodied therein with positive assurances in each relevant area, apart from Box C as previously mentioned.

Rec. No.	Recommendations	Response
Review of Expenditure & VAT		
R1	The credit card expenditure limit of £25.00 should be reviewed, with perhaps a debit card provided to pay for ad hoc purchases, that cannot be paid for by bank transfer. Staff should not be using their personal credit/debit cards to pay for goods or services for the Council.	
Assessment and Management of Risk		
R2	As the Council has not reviewed the Financial Risk Assessment, during 2023-24 it is unable to provide a positive response to Section One, Box 5.	