

North Weald Bassett Parish Council

Internal Audit: Final update report 2024-25

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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 2024-25 financial year, during our two reviews of the Council's records for the year, which were both undertaken at our offices in early December 2024 and on 17th April 2025. We thank the Clerk and Principal Finance Officer (PFO) in assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of our review for the year.

Internal Audit Approach

In undertaking the year's review, we have again 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 remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or 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

Detail of the work undertaken this year is set out in the body of the following report with the few recommendations arising recorded and summarised in the appended Action Plan for ease of members' review: we acknowledge the actions already taken to address issues identified at the time of our interim review with the current position recorded in both the body of the report and the appended Action Plan. We are again pleased to record our thanks for the manner in which the financial and other records are maintained by the Clerk and PFO. We have concluded that, based on the work undertaken this year, the Council continues to maintain adequate and effective internal control arrangements: we have consequently signed off the IA Certificate in the Part 3 AGAR assigning positive assurances in each relevant area.

We also take this opportunity to remind the Clerk and PFO 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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council operates two accounts with Unity Bank, transaction detail being recorded in the Rialtas Omega accounting software in separate cashbooks. Further funds, now totalling £150,000, are on deposit with the CCLA Public Sector Dividend Fund (PSDF) with a consequent significant increase in the level of interest being earned this year: a separate cashbook has been established to record movement in those funds. 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. Consequently, we have: -

- Ensured that an appropriate chart of accounts remains in place;
- Ensured the accurate roll forward of the final 2023-24 year-end balances as opening balances in the 2024-25 Omega ledger;
- Verified transactions on the Current account for April and October 2024, plus January and March 2025 by reference to the underlying bank statements and on the Deposit & CCLA accounts for the full financial year,
- Verified detail on bank reconciliations on 30th April and 31st October 2024, plus 31st January and March 2025 on all accounts, and
- Verified the accurate disclosure of the combined account balances in the year's AGAR at Section 2, Box 8.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment or recommendation this year.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be expected 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 and standing committee's minutes for the financial year as posted on the Council's website or provided in soft copy format by the PFO, to ensure that no issues exist or may be being considered by the Council that may have an adverse effect, through litigation or other causes, on the Council's future financial stability.

We have noted previously that both the SOs and Financial Regulations (FRs) were reviewed and re-adopted at the full Council meeting held in May 2022 with further reference to their availability for councillor review at the April 2023 meeting of the full Council. We are pleased to now note that the FRs have been revised with the latest NALC model document adopted with an appropriate value recorded for implementation of formal tender action at £30,000 (Para 5.6 refers). We note that the extant SOs refer to a tender limit of £25,000 and urge that the value recorded in both the SOs and FRs be amended appropriately to reflect a consistent value.

We have also made previous reference to the advisability of putting fully detailed operational financial procedure documentation in place to ensure that, in the event of any long-term absence of key personnel, the Council's financial procedures can continue to function / be operated in accordance with approved working practice by another officer or external agent and note that no further progress has been made to date. We again urge that this be addressed as soon as is practicable and will check on any progress at our final review.

We are pleased to note that the external auditors signed off the 2023-24 AGAR without qualification, but indicating non-compliance during that year relating to the review and formal re-adoption of the Council's risk register: this has been addressed accordingly in June 2024, as detailed in the later section of this report. We are also pleased to note that a Notice of Public Rights is posted on the website advising access to the Council's records for the requisite 30 working days.

Conclusions and recommendations

We are pleased to record that no significant concerns have been identified in this area, although we again urge that detailed financial procedure guidance notes be prepared to assist in succession management in the event of any long-term absence of key personnel.

- R1. To help ensure continuity of service provision in relation to financial procedures, such as payroll, invoice processing, etc, formal documented financial procedures, sometimes derogatorily referred to as "idiots' guides", should be prepared. Unfortunately, officers have not had enough time to complete this task.***
- R2. The intended review and adoption of revised Financial Regulations should be undertaken as soon as practicable. The Financial Regulations were updated and adopted at the Council meeting on 3rd March 2025.***
- R3. Action should be taken to ensure that a consistent value for formal tender action is recorded in the Standing Orders and Financial Regulations.***

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and financial 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 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.

As indicated in our interim report, we have again reviewed the controls in place over the approval of payments, noting that members are now reviewing and initialling invoices following reinstatement of this control last year. We also note that a schedule of monthly payments is presented to members at meetings, which affords a further safeguard and assurance. We have selected a total sample of 58

payments in the year for review to ensure compliance with the above criteria: our test sample totals £109,620 and equates to 78% by value of all non-pay related payments processed in the year with the above criteria duly met in each case.

We note that VAT reclaims have been prepared, submitted to and been repaid by HMRC for the final quarter of 2023-24, together with those for 2024-25 prepared and submitted to HMRC for recovery: we have agreed detail of those reclaims to the underlying accounting software control account.

Conclusions

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

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 in order to minimise the opportunity for their coming to fruition.

We are pleased to note that the Council's Financial Risk Register was reviewed, updated where appropriate, and re-adopted by the Council at the June 2024 meeting: we have reviewed the resultant document and consider it appropriate for the Council's present requirements.

We have examined the Council's insurance policy with Zurich Municipal for the current year noting that Employer's and Public Liability cover remain in place at £10 million and £12 million respectively, together with Fidelity Guarantee (FG) cover set at £500,000, Hirer's liability at £2 million and Loss of Revenue for hall hire cover standing at £15,000. As we anticipated, income from hire fees, etc. at Thornwood Hall has exceeded the insured level of £15,000 for the year.

Finally in this area we note that play area safety inspections continue to be undertaken by the contracted groundsman weekly with written reports prepared: these are supplemented by formalised periodic independent specialist contractor's reports, detail of which is submitted to Council for consideration and agreement of any appropriate remedial action that may be necessary.

Conclusions and recommendation

We are pleased to record that no issues of significant concern arise in this area currently, although we suggest that consideration be given to increasing the current level of the Council's "Loss of Revenue" insurance cover to £20,000 to afford further leeway as the annual income in 2024-25 has exceeded the current level of "Loss of revenue" cover.

R4. Consideration should be given to increasing level of "Loss of revenue" insurance cover with that at Thornwood Hall exceeding the insured level in 2024-25 and will, most probably, continue to do so in future years. This will be considered as part of the annual review in June 2025, with the intended proposal to increase to £20,000.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the

District Council: also, that an effective reporting and monitoring process is in place. Additionally, we aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that, following due deliberation, the Council completed consideration of its budgetary and precept requirements for 2025-26, formally adopting the latter at £244,240 at the January 2025 full Council meeting.

We have examined the year-end Omega budget performance report seeking and obtaining appropriate explanations for the few significant variances existing by reference to the detailed Omega transaction reports for the year with none requiring further enquiry or action. We note that total income and expenditure for the year both equate to 114% of the planned budget.

We have considered the level of retained reserves and their continuing appropriateness to meet the Council's ongoing revenue spending requirements and future development aspirations. As of 31st March 2025, the Council held total reserves of £438,917 (£431,744 at 31st March 2024), comprising £132,312 (£110,601 at the prior year-end) in the General Reserve Fund and Earmarked reserves (EMRs) of £306,605 (£321,143 previously). The General Fund balance equates to approximately five months' revenue spending and sits fairly comfortably within the generally recognised guideline of between three-and twelve-months' revenue expenditure, bearing in mind that, should an urgent need arise, part of the EMR balances could be reverted back to the General Reserve.

Conclusions and recommendation

No issues of concern arise in this area currently although we urge that, when loading the budget in future years' Omega accounts, the approved precept is included.

R5. The value of the approved precept should be recorded in the Omega budget detail to ensure that actual overall performance against the approved income and expenditure budgets is clearly identifiable in the budget reports. This has now been recorded for 2024-25.

Review of Income

Our objective in this area is to ensure that the Council has robust arrangements in place to identify all income due to the Council and to ensure that it is both invoiced (where appropriate) and recovered within a reasonable period. The Council's major income sources, apart from the annual precept are burial and associated fees, allotment rents and Thornwood Hall hire income.

At our interim review, we examined detail of the three interments recorded in the Burial Register occurring to that time, ensuring that each was supported by an undertaker's application for interment and the legally required burial / cremation certificates: we also ensured that the appropriate fees and charges were levied and recovered in a timely manner. We note from examination of the relevant Omega income code that further interments have occurred subsequent to our interim review and have ensured that the appropriate fees have been charged.

We also examined a sample of hall bookings in the first week of September 2024 and, where further bookings arose for those hirers during the remainder of that month, ensuring that each was appropriately invoiced in accordance with the approved scale of fees and charges, also ensuring that invoices were settled within an appropriate time span with none relating to the review period remaining unpaid at the time of our interim review.

Allotment rents fall due on 1st April annually. The Council uses the Rialtas Allotments software to manage the recovery of fees due in this area: consequently, we have examined the relevant Rialtas reports and are pleased to record that none remained unpaid at the financial year-end.

We have also examined detail on the nominal income codes for the year to ensure that, as far as we are reasonably able to ascertain, all anticipated income for the year has been received, with no coding errors or other issues apparent currently.

Conclusions

We are pleased to record that no concerns have been identified in relation to the income streams in this review area this year.

Petty Cash Account

The Council does not operate a petty cash account, any “out-of-pocket” expenses incurred by staff being reclaimed periodically during the year.

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. We examined the September & November 2024 payslips for all staff at our interim review, the latter month incorporating the 2024-25 pay award and arrears backdated to 1st April 2024, specifically: -

- Checking the gross salaries paid to all staff to the PFO’s schedule of scale points and basic weekly hours payable, noting a few apparent underpayments, detail of which we have provided to the PFO for further examination and clarification;
- Reviewing the one new staff member’s (in late November) employment contract;
- Noting that no staff were in receipt of overtime payments in the two months;
- Ensuring that tax and NI deductions have been made accurately applying the HMRC advised tax code and NI Table for the current financial year, noting one potential over-deduction of tax which we have also referred to the FO for further investigation, and
- Ensuring that the appropriate employee contributions to the pension scheme have been determined and paid over to the Pension Fund Administrators, noting that due to the increased salary and revised pension contribution bandings applying since 1st April 2024, one staff member’s contribution for the year to date have been calculated at 5.8% rather than the 6.5% rate now applicable.

Conclusions and recommendation

As indicated above, we referred the payroll queries arising to the PFO and are pleased to acknowledge the action taken to address the identified anomalies with corrective adjustments made in the December 2024 payroll, detail of which we have now checked and agreed.

R6. The Finance Officer should re-examine the payroll detail and, assuming our conclusions are confirmed, make the appropriate adjustments to staff salaries when the next month’s payroll

is run. A full and thorough review has been undertaken with the findings of the internal auditor confirmed. The necessary amendments have been made within the December 2024 salary payments.

Fixed Asset Registers / Inventories

‘Proper practice’, as set out in The Practitioner’s Guide, requires that all councils maintain a record of the assets they own. We are pleased to note compliance with this requirement, with a detailed asset register in place, which has been updated to incorporate detail and the net values of all assets acquired during 2024-25 and reduced by the cost of the few disposals during the year.

Consequently, we have ensured the accurate disclosure of the total asset value as recorded in the asset register at 31st March 2025 to that recorded in the year’s AGAR at Section 2, Box 9.

Conclusions

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

Investments and Loans

The Council has no long-term investments, a degree of the available surplus cash now being held, as indicated in the first section of this report, in the CCLA Public Sector Deposit Fund with the remainder continuing to be held in the interest-bearing Unity Bank account.

The Council has made the final loan repayment to the PWLB during 2024-25 with a resultant NIL balance recorded in the year’s AGAR at Box 10,

Conclusions

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

Statement of Accounts and AGAR

The Omega accounting software generates a formal Statement of Accounts for presentation to and adoption by members, together with the required financial data for inclusion in Section 2 of the year’s AGAR. We have reviewed the detail in these documents ensuring that they are consistent with the underlying records for 2024-25. We have also examined the status of year-end debtors and creditors and consider them appropriate for the Council’s requirements.

Conclusions

We are pleased to record that no issues exist in this area this year and we have duly signed off the IA Certificate in the year’s AGAR, assigning positive assurances in each relevant area.

We remind the Clerk and PFO 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 Corporate Governance		
R1	To help ensure continuity of service provision in relation to financial procedures, such as payroll, invoice processing, etc, formal documented financial procedures, sometimes derogatorily referred to as “idiots’ guides”, should be prepared.	<i>Unfortunately, officers have not had enough time to complete this task.</i>
R2	When next reviewed and submitted to Council for formal re-adoption, the Standing Orders and Financial Regulations should be revised to record the clarified value for formal tender action, also taking account of the recently published changes to the NALC model Financial Regulations.	<i>The Financial Regulations were updated and adopted at the Council meeting on 3rd March 2025.</i>
R3	Action should be taken to ensure that a consistent value for formal tender action is recorded in the Standing Orders and Financial Regulations.	
Assessment and Management of Risk		
R4	Consideration should be given to increasing level of “Loss of revenue” insurance cover with that at Thornwood Hall exceeding the insured level in 2024-25 and will, most probably, continue to do so in future years.	<i>This will be considered as part of our annual review in June 2025, with the proposal to increase to £20,000.</i>
Budgetary Control and Reserves		
R5	The value of the approved precept should be recorded in the Omega budget detail to ensure that actual overall performance against the approved income and expenditure budgets is clearly identifiable in the budget reports.	<i>This has now been recorded for 2024-25.</i>
Review of Staff Salaries		
R6	The Finance Officer should re-examine the payroll detail and, assuming our conclusions are confirmed, make the appropriate adjustments to staff salaries when the next month’s payroll is run.	<i>A full and thorough review has been undertaken with the findings of the internal auditor confirmed. The necessary amendments have been made within the December 2024 salary payments.</i>