

North Weald Bassett Parish Council

Internal Audit: Final update 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 two reviews of the Council's records for the year, which were undertaken both at our offices in advance of and subsequent to our on-site visits on 11th October 2023 and 5th June 2024. 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 our 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 as yet unactioned recommendations reiterated in order that they are not overlooked, together with one additional issue identified at this final review: the resultant recommendations are further summarised in the appended Action Plan for ease of members review and response. 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 with only one issue where a negative response will need to be assigned in the AGAR Governance Statement (Section 1) and in our certificate, due to the absence of any formal review of the Council's risk register during the year.

We again have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, except as referred to above. 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. We are also pleased to note that £100,000 has now also been placed on deposit with the CCLA Public Sector Deposit Fund (PSDF) with a consequent significant increase in the level of interest 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 2022-23 year-end balances as opening balances in the 2023-24 Omega ledger;
- Verified transactions on the Current account for four months' (April and September 2023, plus January and March 2024) by reference to the underlying bank statements and on the Deposit & CCLA accounts for the full financial year, including verification of all inter-account transfers between the various accounts;
- Verified detail on bank reconciliations at 30th April and September 2023, plus 31st March 2024; and
- Ensured the accurate disclosure of the combined bank 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, 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 SOs and 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 have also taken the opportunity to remind the Clerk of the relatively recent clarification of the value whereby tenders have to be formally posted on the Government's Contract Finder website (previously set at £25,000): the revised / clarified value now stands at £30,000 including VAT; consequently, we urge that the Council's SOs and FRs be revised in the near future to reflect that clarified value for tender action. We also draw the Clerk's attention to the recently issued revised NALC Model FRs and urge that, when the Council's extant

document is next reviewed, it is brought into line with the latest NALC model document.

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 due to pressure of work. We again urge that this be addressed as soon as is practicable and will check on progress at our next review.

We are pleased to note that the external auditors signed-off the 2022-23 AGAR without comment, the document being appropriately posted on the Council's website: we are also pleased to note that the Notice of Public Rights has been 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, in line with best practice, detailed financial procedure guidance notes be prepared to assist in succession management and in the event of any long-term absence of key personnel. Additionally, the SOs and FRs should be updated to reflect the clarified formal limit for advertising tenders on the Government's Contract Finder website.

- 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.*
- 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.*

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 65 payments in the year for review to ensure compliance with the above

criteria: our test sample totals £94,900 and equates to 62% 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 and repaid by HMRC for the final quarter of 2022-23, together with those for each quarter in 2023-24, all of which, excepting the final quarter, have been repaid by HMRC, and have agreed detail to the underlying accounting software control account detail.

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 noted in our interim report that the Council's Financial Risk Register was last reviewed and re-adopted by the Council at its May 2022 meeting and understand that no subsequent review or adoption by the Council has taken place during 2023-24. We again remind the Clerk and Council of the need in line with best practice and guidance in "The Practitioner's Guide" for the risk register to be subjected to at least once annual review and adoption. Due to the absence of any review during the 2023-24 financial year, the Council will need to give a negative response at Box 5 of the year's Governance Statement in the AGAR as will we at Box C of the IA Certificate.

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. Whilst not a problem at present, we note that, based on the Thornwood Hall hire income to date this year, income may potentially exceed the above level of cover.

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

As indicated above, the Council should ensure that it reviews and re-adopts its Financial Risk Register at least once annually in line with best practice and the requirements of The Governance and Accountability Manual – The Practitioner's Guide. The absence of appropriate action during 2023-24 will result in the need for the Council to give a negative response in the AGAR Section 1 Box 5 and similarly, we have given a negative response in our Certificate at Box C.

As last year, given the increasing income now being received, we suggest that consideration be given to increasing the current level of the Council's "Loss of Revenue" cover to £20,000. We shall continue to monitor the Council's approach to risk management at future visits, reporting

our findings and conclusions accordingly.

R3. The Council must ensure that its financial and other risk assessments are subjected to at least once annual review and formal re-adoption in line with best working practice and the requirements of The Governance and Accountability Manual – The Practitioner’s Guide.

R4. Given the increasing level of hire income at Thornwood Hall, consideration should be given to increasing the level of “Loss of income” insurance cover in that respect.

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 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 2024-25, formally adopting the latter at £234,852 at the January 2024 full Council meeting.

We have examined the year-end 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 for the year equates to 120% of the planned budget whilst total expenditure equates to 113%.

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 at 31st March 2024 the Council held total reserves of £431,744 (£403,636 at 31st March 2023), comprising £110,601 (£94,785 at the prior year-end) in the General Reserve Fund and Earmarked reserves (EMRs) of £321,143 (£308,851 previously). The General Fund balance equates to approximately four and a half 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

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

Review of Income

Our objective in this area is to ensure that the Council has robust arrangements in place to identify all income due 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.

We examined detail of five interments recorded in the Burial Register occurring at our interim

visit, 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 had been levied. We suggested that to further improve the cross-referencing and ease of verification that the appropriate fees due are charged and recovered, greater care should be taken to ensure that the undertakers' (or other parties') interment applications clearly identify the invoice reference number and make-up of the fees due in respect of each interment.

We also examined a sample of hall bookings in the 8 weeks from 12th June 2023 ensuring that each was appropriately invoiced in accordance with the adopted scale of fees and charges and that payment of the fees due was received within an appropriate time span with none remaining unpaid at the time of our interim review. We did, however, identify one hire where the actual hire time was increased by 1½ hours which was not reflected in the online booking diary which is used as the basis for raising invoices.

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: we have now, at this final review examined the Rialtas reports and are pleased to note that all rents were duly paid within a reasonable time frame.

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 and recommendations

We are pleased to record that no significant concerns have been identified in this review area this year, although we urge that a more robust and clearer audit trail and cross-referencing in burial income be implemented. We are pleased to now note that a further invoice was subsequently raised on the hirer in relation to the above identified under charged invoice.

- R5. *Documentation supporting burial fee income (i.e., undertaker's interment applications, etc) should be enhanced to reflect clearly in each case the raised invoice number and constitution of the total fees being charged, which would provide a clear audit rail and assist in ensuring that the appropriate fees have been charged and coded to the correct nominal income code.*
- R6. *Care should be taken to ensure that, where hire times are amended, the online diary should be amended to reflect the change: the hirer of the one identified booking where the booking time was increased by 1½ hours should be invoiced for the additional time not charged on the original invoice. **This has been actioned appropriately with the original undercharged fee settled.***

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 have, examined the September 2023 payroll documentation, including

payslips specifically: -

- Agreeing the gross salaries paid to all staff to the PFO's schedule of scale points and basic weekly hours paid in September 2023;
- Checking and agreeing detail of all staff overtime payments in that month to the underlying time sheet records;
- Ensuring that tax and NI deductions have been made accurately applying the appropriate tax code and NI Table for the current financial year, and
- Ensuring that the appropriate employee and employer contributions to the pension scheme have been determined and paid over to the Pension Fund Administrators.

Conclusions

We are pleased to record that no issues have been identified in this area this year warranting formal comment or recommendation. We understand that there have been occasional delays in the payment of staff salaries during the year and remind the Council that it has a contractual liability to ensure that staff salaries are paid in a timely manner and in accordance with staff employment contracts.

Conclusions

We are pleased to record that no issues have been identified in this area this year warranting formal comment or recommendation, although, as above, we remind the Council of its obligation to ensure that staff remuneration is paid in a timely manner.

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 2023-24, with no assets disposed of during the year.

Consequently, we have ensured the accurate disclosure of the total asset value as recorded in the asset register at 31st March 2024 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 one outstanding loan with PWLB: we note that the second half-yearly loan repayment instalment which fell due for repayment on 31st March 2024 was only actually paid on 2nd April 2024 due to 31st March falling on Easter Sunday. In discussion with the PFO we noted that no creditor had been included in the Omega accounts for this instalment and have agreed with

her that an appropriate manual adjustment will be made in the AGAR values to be disclosed at Boxes 5 & 10 to reflect the second instalment as being a creditor at the financial year-end with the outstanding loan liability at the year-end being in accord with the UK Debt Agency audit notification of the residual loan liability at the year-end.

Conclusions

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

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, subject to the need for a manual adjustment in respect of the delayed second loan repayment instalment for 2023-24.

We have examined the arrangements for identifying year-end debtors and creditors and consider them appropriate for the Council's needs and, from examination of the 2023-24 detail, consider them, subject to the oversight in relation to the delayed second half-year's loan repayment, to be appropriate.

Conclusions

We are pleased to record that no additional issues exist in this area; we have duly signed off the IA Certificate in the year's AGAR, assigning positive assurances in each relevant area, except in relation to the absence of any review and re-adoption of the risk registers during the year.

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.	
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.	
Assessment and Management of Risk		
R3	The Council must ensure that its financial and other risk assessments are subjected to at least once annual review and formal re-adoption in line with best working practice and the requirements of The Governance and Accountability Manual – The Practitioner’s Guide.	
R4	Given the increasing level of hire income at Thornwood Hall, consideration should be given to increasing the level of “Loss of income” insurance cover in that respect.	
Review of Income		
R5	Documentation supporting burial fee income (i.e., undertaker’s interment applications, etc) should be enhanced to reflect clearly in each case the raised invoice number and constitution of the total fees being charged, which would provide a clear audit rail and assist in ensuring that the appropriate fees have been charged and coded to the correct nominal income code.	
R6	Care should be taken to ensure that, where hire times are amended, the online diary should be amended to reflect the change: the hirer of the one identified booking where the booking time was increased by 1½ hours should be invoiced for the additional time not charged on the original invoice.	<i>This has been actioned appropriately with the original undercharged fee settled.</i>