

Parish Council

Internal Audit Report 2024-25 (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 2024-25 financial year, as part of our review for Drayton Parish Council and which were undertaken 3rd December 2024 and 22nd April 2025. We wish to thank the Clerk for her help in assisting the process, providing all necessary documentation to facilitate the conduct of our 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, in all cases.

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 2023-24, as reported in the Statement of Accounts and AGAR for that year, have been correctly rolled forward as opening balances for 2024-25 in the Alpha software;
- Checked and verified all transactions in the Current account cashbook to 31st March 2025 by reference to the supporting bank statements;
- Verified transactions on the Unity Bank account for the year to 31st March 2025 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 the bank reconciliation on the Current Account as at 31st October 2024 and 31st March 2025 to the cashbook and bank statements, noting that they are reported on at each Council Meeting.

Conclusions

We are pleased to note that the NS&I account has now been closed and the funds transferred into Unity Bank, the bank reconciliation agreeing as at 31st October 2024 and signed by two Councillors.

In our previous report we noted that the opening balance for 2024-25 on the Alpha accounts did not agree to the closing balance, which has now been amended. We did however note that in a couple of instances, incorrect payments had been amended as credits in the receipt's ledger, rather than reversed out of the payment's ledger.

R1. Incorrect entries in the cashbook should always be reversed out of the same ledger where the original entry was made.

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 date to ensure that no significant issues affecting the Council's financial stability either in the short, medium or long term exist.

The updated NALC Financial Regulations (FRs) were adopted at the council meeting in March 2025, the SOs were re-adopted at the May 2024 Annual Meeting.

We note that the external audit report for 2023-24 has been signed off with the following comments.

‘It was noted by the Internal Auditor that the Council did not approve a budget prior to approving the Precept as required by Paragraph 1.8 of the JPAG Practitioners Guide 2023. Therefore, we feel that a ‘No’ response to Control Objective D would have been more appropriate.’

Conclusions and recommendations

We are pleased to note that the Council has set up its own website and that the Exercise of Public Rights, AGAR, and Conclusion of Audit were correctly published in line with the requirements of the Audit and Accountability Regulations 2015.

We note from the minutes that the Finance Committee approved the 2024-25 budget at its meeting in September 2024, and that the budget was approved by council at its meeting in December 2024. We are pleased to note that 2025-26 budget and precept were correctly approved by Council at its meeting in December 2024.

Whilst the Financial Regulations have been updated to the new model document provided by NALC, the Standing Orders should be reviewed to ensure that the values in the financial controls and procurement area match those in the Financial Regulations.

R2. The Standing Orders should be checked against the Financial Regulations to ensure that the values in the financial controls and procurement area match those in the 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 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 2025 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 35 individual non-pay related

payments totalling £136,381 and equating to 91% 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.

Conclusions and recommendations

One invoice from April 2024 remains missing from the sample we reviewed; however we understand that the council remains in dispute with the company involved. We also noted that one grant application did not include the value of the grant required.

We checked all coding from the selected sample and were pleased to note these had been correctly allocated within the accounts and the initial errors for payroll items correctly adjusted.

Whilst we understand that the application for a Multipay card was delayed due to the resignation of one of the approved signatories, it may be more straightforward to consider the use of a debit card instead.

R3. The Council should consider the use of a debit card to be used to pay for adhoc purchases, that cannot be paid on receipt of an invoice.

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 formally adopted the Risk Assessment Policy Document at the Parish Council meeting held in March 2025.

We have examined the year's insurance schedule with Zurich Municipal running, until 31st May 2025, 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 at 31st March 2025 is £247,322. Our recommendation from the last two years that if the Council expects to retain balances at this level, then the Fidelity Guarantee should be increased remains.

Conclusions and recommendations

We are pleased to note that the Risk Assessment Policy has been amended to include the level and probability of risk.

We note that the Council has not increased the level of Fidelity Guarantee Insurance, and should do so, particularly as all its funds are currently maintained with one banking institution.

R4. The Council should consider increasing the level of Fidelity Guarantee Insurance, this should be set as a minimum at the total bank balance as at year end plus one half of the value of the precept, currently this would be in the region of £320k.

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 December 2024 and resolved to increase the precept for 2025-26 to £138,171.

We have reviewed the budget position at March 2025, as set out in the detailed report generated by the Alpha accounting software, noting an overspend of £22k. This is mainly made up of prior year expenditure to Microshade of £2.5k and locum fees of £8k, unbudgeted in year expenditure of £3k for legal fees re asset sale, employer pension & NI costs of £6k, tree works of £1k & Grants & Donations overspend of £500.

The general reserve was £101,067 at 31st March 2025, with earmarked reserves of £146,254. The general reserve represents 5 months spending and is within the normal range for parish councils of 3 to 8 months.

Conclusions

The finance minutes for 2024-25 reflect the detailed conversations regarding the in-year budget variances caused by receipt of invoices from prior years. The minutes also record the requests for grants in relation to prior years. The Council should have a grant policy which provides details under which the Council may provide a grant, along with an application form, ideally both of which should be accessible on the council website. The grant policy should note that applications will not be considered for prior financial years and that the council has the right to refuse to award a grant or may choose to only award part of the sum requested, Due to budget pressures and in order to comply with S137 legislation, the council may wish to consider whether applications for grants should have a closing date, set prior to budget and precept considerations, so that it may review and decide which applications it will approve and the value it will provide, so that these may be included in the budget process and paid to those applying at the start of the new financial year.

R5. The Council should update its grants policy to ensure there is clarity regarding the awarding of grants, with copies of the policy and application form available on the council website.

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 the Allotment fees were reviewed in August 2024, and will increase in line with inflation, however it appears that there was no review of cemetery fees recorded in the minutes.

Burials: There were 4 interments during the year, we selected a sample of 1 interment 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 2025, 10 invoices remained outstanding.

Conclusions and recommendations

Whilst we note that a 20% increase was added to the allotment tenancy fees, there does not appear to have been any amendments to the fees charged for the cemetery. It is good practise for a small increase to be made annually as part of the budget and precept setting exercise, having reviewed income against expenditure for the allotments and the cemetery. We note from the minutes that the Alpha accounts currently do not have separate cost centres to enable these reviews to take place and it is likely also that the contractors invoices are not broken down to show the fees for each separate area and so work will be required to enable this to happen in the future.

We are pleased to note that the council is now using office 365, for its shared data.

R6. *The council should review its fees annually as part of the budget and precept setting exercise.*

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 using HMRC Tools. Consequently, we have examined the November 2024 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 2024 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

There were no purchases or disposal of assets during the 2024-25 financial year, the balance of the asset register remaining the same as for 2023-24. 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.

R7. 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.

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 for the year to date.

Conclusions and recommendations

Whilst no significant issues arise in this area, the Council still maintains some £247k with Unity Bank, which we understand is due to be spent on works at Oak Meadows during the Spring of 2025.

R8. The Investment Strategy should be reviewed once the value of the works at Oak Meadows has been agreed, with funds placed on short-term deposit, both to reduce risk in the unlikely event that Unity Bank should fail, but also to maximise interest earnings as previously recommended.

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 in all cases.

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	Incorrect entries in the cashbook should always be reversed out of the same ledger where the original entry was made.	
Review of Corporate Governance		
R2	The Standing Orders should be checked against the Financial Regulations to ensure that the values in the financial controls and procurement area match those in the Financial Regulations.	
Review of Expenditure & VAT		
R3	The Council should consider the use of a debit card to be used to pay for adhoc purchases, that cannot be paid on receipt of an invoice.	
Review of Assessment and Management of Risk		
R4	The Council should consider increasing the level of Fidelity Guarantee Insurance, this should be set as a minimum at the total bank balance as at year end plus one half of the value of the precept, currently this would be in the region of £320k.	
Review of Precept Determination and Budget Control		
R5	The Council should update its grants policy to ensure there is clarity regarding the awarding of grants, with copies of the policy and application form available on the council website.	
Review of Income		
R6	The council should review its fees annually as part of the budget and precept setting exercise.	
Asset register		
R7	Where possible the detail of the Asset Register should be extended to include the location and description of the assets	