

**Parish Council**

*Internal Audit Report 2024-35 (Interim Report)*

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*For Auditing Solutions Ltd*

## **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 interim review for Drayton Parish Council and which was undertaken 3<sup>rd</sup> December 2024. 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 to date, the Council has maintained adequate internal control arrangements. There are a few issues arising this year warranting formal comment or recommendation and which are also included in the accompanying action plan.

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 31<sup>st</sup> October 2024 by reference to the supporting bank statements;
- Verified transactions on the Unity Bank account for the year to 31<sup>st</sup> October 2024 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 31<sup>st</sup> October 2024 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 31<sup>st</sup> October 2024 and signed by two Councillors.***

***The opening balance for 2024-25 on the Alpha accounts does not agree to the closing balance, we understand that this relates to an in- year transfer of funds, which will be amended so that it is not reflected in the opening trial balance. We will review the opening trial balance again at our final visit.***

***R1. The Opening Balance on the Alpha accounts should agree to the closing balance of the Alpha accounts, and to the published AGAR Section 2 account for the prior year.***

## **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.

We note that the Council's Financial Regulations (FRs) were last re-adopted at the meeting in May 2024, these are not the Model document provided by NALC, which we understand are due to be adopted in the near future. 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. However the council is required to comply with the 2018 Accessibility Regulations and should ensure these are complied with as a matter of urgency.***

***We note from the minutes that the Finance Committee approved the 2024-25 budget at its meeting in September 2024, but at the time of our visit the Council had not approved the budget for 2024-25. The approval of the budget cannot be delegated; it must be approved by Full Council in line with Financial Regulation 1.6 'The council must not delegate any decision regarding:***

- ***setting the final budget or the precept (council tax requirement);'***

***R2. The Council should ensure that it approves the 2024-25 budget in line with 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 31<sup>st</sup> October 2024 including all payments individually in excess of £1,200, together with a more random selection of every 15<sup>th</sup> cashbook transaction, irrespective of value: our test sample comprises 24 individual non-pay related

payments totalling £107,397 and equating to 68% 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***

***Following from our previous report, we are pleased to note there is now consistency in the signing of invoices, however we noted that some expense payments do not have supporting documentation. We also noted that one invoice from April 2024 was missing from the sample we reviewed. 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.***

***We understand that the application for a Multipay card is underway but has been delayed by the resignation of one of the approved signatories.***

*R3. Expenses should not be paid without the supporting payment receipts. Council staff must ensure that suitable payment receipts support requests for reimbursement of expenses.*

*R4. No payments should be made without a suitable invoice/payment request.*

## **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 re-affirmed the Risk Assessment Policy Document at the Parish Council meeting held in May 2024.

We have examined the year's insurance schedule with Zurich Municipal running, until 31<sup>st</sup> 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 currently stands at £336,804. 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***

***The Council has a Risk Assessment Policy, which it re-adopted in May 2024 but it has not completed a risk assessment as such. As mentioned in our last report, the Council should consider reviewing and adopting the SLCC best practice model to ensure that it has correctly identified the risks, the level of risk and the probability of risk particularly financial, that it may be exposed to.***

***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.***

*R5. The Council should, as part of its risk assessment policy ensure that it has identified the risks it is exposed to, along with the level and probability of those risks, using as guidance the best practice document available through the SLCC (Society of Local Council Clerks).*

*R6. 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 the prior year end plus one half of the value of the precept, currently this would be in the region of £337k.*

## **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.

As our visit took place ahead of the annual budget and precept setting exercise, we will review this area at our final visit.

### **Conclusions**

*No matters of concern arise in this area at present, we will undertake further work in this area at our final visit.*

## **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.

### **Conclusions**

*At the time of our visit, only one interment had taken place, and allotment fees for the year had not yet been invoiced. We will therefore undertake further work in this area at our next visit, along with ensuring that fees for these have been reviewed, preferably as part of the budget setting exercise and the results minuted even if the decision is not to make any increase.*

*We note that Google services are being used to maintain the burial register, however there is a high risk of corruption when saved in other formats such as excel. As staff work remotely a shared system such as office 365, should be in place to reduce the risk of corruption of shared data.*

## **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.***

## **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**

***Whilst no significant issues arise in this area, the Council still maintains some £269k with Unity Bank, which we understand is due to be spent during the Spring of 2025. If these works do not go ahead, the Council should place funds 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.***

Rec. No.	Recommendation	Response
<b>Review of Accounting Arrangements &amp; Bank Reconciliations</b>		
R1	The Opening Balance on the Alpha accounts should agree to the closing balance of the Alpha accounts, and to the published AGAR Section 2 account for the prior year.	
<b>Review of Corporate Governance</b>		
R2	The Council should ensure that it approves the 2024-25 budget in line with the Financial Regulations.	
<b>Review of Expenditure &amp; VAT</b>		
R3	Expenses should not be paid without the supporting payment receipts. Council staff must ensure that suitable payment receipts support requests for reimbursement of expenses.	
R4	No payments should be made without a suitable invoice/payment request.	
<b>Review of Assessment and Management of Risk</b>		
R5	The Council should, as part of its risk assessment policy ensure that it has identified the risks it is exposed to, along with the level and probability of those risks, using as guidance the best practice document available through the SLCC (Society of Local Council Clerks).	
R6	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 the prior year end plus one half of the value of the precept, currently this would be in the region of £337k.	