

Marden Parish Council

Internal Audit Report 2023-24 (Final update)

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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 during our two review visits for the 2023-24 financial year, which took place on 26th October 2023 and 20th March 2024, together with a final remote review undertaken on 23rd April 2024 following closedown of the accounts. We thank the Clerk for her assistance, providing all necessary documentation in either electronic or hard copy format to facilitate our review for the year.

Internal Audit Approach

We have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is, as usual, designed to afford appropriate 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 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 several internal control objectives.

Overall Conclusion

We are again pleased to conclude that, based on the work undertaken this year, the Clerk & Council continue to maintain adequate and effective internal control arrangements with no issues identified this year requiring action.

We are again also pleased to acknowledge the quality of records maintained by the Clerk and thank her for her assistance, which has ensured the smooth progress of our review process. We have duly completed and signed the IA Certificate in the year's AGAR, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council and meet regulatory requirements.

We again draw the Clerk's attention to 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 uses the Rialtas Alpha software to maintain its accounting records with four bank accounts in use. Current and Deposit accounts exist with NatWest with a daily sweep facility between the two to give a nil balance on the Current account, together with Santander and Unity Trust bank accounts, the last now being used for the majority of day-to-day transactions: the NatWest account is still used to pay previously existing direct debit and standing order transactions and occasional cheques.

Our objective here is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have: -

- Agreed the opening Alpha software trial balance detail for 2023-24 with that in the 2022-23 Statement of Accounts and certified AGAR;
- Verified that the financial ledger remains in balance at the financial year-end;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Checked and agreed detail of all transactions, due to their relatively low volume, for the financial year;
- Verified the accuracy of bank reconciliation detail on all accounts at 30th April and September 2023, plus those at 29th February & March 2024; and
- Ensured he accurate disclosure of the combined cash and bank balances in the year's AGAR at Section 2, Box 8.

Conclusions

We are pleased to record that no issues have been identified in this review area.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain as we do not attend Council or Committee meetings, all meetings are conducted in accordance with the adopted Standing Orders (SOs) and no actions of a potentially unlawful nature have been or are being considered for implementation.

We have noted previously that Standing Orders (SOs) were reviewed and re-adopted at the December 2019 Council meeting with the Financial Regulations (FRs) also revised and brought into line with the latest (2019) NALC model document, being re-adopted at the May 2023 Council meeting.

We have reviewed Council and Standing Committee minutes, as posted on the Council's website, for the year, excluding those relating to planning issues, to ensure that no actions have been taken or are being considered that might result in unlawful activity or expense being incurred by the Council.

We are also pleased to note that the 2022-23 AGAR was signed-off by the external auditors without recommendation or comment. Additionally, we note that the statutorily required Notice of

Public Rights was also posted on the Council's website advertising availability of the Council's financial records for the year for the requisite 30 working days.

Conclusions

We are pleased to record that no issues have arisen in this area of our review process warranting formal comment or recommendation.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and 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
- Members are provided with full details of all payments made at meetings as appropriate and that they are formally verifying the supporting invoices accordingly
- 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 examined a sample of 59 payments made during the year selecting all those non-salary related transactions in the NatWest and Unity Trust accounts in excess of £500 plus a more random sample of every 25th transaction to ensure compliance with the above criteria. Our test sample totals £76,456 equating to 78% by value of non-salary related expenditure in the year to date with all the above criteria met.

We note that the 2022-23 VAT reclaim was submitted and repaid by HMRC in April 2023 and have agreed detail to the underlying Alpha control account. We have also examined and agreed the two VAT reclaims prepared and submitted to HMRC during 2023-24 to the Alpha accounts.

Conclusions

No issues arise in this review area.

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 have examined the Council's current insurance policy schedule with Hiscox, to ensure that appropriate cover is in place, noting that Public and Employer's Liability cover both stand at £10 million, together with Fidelity Guarantee cover at £500,000, all of which we consider more than adequate to meet the present needs of the Council.

We are pleased to note that the Council has again reviewed and re-adopted its Financial Risk Assessment at the February 2024 Finance Committee. We again note the existence of a very comprehensive file of other service delivery specific risk assessments which are also subject to periodic review and re-adoption. We have reviewed the resultant document and consider that it remains appropriate for the Council's present requirements.

We also noted from our examination of risk documentation that, with the approval of Insurers, detailed health and safety inspections in accordance with RoSPA guidelines are undertaken at the Council's play areas fortnightly, also noting that the results of these inspections are reported to members with any necessary appropriate action taken to address issues identified.

Conclusions

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

Budgetary Control and Reserves

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 MBC; 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.

We note that, following due deliberation, members agreed the required budget and precept for 2024-25 setting and formally adopting the latter at £182,504 in January 2024.

We are again pleased to note that members are provided with detail of monthly transactions, together with detail of bank balances and budget performance reports based on the Alpha accounting software throughout the course of the year. We have reviewed the year-end outturn with no significant or unexplained / unanticipated variances existing warranting further enquiry or investigation.

We are also pleased to note that, following our previous recommendation, a raft of specific earmarked reserves have been identified and exist in the Alpha accounting software. We have reviewed the level of retained funds at the year-end, assessing their adequacy to meet the Council's ongoing revenue spending requirements. As at 31st March 2024, total reserves have reduced to £93,340 (£103,080 as at 31st March 2023) comprising earmarked reserves totalling £47,255 with the General Reserve standing at £46,090 equating to marginally below 3 months' revenue spending at the 2023-24 level.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation, although the General Fund balance is marginally below the generally recognised level of between three and six month's revenue spending: we suggest that the position be kept under scrutiny, although we acknowledge that, should an urgent need arise, part of the earmarked funds could be reverted back to the General Fund.

Review of Income

In addition to the annual precept, the Council receives income from additional service areas, including the cemetery, the annual Christmas Fayre, the Summer Holiday Play Scheme and occasional rental income from the Playing and Southons sports areas, together with occasional grants from the parent Council.

We examined the operative controls over cemetery activities at our first review for the year considering them sound examining documentation relating to the 8 interments taking place to 30th September 2023, agreeing the fees charged to the approved scale of fees and charges, also ensuring that the legally required documentation (Burial and / or Cremation Certificates) was held.

We also examined the income relating to the Summer Holiday Play Scheme checking detail in the spreadsheet register of cash, cheques and bank credit income received and banked with no issues arising, although we noted that, due to the unavailability of appropriate banking facilities to allow deposit of cash and cheques, a few amounts have only recently been able to be deposited in the local Post Office.

We have, at our update visit in March 2024, examined the control records relating to income from “rental” of stalls at the Christmas Fayre: in doing so, we noted a posting error in relation to 7 related transactions, where detail had been coded in error to an expense code. We drew this, together with another coding anomaly, to the Clerk’s attention at our March 2024 visit and are pleased to note that the Clerk made the appropriate coding adjustments prior to the year-end closedown.

We have also examined the detailed nominal income records in the Alpha accounting software for the financial year ensuring that, as far as we are reasonably able to ascertain, no income receivable has been overlooked in the year with that received coded to the appropriate nominal income account, apart from the above identified anomaly.

Conclusions

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

Petty Cash Account

The Council does not operate a formal petty cash scheme: any out-of-pocket expenses incurred by staff are reimbursed on submission of a properly authorised and supported claim form, together with till receipts and / or trader invoices.

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 relating to the deduction and payment over of income tax and NI contributions.

The Clerk uses bespoke Sage payroll software to produce the monthly payroll for the permanent members of staff, together with casual Play Scheme helpers. Consequently: we have:

- Verified the gross salaries paid in September and November 2023 to the five permanent staff members by reference to the approved NJC scales (Clerk, Deputy and Assistant Clerks) and hourly rates for the two “outside” staff: the November 2023 payroll detail was checked at our March 2024 visit, ensuring that the national 2023-24 pay award was implemented appropriately and accurately, together with arrears payable backdated to 1st April 2023;
- Verified that Tax and NIC deductions have been calculated correctly by reference to the monthly payslips as above also ensuring that these deductions have been paid over to HMRC in an accurate and timely manner.

Conclusions

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

Asset Register / Inventory

The Practitioner’s Guide requires all councils to maintain a record of all assets owned. We are pleased to note that an appropriate asset register remains in place detailing both purchase and estimated replacement costs: also, that a photographic record is being maintained, as previously recommended by us.

The register has been updated to include new additions and any disposals occurring during the financial year, the resultant revised value being accurately transferred to the AGAR at Section 2, Box 9.

Conclusions

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

Investments & 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 acknowledge the existence of an appropriate Investment Policy adopted by the Council in April 2021, as required by the statutory guidance on Local Government Investments which came into force on 1st April 2018. We also note Council’s recent agreement to place surplus funds with the CCLA Deposit Fund and will monitor progress in that respect at our next review.

The Council has one residual PWLB loan repayable half-yearly: we have verified the value of the two half-yearly repayments for 2023-24 to the PWLB demand notes as part of our above referenced payment review sample and have also, at this final review obtained a copy of the UK Debt Agency’s notification of the year-end liability, which value we have agreed to the AGAR Section 2, Box 10 disclosure for the financial year.

Conclusions

We are pleased to advise that no issues arise in this area this year.

Statement of Accounts and AGAR

The AGAR now forms the Council's statutory Accounts subject to external audit review and certification. The detail for the AGAR is generated automatically by the Alpha accounting software and we have reviewed and verified the detail disclosed in the year's AGAR accordingly.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation and, based on the satisfactory conclusions drawn from the work undertaken this year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.