All Cannings Parish Council

Internal Audit Report 2023-24

Chris Hall

Consultant

For and on behalf of
Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the AGAR.

This report sets out the work undertaken in relation to the 2023-24 financial year. This is our first report for this Council. We have undertaken our review for the year remotely: we wish to thank the Clerk for assisting the process, providing all necessary documentation in both hard copy and electronic format to facilitate prompt completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken sufficient transaction testing to support our assurance as to whether Governance and financial controls are effective.

Internal Audit Approach

In undertaking the review for the year, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and AGAR. As the Council's Internal Auditor and under the present audit arrangements, we have a duty to complete the internal audit report, as part of the Council's AGAR process, which covers the basic financial systems and requires assurances in a number of areas.

Overall Conclusion

Based on our programme of work, we have identified some notable deficiencies in the Council's control and governance of its accounts and procedures, although we believe that the work undertaken by the Clerk is fundamentally sound. We have therefore made a number of recommendations to improve governance, which we would ask the Council to formally respond to after due consideration.

We have noted one negative assurance in our AGAR report, concerning the apparent lack of a budget process to generate the annual Precept.

This report has been prepared for the sole use of All Cannings Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council maintains its accounting records using the Scribe accounting system, which provides a good level of financial control and report analysis. Two bank accounts are maintained with Lloyds Bank (Current and Deposit), with a small interest-earning account maintained with NS&I.

Our objective in this area of review is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbook. We have accordingly: -

- Ensured that the accounting structure is appropriate for budgetary purposes, and that annual totals have been properly transferred to the 2023-24 AGAR;
- Verified the accurate carry forward of the closing balances for 2022-23 into the 2023-24 Scribe system;
- Agreed the balance on the draft 2023-24 AGAR to the bank balance at 31 March 2024.

We note that monthly bank reconciliations are presented to the Council. However, we can find no evidence that these are periodically checked by an independent Councillor in accordance with Financial Regulation (FR) 2.2. We have referred this with the Clerk, who will raise it with Council.

We are concerned to note that a statement for the NS&I account has only been made available up to December 2022, and that balance has been incorporated into the 2023-24 accounts. There is, therefore, an interest receipt in 2023-24 which has not been properly accounted for. While this amount is likely to be immaterial, as a point of principle bank reconciliations must be as up to date as possible. We understand that this account is under the control of the current Chair, and not the Clerk as Responsible Financial Officer.

Conclusions and Recommendations

R1. Council should ensure that the Clerk has control over all the Council's finances, including the NS&I account, in order that the Council can be presented with accurate bank reconciliations.

R2. Council should appoint an appropriate Councillor to undertake periodic independent reviews of bank reconciliations in accordance with FR2.2.

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 (SO's) 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 note that the Council has Standing Orders (SO's) and Financial Regulations (FR's) in place, which were last reviewed in July 2022 and April 2021 respectively. They are, therefore, subject to review and re-adoption to ensure they accord with the latest NALC Standard Form.

We note that the tendering limit in SO18a(v) is set at the default level, but the corresponding figure in FR11.1h is set at £10,000. These figures should match, and we believe that the £10,000 figure is most appropriate for a Council of this size.

We have reviewed the Council's Minutes as posted on the website, and have found no issues of concern.

The Council's website shows a good level of compliance with the Transparency Code 2015, with all appropriate reports and documents available for Public download. We have discussed with the Clerk additions and enhancements to make such information easily available to the general public in a spirit of Open Government, although we believe that the website is not under her direct control.

Finally, we confirm that the Exercise of Public Rights with regard to the 2022-23 accounts was properly undertaken in accordance with the Accounts and Audit Regulations.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observations about reviewing Standing Orders and Financial Regulations, especially with regard to tendering limits, and enhancing Transparency Code information.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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.

We note that payments are approved at each meeting. Our sample testing has shown that individual invoices are signed off by Councillors.

We have test-checked a representative sample of invoices to the cashbook and bank statements, with no issues of concern arising.

We note that VAT is reclaimed from HMRC on an annual basis. A balance of £1,221.29 is outstanding at 31 March 2024.

Conclusions

There are no issues arising in this area of our review 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 to minimise the opportunity for their coming to fruition. We have:

- Examined the Council's current insurance policy via BHIB Insurance Brokers, noting that appropriate cover is in place for both Employer's and Public Liability cover at £10 Million each, together with Officers Liability at £500,000, all of which we consider appropriate for the Council's present needs. We also note suitable cover for play park equipment, which is the subject of an annual RoSPA review;
- Noted that the Council has reviewed and adopted a suitable Risk Assessment at the February 2024 meeting, which meets the FR17.1 requirement for at least an annual review.

We have seen no evidence that regular inspections of the Council's play park are undertaken and reported to the Council, although we note a large amount of voluntary work by Councillors. Insurers are increasingly seeking evidence of simple visual inspections (a ticksheet signed by a Councillor is sufficient) as a defence against vexatious claims, which can be made up to 21 years after the event.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about undertaking regular visual inspections of play equipment, results being reported to Council and retained for a long period.

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

We have not been able to determine the budgetary process for agreeing the 2024-25 Precept, which is not properly detailed in the Minutes of the January 2024 meeting. Therefore we are required to give a negative assurance against Objective D of our AGAR internal audit report.

We have clarified with the Clerk that the Earmarked Reserves (EMR) total £22,250 at 31 March 2024, which includes a figure of £749.58 held for 'Concert at the Kings' (CATK). These are not deemed to be Council funds, and therefore should be returned to the organisers. Against the bank balance at 31 March 2024 of £41,431, this leaves a General Reserve of £19,181, which is 96% of the 2023-24 Precept as against a Best Practice level of 50%. The level of the General Reserve is therefore very high, and should be urgently reviewed by the Council

Conclusions and Recommendations

R3. The agreed Budget and Precept for 2024-25 and future years should be properly detailed and Minuted.

R4. Council should urgently review the level of the General Reserve to ensure that it is appropriate to the Council's future plans.

R5. The Council should return the amount of £749.58 currently held for CATK, as these are not Public Funds.

Review of Income

We note that, apart from the usual income sources of the Precept, grants, VAT reclaims and bank interest, the Council also maintains and receives income from the Cemetery and Allotments. We have test-checked receipts with no issues arising.

We can see no evidence that the Council reviewed (not necessarily increased) its fees and charges during 2024-25, which is a requirement of Financial Regulation 9.3.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the need for an annual review of fees and charges.

Petty Cash Account

The Council does not operate a petty cash account. Therefore there are no issues arising in this area of our review warranting formal comment or recommendation.

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 note that payroll services are provided by an external contractor (David Owen, Chartered Accountants).

We have test-checked payroll transactions for the Clerk during 2023-24, noting that returns are routinely made to HMRC, and that the NJC pay awards have been properly authorised and applied.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Investments and Loans

We aim in this area of our review process to ensure that the Council is taking appropriate action to ensure interest earning capabilities are optimised whilst safeguarding the Council's resources. We note that the Council maintains no investments other than its bank accounts and the NS&I account referred to above.

No loans are in existence either payable by or to the Council.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Fixed Asset Register

We have agreed the reported value in Scribe to the underlying records.

We believe that the Council's Asset Register meets the requirements of the Governance and Accountability Manual, showing all assets valued at either original cost price or a nominal £1 if historic costs cannot be identified.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Annual Governance and Accountability Return AGAR)

We have checked and agreed the values to be reported in the 2023-24 AGAR (Section 2) to the underlying year-end financial detail, with no issues arising.

We have duly signed off the Internal Audit Certificate in the 2023-24 AGAR, assigning appropriate assurances in each area.

Rec. No.	Recommendation	Response
R1	Council should ensure that the Clerk has control over all the Council's finances, including the NS&I account, in order that the Council can be presented with accurate bank reconciliations.	
R2	Council should appoint an appropriate Councillor to undertake periodic independent reviews of bank reconciliations in accordance with FR2.2.	
R3	The agreed Budget and Precept for 2024-25 and future years should be properly detailed and Minuted.	
R4	Council should urgently review the level of the General Reserve to ensure that it is appropriate to the Council's future plans.	
R5	The Council should return the amount of £749.58 currently held for CATK, as these are not Public Funds.	