

Corston Parish Council

Internal Audit Report 2023-24

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Background

The Accounts and Audit Regulations introduced from 1st April 2001, as amended periodically, require all Town and Parish Councils to implement 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 the course of our review for 2023-24: we thank the newly appointed Clerk for his assistance in providing all necessary documentation in electronic format to facilitate the progress of our review.

Internal Audit Approach

In undertaking the year's 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 appropriate 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.

Overall Conclusion

We have concluded that, based on the programme of work undertaken, the Council has, despite the absence of a Clerk for most of the year, maintained generally adequate and effective internal control arrangements: we have, however, identified a few areas where action is required to further strengthen controls and ensure compliance with best practice and regulatory requirements. Detail of these issues is summarised in the body of the report with, again where appropriate, recommendations made to ensure they are addressed appropriately in future years.

We ask that members and the Clerk consider the recommendations made and, wherever practicable, take appropriate action to implement them: we also ask that, in due course, we be provided with a formal response to each recommendation indicating the intended course(s) of action.

We have duly signed off the IA Certificate in the year's AGAR providing a copy for the Clerk's necessary further action.

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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

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 cashbooks or financial ledgers. The financial records have again been maintained for the financial year in spreadsheet format, which we consider more than adequate given the relatively low volume of transactions.

We have previously noted the intention to switch from the single account in use with Lloyds to the use of electronic banking through Unity bank to further assist in ensuring full and effective control is in place over the Council's banking arrangements and release of public moneys: no progress appears to have been made in this respect during the year due to the resignation of the former clerk and delayed appointment of a replacement: we shall check on progress at our next review.

We have: -

- Ensured that the spreadsheet cashbook affords appropriate analysis of receipts and payments to facilitate preparation and disclosure of the financial data at Section 2 of the year's AGAR and to assist members effectively manage the Council's resources and monitor performance against the approved budgets during the year;
- Verified the accurate carry forward of the closing balance for 2022-23 into the 2023-24 cashbook;
- Checked and verified detail of the year's cashbook transactions to the supporting Lloyds bank statements;
- Checked detail of the quarterly and year-end bank reconciliation noting that there were no uncleared transactions at the year-end; and
- Ensured the accurate disclosure of the year-end balance in the AGAR at Section 2, Box 8 to that in the cashbook.

We are pleased to record that, following our previous recommendation, bank reconciliations are now being prepared quarterly within the cashbook.

Conclusions

We are pleased to acknowledge the continued quality of record keeping with no issues arising warranting formal comment or recommendation.

Review of Corporate Governance

Our objective in this area is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council 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's minutes for the financial year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability noting that the SOs and Financial Regulations (FRs) were both reviewed and re-adopted in July 2023.

We are pleased to note that the FRs have been reviewed, updated and re-adopted in July 2023 with a formal tender limit set at £1,500. Whilst reference is made to the Public Contract Regulations, it refers to the 2006 version, which was revised and updated in 2015. We also advise the Council that NALC has finally issued its long-awaited updated Financial Regulations and commend the document to the Council for consideration and adoption, subject to one caveat, that being that the Council will need to be affiliated to NALC as the document is subject to copyright laws.

The Council will again be able to claim exemption from the external audit process for 2023-24 having an annual turnover of less than £25,000. Consequently, it will need to again complete a Part 2 AGAR including the Certificate of Exemption, which will need to be submitted to the external auditor in accordance with the process set out in the Preface to the year's Part 2 AGAR.

We note that The Council will also need to ensure that, most probably due to the former Clerk's resignation early last summer, detail of the 2022-23 AGAR Exemption Certificate and Sections 1 & 2 (Governance Statement and Accounts respectively) have not been appropriately posted on the Council's website and remind the new Clerk of the need to ensure compliance with the disclosure requirements as set out in the Preface to the AGAR. The Council will also need to ensure compliance with the disclosure / publication requirements of the Transparency Code for Smaller Authorities: we have provided the new Clerk with a copy of the latter document to assist the process.

As a consequence of the absence from the Council's website of some of these documents, we are obliged to give negative responses in the relevant sections of the year's IA Certificate.

We also remind the new Clerk of the requirement to publish on the website the legally required Notice of Public Rights to examine the Council's financial transactions for the requisite 30 working days.

Conclusions and recommendations

As indicated above, the Council must ensure compliance with the legally required disclosure requirements of the Accounts and Audit Regulations and Transparency Code for Smaller Authorities on its website, also publicising the timescale for the public's access to the Council's financial records for 30 working days.

- R1. The Council must ensure compliance with the disclosure requirements of the Accounts and Audit Regulations and Transparency code for Smaller Authorities, posting all required documentation on its website in a clearly accessible manner.*
- R2. Care should be taken to ensure that the Notice of Public Rights is also published for the requisite 30 working days only in accordance with the timescale as advised by the external auditor.*

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- All payments are subject to appropriate approval in accordance with the Council's approved procedures;

- 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; and
- VAT has been appropriately identified for periodic recovery.

The new Clerk has provided copies of the year's payment documentation in electronic format as far as he has been able to track down detail, for which we thank him. We have examined the detail provided and have the following observations and recommendations in relation to a few of the payments made during the year: -

- No documentation has been provided / is available for the monthly Water and EDF payments: if monthly invoices are not received, we suggest that the companies be contacted and asked to provide half-yearly or annual statements of the amounts payable;
- The annual insurance premium payable to Zurich (Vchr 16) includes Insurance Premium Tax (IPT), which has been recorded as VAT in the cashbook: IPT is not VAT and is consequently not reclaimable from HMRC: we have amended the cashbook (updated copy attached) showing the amended detail highlighted in blue);
- Payments to The Duchy of Cornwall (Vchr 44), GB Sport & Leisure (27.12.23) and Community Heartbeat (Vchrs 65 & 66) all include recoverable VAT, which had not been identified on the spreadsheet cashbook: we have amended the cashbook (updated copy attached) showing the amended detail highlighted in pale orange); and
- No copies of pay slips and other payments without any highlighting on the attached revised cashbook spreadsheet have been traced by the new Clerk or are just not in existence / available.

Appropriate invoices / documentation supporting payments should be obtained in future for **all** expenditure and be held on file for audit examination. We commend the use and recording of sequential numbers in the cashbook and urge that those numbers are also recorded on the invoices / payment supporting documentation.

We note that the Clerk provides members with electronic copies of documentation supporting payments, the members also confirming electronically their approval of the payments for release. As recommended last year, with the Council now again holding face-to-face meetings, we reiterate our recommendation that consideration be given to the acquisition of a rubber certification stamp to be affixed to every invoice / payment docket to include the following information: -

- ✓ Clerk's signature / initials confirming receipt of goods or services and arithmetic accuracy of the invoice;
- ✓ Allocated sequential cashbook entry reference number;
- ✓ Member(s) initials approving the invoice for payment; and
- ✓ Payment date.

As a minimum, the individual invoices / supporting payment documentation should include members signatures / initials confirming in line with best practice their review and agreement of the documents for payment.

As also indicated in our 2022-23 report, we do not wish to imply any impropriety in the former or new Clerks' actions (assuming the latter is now undertaking the same process) in releasing payments, but in the light of the increasing level of bank fraud through hacking, etc, we consider that the previous paragraph's action should be councillors should formally evidence the effective discharge of their fiduciary responsibility by reviewing and signing-off invoices confirming their

approval for payment. The Council also has a duty of care to protect the Clerk from any such potential allegations and this would also be demonstrated by their evidencing their review and approval of all payments.

Finally in this area, we note that the last VAT reclaim repaid by HMRC prior to 31st March 2024 related to the recovery of VAT on expenditure to 31st December 2022, being repaid in March 2023.

Conclusions and recommendations

As indicated above, we consider that improved controls and more formalised evidencing of members' approval of expenditure for release be implemented with a suitably designed rubber certification stamp acquired and affixed to each and every invoice / payment docket with the relevant boxes duly signed-off and cross-referenced. We also urge that, going forward, all payments are supported appropriately either by a trader's invoice, payslip or docket prepared and signed by the Chairman.

- R3. In line with best practice, where no formal invoice is available, a proforma document should be prepared and be signed as authorised by the Council Chairman and be retained with the file of paid invoices.*
- R4. As indicated in the body of the report, members should formally evidence their review of invoices, etc, with either the suggested rubber certification stamp acquired and affixed to every payment docket and initialled by the approving councillor(s) or, as minimum, the invoices be signed /initialled by the approving councillor(s).*
- R5. If not already prepared and submitted to HMRC to date in 2024-25, a VAT reclaim should be prepared covering the period from 1st January 2023 to 31st March 2024, taking account of the above required adjustments to detail recorded in the 2023-24 cashbook, and be submitted to HMRC for repayment.*

Assessment and Management of Risk

Local councils are required to put in place appropriate arrangements to assess and manage all potential risks, financial and other, to which they may be exposed, also ensuring that appropriate insurance cover is in place. The Governance and Accountability Manual (G&AM) – “The Practitioner’s Guide” requires all councils to develop an appropriate register of assessed risks and to formally review and adopt the register at least once annually. We are pleased to note the existence of an appropriate register, which was reviewed and re-adopted by the council in July 2023. We have examined the document and consider that it remains appropriate for the Council’s present requirements.

We note that the Council has changed insurer to Zurich for 2023-24: we have examined the resultant insurance schedule and consider that cover is appropriate for the Council’s present needs with Employer’s and Public Liability cover both in place at £10 million and £12 million respectively, together with Fidelity Guarantee cover at £250,000. Appropriate insurance is also in place for the various items of office equipment, street furniture, etc.

Conclusions

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

Budgetary Control and 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 the level of precept to be drawn down from B&NES: also, that an effective reporting and monitoring process is in place and that the Council retains sufficient funds in general and earmarked reserves to finance its ongoing spending plans.

We note that, following due deliberation, the Council finalised its budget and precept deliberations for 2024-25, formally adopting the latter at £14,360 at the January 2024 Council meeting.

We are pleased to note that members are provided with periodic detail of payments for approval and bank reconciliations during the financial year, but have seen no indication that they are kept informed of actual performance against the approved budget other than when considering the following year's budget and precept requirements. We are, however, pleased to note that a comprehensive budget for 2024-25 performance against the targeted spend for the year with a forward projection for 2023-24 has been prepared and urge that periodic, ideally at least quarterly, reports are prepared and presented to Council comparing actual performance against the adopted budget.

The Council's reserves at the financial year-end have increased significantly to £15,149 (£9,475 at the prior year-end). Of that sum, we have previously noted that £3,000 was "earmarked" for specific projects, now leaving a residual "General reserve" balance of £12,149 which equates to approximately 12 months' revenue spending at the usual annual level (limited salary costs only arising during 2023-24 due to the resignation of the former clerk and delay in making a new appointment).

Conclusions

We are pleased to record that there no issues arise in this area this year warranting formal comment or recommendation other than to urge that performance reports against the approved budget are prepared quarterly and presented to Council accordingly.

Review of Income

The Council receives very limited income in addition to the precept by way of occasional grants, and recoverable VAT. We have agreed detail of the year's income received to bank statements and, where available, other supporting documentation and are pleased to record that no issues arise in this area this year.

Petty Cash Account

The Council does not operate a petty cash account. Any incidental expenses incurred by the Clerk are reclaimed and recovered through the normal trader payment process.

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 deductions and employer contributions.

We note the payment of a regular monthly amount to the former Clerk, but have not been provided with copies of supporting payslips to facilitate our review and confirmation of the monthly amount being paid. We have seen no indication of any payment to HMRC relating to tax or NI deductions/contributions in the year. Although, given the level of annual salary, NI contributions would not apply.

Conclusions and recommendation

Whilst no specific issues arise in this area, we urge that pay slips are prepared and retained for audit examination in relation to the new Clerk's salary for 2024-25. Additionally, as indicated in last year's report, we again suggest that preparation of the monthly payroll be outsourced to a specialist bureau such as PATA or DCL Payroll Services (who are used by a few of our clients in the Council's vicinity).

R6. *Consideration should be given to outsourcing the future preparation of the monthly payroll to ensure that calculations of the gross pay due and any tax (and / or NI) contributions due are identified appropriately and paid accordingly to the new Clerk and HMRC.*

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of its stock of owned assets. We are pleased to note that a formal register remains in existence and has been provided for our examination. We have seen no indication in the invoices provided for our examination of any new assets being acquired or existing assets being disposed of during the financial year and, consequently the asset value to be disclosed in the AGAR remains unchanged from that reported in 2022-23 (i.e. £45,373).

Several of our clients have also started to develop photographic registers of their assets (street furniture, play equipment, etc), which they have found of assistance in progressing insurance claims should any wilful or accidental damage have occurred to the property.

Conclusions and recommendations

As last year, we urge that the Clerk and members take due note of the G&AM recording and reporting requirements. We also consider it best practice for the asset register to include the following detail, although, as above, certain detail may well not be known or obtainable now: -

- ***Date of acquisition;***
- ***Siting of asset;***
- ***Serial or registration number, where applicable;***
- ***Purchase price, net of VAT;***
- ***Insured value, where applicable to assist in costing replacements;***
- ***Date of disposal; and***
- ***Sales receipt, if applicable.***

R7. *Consideration should also be given to the development of a photographic register of the Council's assets, particularly street furniture, play equipment, etc to assist in the progression of any insurance claim or police investigation should such action be necessary.*

Investments and Loans

The Council has no long-term investments, nor loans in place repayable either by or to it.

Statement of Accounts and AGAR

Section 2 of the AGAR now forms the Council's formal Statement of Accounts subject to external audit review and certification. As the Council's turnover in 2023-24 is again below £25,000, the Council is eligible to and will be claiming exemption from the external audit process completing a Part 2 AGAR.

We have reviewed and agreed the detail of the financial values to be reported in the 2023-24 AGAR at Section 2 with the year's cashbook detail and asset register with no issues arising in this respect this year.

Conclusions

Based on the conclusions drawn from our review process this year, we have duly signed off the IA Certificate in the year's Part 2 AGAR assigning positive assurances in most areas, other than those relating to the website publication requirements of the Accounts and Audit Regulations and Transparency code for Smaller Authorities as referred to earlier in this report.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council must ensure compliance with the disclosure requirements of the Accounts and Audit Regulations and Transparency code for Smaller Authorities, posting all required documentation on its website in a clearly accessible manner.	
R2	Care should be taken to ensure that the Notice of Public Rights is also published for the requisite 30 working days only in accordance with the timescale as advised by the external auditor.	
Review of Expenditure and VAT		
R3	In line with best practice, where no formal invoice is available, a proforma document should be prepared and be signed as authorised by the Council Chairman and be retained with the file of paid invoices.	
R4	As indicated in the body of the report, members should formally evidence their review of invoices, etc, with either the suggested rubber certification stamp acquired and affixed to every payment docket and initialled by the approving councillor(s) or, as a minimum, the invoices be signed /initialled by the approving councillor(s).	
R5	If not already prepared and submitted to HMRC to date in 2024-25, a VAT reclaim should be prepared covering the period from 1 st January 2023 to 31 st March 2024, taking account of the above required adjustments to detail recorded in the 2023-24 cashbook, and be submitted to HMRC for repayment.	
Review of Staff Salaries		
R6	Consideration should be given to outsourcing the future preparation of the monthly payroll to ensure that calculations of the gross pay due and any tax (and / or NI) contributions due are identified appropriately and paid accordingly to the new Clerk and HMRC.	
Fixed Asset Register		
R7	Consideration should also be given to the development of a photographic register of the Council's assets, particularly street furniture, play equipment, etc to assist in the progression of any insurance claim or police investigation should such action be necessary.	