

## **Stanford Rivers Parish Council**

*Internal Audit Report: Interim 2023-24*

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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 & Accountability Return (AGAR).

This report sets out the work undertaken during our first review for the 2023-24 financial year, which has been undertaken partly in advance at our offices and also on site at the offices of North Weald Bassett PC on 11<sup>st</sup> October 2023.

## **Internal Audit Approach**

In commencing our review, 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 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We are again pleased to acknowledge the continued high quality of records maintained by the Clerk and conclude that, on the basis of the work undertaken to date this year, the Council continues to operate adequate and effective internal control arrangements. Detail of the work undertaken to date is set out in the body of the following report with three relatively minor recommendations arising each of which is further summarised in the appended Action Plan for ease of members reference.

We thank the Clerk in assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate the review process and again commend her on the quality of supporting documentation presented for our examination.

We will update this report following completion of our final review for the year, also signing off the IA report in the AGAR appropriately. We will liaise with the Clerk on the date for our final review, which will be timed to follow closure of the Council's accounts for the year and in conjunction with final review work at other neighbouring councils.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk uses an Excel spreadsheet to maintain the accounting records on a receipts and payments basis for the financial year with two accounts in use at Unity Trust Bank.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbook. To that end, we have:

- Checked and agreed the opening balances for 2023-24 with the 2022-23 closing Statement of Accounts and certified AGAR;
- Ensured that transactions are appropriately analysed in the spreadsheet cashbook to facilitate production of the detailed year-end Accounts & AGAR;
- Ensured that the accounts remain 'in balance' at 30<sup>th</sup> September 2023;
- Checked and agreed the year's (to 30<sup>th</sup> September 2023) financial transactions as recorded in the Excel spreadsheet, to the supporting bank account statements with no issues arising; and
- Ensured that the cashbook balance reconciles with the combined bank statement balances as at 30<sup>th</sup> September 2023.

### Conclusions

*We are pleased to note that bank reconciliations are subject to regular review and sign-off by a nominated councillor. We shall undertake further work in this area at our final review, extending our testing for the remainder of the financial year and ensuring the accurate disclosure of the combined account balances in the year's AGAR.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that both the SOs and Financial Regulations (FRs) have been subjected to further review with both re-adopted at the May 2023 meeting.

We have commenced our examination of minutes of Council meetings reading those for the year to date as posted on the Council's website to establish whether any issues arise that may have an adverse effect on the Council's future financial stability and are pleased to record that no such matters have been identified in this respect currently.

We have reminded the Clerk of the relatively recent clarification of the value whereby tenders have to be formally posted on the Government's Contract Finder website: the revised value is now set at £30,000 including VAT; consequently, we urge that the Council's SOs and FRs be revised to reflect the clarified value for tender action, although we acknowledge that such action may not be required routinely for the Council.

We note that the external auditors have signed-off the 2022-23 AGAR with no issues raised, the document being appropriately posted on the Council's website: we are also pleased to note that the Notice of Public Rights has been posted on the website advising access to the Council's records for the requisite 30 working days.

### ***Conclusions and recommendation***

***We are pleased to report that no issues significant arise in this review area this year although we urge that the SOs and FRs be updated to reflect the revised value for advertising tenders on the Government's Contract Finder website. We shall continue to monitor the Council's approach to governance at future review visits, also continuing our review of minutes.***

*R1. When next reviewed and submitted to Council for formal re-adoption, the Standing Orders and Financial Regulations should be revised to record the clarified value for formal tender action.*

## **Review of Payments & VAT**

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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense analysis has been applied in the cashbook to invoices when processed; and
- VAT has been accurately and appropriately identified in the cashbook to facilitate recovery.

We have again reviewed the payment authorisation and release procedures and consider them sound and appropriate for the Council's present requirements with invoices being examined, initialled and dated by members appropriately confirming approval for payment.

We have examined, due to their low volume, all payments processed and recorded in the cashbook for the financial year to 30<sup>th</sup> September 2023 ensuring compliance with the above criteria with no issues arising.

We also note that the 2022-23 VAT reclaim was submitted to and repaid by HMRC and have agreed its detail to that year's accounting records.

### ***Conclusions***

***We are pleased to report that no issues have arisen in this area of our review process: we shall extend our review of payments to supporting documentation for the remainder of the year at our final visit.***

## 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 are pleased to note that the Council's Financial Risk Register has been subjected to scrutiny and formal re-adoption at the May 2023 full Council meeting. We have reviewed the document's content and consider that it remains appropriate for the Council's present requirements.

We have also reviewed the current year's insurance schedule with Zurich Municipal noting that Public and Employers Liability both remain in place at £10 million, together with Fidelity Guarantee (FG) cover of £50,000 and Business Interruption – Loss of Revenue cover at £4,500. Overall, we consider the level of cover appropriate for the Council's present requirements, although we suggest that some consideration should be given to increasing the level of FG cover with the present combined bank account holding exceeding £63,000.

### *Conclusions and recommendation*

*We are pleased to record that no significant concerns arise in this area currently, although, as above, we suggest that the level of FG cover be increased to cover the current and anticipated level of funds held in the Council's bank accounts during the course of the year: the former Audit Commission used to advise that the level of FG cover should equate to the yearly opening balance plus level of precept receivable in April annually. We shall continue to monitor the Council's approach to the management of potential risks at future visits.*

*R2. The Council should consider increasing the level of Fidelity Guarantee insurance cover to at least the maximum value of the combined bank account balances.*

## 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 the District Council: 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, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

This review visit took place in advance of the Council's formal consideration of its budget and precept requirements for 2024-25: consequently, we shall revisit this area at our final review ensuring that the budget and precept are formally approved and minuted accordingly as adopted.

### *Conclusions*

*We shall undertake further work in this area at our final review ensuring the formal approval of the 2024-25 budget and precept, also reviewing the year-end budget outturn and level of retained reserves assessing their appropriateness to fund the Council's ongoing revenue spending requirements.*

## Review of Income

Our objective in this area is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. The Council has only limited income sources currently, primarily the annual precept, hire fees for the Toot Hill Village Hall, recoverable VAT and quarterly interest on the Unity Bank Deposit account.

We have examined the Toot Hill Hall booking diary for June 2023 ensuring that appropriate supporting documentation was in place also ensuring that appropriately priced invoices have been raised for each hire and that payment has been received in a reasonable time frame. We are pleased to record that all was okay in this respect, apart from the absence of an invoice for the Folk Club hire on Saturday 17<sup>th</sup> June and, presumably, other dates in the year.

We have also, as part of our above cashbook review, ensured receipt and recording of interest earned on the Unity Deposit account.

### *Conclusions and recommendations*

*We are pleased to report that no significant issues have arisen in this area of our review process currently, although we urge that the Folk Club be invoiced for the July and any other hire dates during the year as a matter of urgency. We shall continue to monitor the Council's income controls at future visits.*

*R3. An appropriate invoice should be raised for the Folk Club hire of the Toot Hill Hall on 17<sup>th</sup> June 2023 and any other dates as soon as practicable.*

## Petty Cash Account

*The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk or litter picker being reimbursed by separate cheque as and when required.*

## 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 requirements of HMRC legislation and the calculation, deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that salaries are calculated by the Clerk utilising the HMRC PAYE Tools software;
- Previously checked to ensure that a formal employment contract is in place for the Clerk, also noting last year the Council's approval of a pay award for her effective from 1<sup>st</sup> April 2022;
- Ensured that the monthly salary payments for the year to date are in accordance with that contract and uplifted salary;
- Ensured that tax deductions are made in accordance with the Clerk's tax code (no NI contributions apply, as the monthly salary is below the contribution level);

- Noted that the Clerk is not contributing to a pension scheme; and
- Verified the amounts paid to the Clerk and HMRC each month in the year to date.

### ***Conclusions***

***No issues arise in this area of our review process warranting formal comment or recommendation.***

Rec. No	Recommendation	Response
<b>Review of Corporate Governance</b>		
R1	When next reviewed and submitted to Council for formal re-adoption, the Standing Orders and Financial Regulations should be revised to record the clarified value for formal tender action.	
<b>Assessment and Management of Risk</b>		
R1	The Council should consider increasing the level of Fidelity Guarantee insurance cover to at least the maximum value of the combined bank account balances.	
<b>Review off Income</b>		
R12	An appropriate invoice should be raised for the Folk Club hire of the Toot Hill Hall on 17 <sup>th</sup> June 2023 and any other dates as soon as practicable.	