

## **Stanford Rivers Parish Council**

*Internal Audit Report: Final update 2024-25*

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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 two remote reviews for the 2024-25 financial year, on 5<sup>th</sup> December 2024 and 18<sup>th</sup> April 2025. We thank the Clerk in assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of the review process.

## **Internal Audit Approach**

In undertaking 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 Certificate' 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, based on the work undertaken this year, the Council continues to operate adequate and effective internal control arrangements. Detail of the work undertaken is set out in the body of the following report with a few relatively minor recommendations recorded that arose during our interim review: are further summarised in the appended Action Plan with the updated current position also recorded for ease of members' reference.

We have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area. We also take this opportunity to remind the Clerk and Councillors 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.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk uses an Excel spread sheet 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 with the 2023-24 closing Statement of Accounts and certified AGAR;
- Ensured that transactions are appropriately analysed in the cashbook to facilitate production of the detailed year-end Accounts & AGAR;
- Ensured that the accounts remain 'in balance' at the financial year-end;
- Checked and agreed the full year's financial transactions, as recorded in the Excel spreadsheet, to the supporting bank account statements with no issues arising;
- Ensured that the cashbook balance reconciles with the combined bank statement balances as at 30<sup>th</sup> November 2024 and 31<sup>st</sup> March 2025; and
- Ensured the accurate disclosure of the combined account balances in the AGAR at Section 2, Box 8.

### Conclusions

*We are pleased to note that bank reconciliations are subject to regular review and sign-off by a nominated councillor.*

## 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 SOs and Financial Regulations (FRs) have been reviewed and re-adopted in March 2025, the latter being based on the latest NALC model document: We are pleased to record that no issues arise in this area.

We have continued our examination of minutes of Council meetings reading those for the full financial year 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.

We are pleased to note that the external auditors signed off the 2023-24 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

***We are pleased to report that no residual issues arise in this review area this year, appropriate action having been taken to review and re-adopt the SOs and FRs (now in line with the 2024 NALC model document) at the March 2025 meeting.***

- R1. The Council's Financial Regulations should be reviewed and updated appropriately to bring them into line with the recently revised NALC model document suitably tailored to meet the Council's specific requirements. These have been brought into line with the latest NALC model document.***
- R2. Once that review is completed, the Standing Orders should also be reviewed to ensure consistency with the revised Financial Regulations. As above, appropriate action has been taken to ensure consistency.***

## 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 discussed the payment authorisation and release processes with the Clerk 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 confirming compliance with the above criteria with no issues arising.

We note that the 2023-24 VAT reclaim was submitted to and repaid by HMRC during 2024-25, also noting that the 2024-25 reclaim has also been prepared, detail of which we have agreed to the value recorded in the year's cashbook.

## Conclusions

***We are pleased to report that no issues have arisen in this area of our review process.***

## 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 are pleased to note that the Council's Financial Risk Register has again been reviewed and re-adopted at the March 2025 full Council meeting. We have reviewed the resultant 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 remain in place at £10 million, together with Fidelity Guarantee (FG) cover now increased, following our prior year recommendation, to £250,000 and Business Interruption – Loss of Revenue cover standing at £4,500. We consider the general level of cover appropriate for the Council's present requirements, although we suggest that consideration be given to increasing the level of Business Interruption – Loss of Revenue cover as hall income has, as indicated in our interim report, actually exceeded £4,800 by the financial year-end.

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

***We are pleased to record that no significant concerns arise in this area, although the Council should ensure that the financial risk register is reviewed, updated (if appropriate) and re-adopted prior to the financial year-end. Additionally, as above, we suggest that the level of Business Interruption – Loss of Revenue cover should be increased to match the current and future years' likely level of income. We shall continue to monitor the Council's approach to the management of potential risks at future visits.***

***R3. The Council should review and formally re-adopt the Financial Risk Register prior to the current financial year-end. The register has been reviewed and re-adopted at the March 2025 meeting.***

***R4. The Council should consider increasing the level of Business Interruption – Loss of Revenue cover to match more closely the potential annual level of income receivable.***

## **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.

We are pleased to note that, following due deliberation on the budgetary and precept requirements for 2025-26, the Council approved and adopted the latter at the January 2025 Council meeting setting the precept at £23,462.

We have reviewed the year-end budget outturn and are pleased to record that no significant or unexplained variances exist. We have also considered the level of reserves held by the Council noting that they have increased to £87,226 (£71,881 as at 31<sup>st</sup> March 2024), comprising the increased value of EMRs to £62,630 (£44,140 at 1<sup>st</sup> April 2024) leaving a General Reserve balance of £24,595, which equates to approximately 8 months' spending at the 2024-25 level.

## **Conclusions**

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

## **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 appropriately with recovery effected within a reasonable time span. The Council has relatively limited income sources, primarily the annual precept, hire fees for the Toot Hill Village Hall (THVH), recoverable VAT and quarterly interest on the Unity Bank Deposit account.

We have examined the Toot Hill Hall booking diary for the first week in September 2024 ensuring that appropriate supporting documentation is in place, together with a correctly priced invoice for the one hire in the week and subsequent hires by the same individual, also ensuring that payment has been received in a reasonable time frame. We have also examined the cashbook record and file of copy invoices which are held on file in date order of settlement.

Whilst not a significant concern, we suggest in our interim report that, to provide a clear audit trail, the invoice numbers be also recorded in the “THVH” income spreadsheet. In checking the sequential numbers of invoices where payment has been received to 30<sup>th</sup> November 2024, it appears that invoice no. 27 remained unpaid at that date. We are pleased to note its subsequent receipt.

We have also, as part of our above cashbook review, ensured the timely receipt and recording of other income sources in the year to date.

## **Conclusions and recommendations**

*We are pleased to report that no significant issues have arisen in this area of our review process currently, although, as above, we suggest that the relevant invoice numbers also be recorded in the THVH cashbook and are pleased to record that appropriate action has been taken.*

*R5. To provide a clear audit trail, the THVH spreadsheet cashbook should also include reference to the serial numbers of invoices raised. Invoice numbers are now being recorded as suggested.*

## **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 using the HMRC PAYE Tools software;
- Previously checked to ensure that a formal employment contract is in place for the Clerk, also noting previously 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 her 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.*

## **Asset Registers**

The Practitioner's Guide requires all councils to maintain a record of the assets owned. We note that the new equipment acquired during 2024-25 has been added to the asset register and included in the asset value at Section 2, Box 9 of the 2024-25 AGAR, also noting that no disposals occurred.

### **Conclusions**

*No matters have been identified in this area this year warranting formal comment or recommendation.*

## **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 accounts; 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 appropriate loan agreements.

We have again confirmed that the Council holds no long-term investments requiring separate disclosure in the Statement of Accounts / AGAR. As indicated earlier in this report, we have reviewed the Unity Deposit account transactions ensuring that the quarterly earned interest is correctly accounted for.

The Council has one outstanding loan with the PWLB, which is generally repaid twice yearly: however, due to the prior year financial year-end coinciding with the Easter weekend, only one physical repayment was made during 2023-24: consequently, 3 payments have occurred during 2024-25. The residual loan liability at 31<sup>st</sup> March 2025 stands at £15,790 and has been recorded in the AGAR at Section 2, Box 10 accordingly.

### ***Conclusions***

***No matters arise in this area warranting formal comment or recommendation this year.***

## **Statement of Accounts and AGAR**

The AGAR now forms the statutory Accounts of the Council, subject to external audit scrutiny and certification. We have reviewed and verified the content of the financial information in each of the Boxes by reference to the supporting spreadsheet cashbook and other relevant supporting documentation.

### ***Conclusions***

***No issues arise from our work in this area and, based on the satisfactory conclusions drawn from our overall programme of work during the year, we have duly signed off the IA Certificate in the Council's AGAR assigning positive assurances in all relevant areas.***



Rec. No	Recommendation	Response
<b>Review of Corporate Governance</b>		
R1	The Council's Financial Regulations should be reviewed and updated appropriately to bring them into line with the recently revised NALC model document suitably tailored to meet the Council's specific requirements.	<i>These have been brought into line with the latest NALC model document.</i>
R2	Once that review is completed, the Standing Orders should also be reviewed to ensure consistency with the revised Financial Regulations.	<i>As above, appropriate action has been taken to ensure consistency. As above, appropriate action has been taken to ensure consistency.</i>
<b>Assessment and Management of Risk</b>		
R3	The Council should review and formally re-adopt the Financial Risk Register prior to the current financial year-end.	<i>The register has been reviewed and re-adopted at the March 2025 meeting.</i>
R4	The Council should consider increasing the level of Business Interruption – Loss of Revenue cover to match more closely the potential annual level of income receivable.	
<b>Review of Income</b>		
R5	To provide a clear audit trail, the THVH spreadsheet cashbook should also include reference to the serial numbers of invoices raised.	<i>Invoice numbers are now being recorded as suggested.</i>