

Harrietsham Parish Council

Internal Audit Report (Final update) 2023-24

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Background

The Accounts and Audit Regulations introduced from 1st April 2001 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).

We agreed with the Responsible Financial Officer (RFO) that, to again ease work pressures at the end of the financial year, we would undertake 2 separate interim reviews on site for 2023-24, with a final review undertaken remotely following closure of the year's accounts: the last was undertaken on 12th April 2024. We thank the RFO for his assisting the process, providing all necessary documentation in electronic or hard copy format to facilitate completion of our review for the year.

Internal Audit Approach

We have, as previously, had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR and have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in the key areas covered by the IA Certificate in the year's AGAR.

Our programme of cover is also designed 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 are pleased to again conclude that, based on the satisfactory conclusions drawn from the work undertaken this year, the Council and its officers continue to maintain adequate and effective internal control arrangements: we also wish to acknowledge and thank the RFO for maintaining a very tidy set of records and are pleased to record that no issues have been identified warranting formal comment or recommendation this year.

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 certificate were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We draw the Clerk and RFO'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's RFO has continued to maintain the Council's accounting records in Excel spreadsheet format, which we consider appropriate for the Council's present requirements affording an effective means of identifying all transactions during the financial year. Two bank accounts are in use with NatWest Bank plc, together with deposits in both Nationwide and Cambridge and Counties Building Society accounts, the latter being opened during the year with a balance of £80,000.

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

- Ensured the accurate roll forward of the 2022-23 combined account closing balance as the opening balance for 2023-24;
- Ensured that an appropriate analysis of receipts and payments is incorporated in the spreadsheet cashbooks to assist financial monitoring during the year;
- Ensured that the accounts remain 'in balance' at the financial year-end;
- Checked and agreed transactions in the spreadsheet cashbook to the two NatWest Bank and both Building Society account statement detail for the year;
- Checked that bank reconciliations are prepared routinely each month and verified the accuracy of the combined account bank reconciliations for a sample of month-ends during the year including that at 31st March 2024 noting that no long-standing uncleared cheques or other anomalous entries exist at the year-end; and
- Ensured the accurate disclosure of the combined account balances in the year's AGAR at Section2, Box 8.

Conclusions

We are pleased to report that no issues arise in this area of our review process this year.

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 able to ascertain, as we do not attend Council or Committee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that both the SOs and Financial Regulations (FRs) have been reviewed and re-adopted at the November 2023 full Council meeting, also noting that both now reflect the clarified value to meet the requirements of the Public Contracts legislation relating to publicising all tenders on the Government's Contract Finder website at the value of £30,000 including VAT.

We have reviewed the Council and Committee meeting minutes for the year as posted on the Council's website or provided in electronic format by the Clerk to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, also considering whether any actions have been taken or are proposed that might result in ultra vires action or expense, with no such issues arising.

We are also pleased to note that the 2022-23 AGAR has been signed off by the external auditors without qualification or comment. We also note compliance with the Accounts and Audit legislative requirements with the 2022-23 Notice of Public Rights published on the Council's website for the requisite 30 working days.

Conclusions

No issues arise in this area 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 approved budgets;
- Payments are supported by formal documentation, either as 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 analysis of expenditure in the cashbook has been applied to invoices when processed; and
- VAT has been appropriately identified and analysed appropriately in the cashbook to facilitate periodic recovery from HMRC.

Due to the bulk of our review for the year effectively being undertaken "on site" during our two visits we have examined virtually all purchase invoices during the year and are again pleased to note that all payments are subjected to evidenced member scrutiny using the specifically designed rubber certification stamp.

We note that a VAT reclaim for the second half of 2022-23 was submitted to HMRC and repaid in April 2023, detail of which we have agreed to the cashbook record for the last 6 months of that year. The two half-yearly reclaims for 2023-24 have also been prepared and submitted: we have checked detail of both reclaims agreeing them to the year's spreadsheet cashbook detail.

Conclusions

We are pleased to report that there no issues arising in this area this year.

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 / 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 note that the Council re-adopted its Risk Assessment documentation at the November 2023 full Council meeting and have reviewed the resultant document, which we consider remains appropriate for the Council's present requirements.

We have examined the Council's insurance policy with Zurich with Public and Employer's Liability cover set at £12 and £10 million respectively, together with Fidelity Guarantee cover in place at £500,000 all of which we also consider appropriate for the Council's present requirements.

We note that the children's play area in the Glebe Field continues to be inspected regularly with written reports provided by MBC and retained accordingly. Further external annual inspections are also undertaken by a RoSPA accredited company with appropriate reports received and addressed by the Council.

Conclusions

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

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 MBC; 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 from our review of minutes that members continue to receive periodic management accounting information, also noting that, following due deliberation on the budgetary and precept requirements for 2024-25, members agreed and adopted the latter at £147,723 at the January 2024 meeting.

We have again considered the appropriateness of the level of reserves to meet the Council's ongoing revenue spending requirements noting that at the year-end they have decreased to £236,426 (£257,986 as of 31st March 2023) of which £90,000 is recorded as retained in the Woodland Walk reserve leaving a General Reserve balance of £146,426, which equates to 9 months' revenue spending at the 2023-24 level and sits comfortable within the generally recognised level of between 3 and 12 months such spending.

Conclusions

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

Review of Income

Income arises from a variety of sources, including the precept, rent of the Medical Centre and associated service recharges, allotment rents, bank interest and Village Hall loan interest, hedge cutting recharge, grants and miscellaneous services provision.

We have checked detail of income received during the year to the underlying documentation provided by the RFO with no concerns identified. Allotment rents fall due annually from 1st October: consequently, we have examined the RFO's register of tenants noting that all plots are occupied, have been invoiced appropriately and fees duly received.

We have also reviewed the FO's register of Hedge Cutting invoices raised again noting appropriate and timely recovery of the amounts invoiced.

We note that the full year's Medical Centre rent has been received, as has the appropriate initial loan instalment been repaid by the Village Hall Trust, the residue being recorded, as in previous years, as a debtor in the Accounts and AGAR prepared by the RFO.

Conclusions

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

Petty Cash Account

The Council does not operate a formal petty cash account, any "out-of-pocket expenses" incurred by the Clerk, RFO or members being reimbursed each month through the routine payment process, samples of which we have checked and agreed for the year as noted earlier in this report.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the pension scheme are being met. To meet that objective, we have: -

- Noted that salaries continue to be calculated by an outside provider based on the Council's advised pay scales and basic weekly working hours;
- Checked and agreed the amounts paid to individuals for September and November 2023 by reference to the approved pay rates, the latter month's salaries including the 2023-24 national pay award and arrears payable from 1st April 2023;
- Ensured that the correct PAYE & NI deductions / Council contributions have been applied to the above month's salary payments by reference to the HMRC Basic PAYE Tools software;
- Similarly ensured that Pension deductions have been made in accordance with the appropriate percentages; and
- Ensured that the appropriate month's deductions and contributions have been paid over to the appropriate authorities in a timely manner.

Conclusions

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

Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to again note that the asset register has been updated in the year under review to include new acquisitions and have checked and agreed the detail, as recorded in the register, noting that it has been prepared correctly using purchase cost values (net of VAT) or, where that value is

unknown, at the previous year's AGAR level. As in previous years, the AGAR asset value includes the residual loan liability balance repayable by the Village Hall Committee.

Conclusions

We are pleased to report that there are no issues in this area of our review warranting formal comment or recommendation.

Investments and Loans

The Council holds no long-term investments, other than the residual loan debt at the year-end repayable by the Hall Trustees, with any "surplus" funds held in the NatWest Business Reserve Account, together with additional funds held in an Instant Saver Account with the Nationwide Building Society and the in-year transfer of £80,000 to the Cambridge and Counties Building Society, interest being calculated and added to the latter accounts annually.

As indicated in the first section of this report, we have agreed transactions on these accounts for the year to the underlying bank records.

We have previously recorded the preparation and adoption of an appropriate Investment Policy now noting that it has been further reviewed and formally re-adopted by the Council at its November 2023 meeting.

The Council has two residual loans recoverable from the Village Hall Committee. As in previous years, we have verified detail of the amounts recovered in the year to the agreed repayment schedule.

Conclusions

We are pleased to report that there are no issues in this area of our review warranting formal comment or recommendation.

Statement of Accounts and AGAR

The 1996 Accounts and Audit Regulations, as amended periodically, required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs. The AGAR now forms the Council's statutory Accounts subject to external audit review and certification.

We are pleased to note that the RFO continues to prepare and submit to Council more detailed Accounts and information than is provided in the statutory AGAR accounts. As a courtesy to the Council, we have reviewed that detail by reference to the spreadsheet cashbooks with no obvious errors or anomalies in the detailed content. We have consequently agreed the accuracy of the financial information reported in the year's AGAR.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year and we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.