

Horton Parish Council

Internal Audit Report 2023-24

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*For and on behalf of
Auditing Solutions Ltd*

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 in relation to the 2023-24 financial year. We have again made arrangements to conduct the year's review at the offices of Old Windsor PC (OWPC) on 1st May 2024 having undertaken earlier work at our own offices: we thank the Clerk in assisting the process, delivering all necessary documentation either in electronic format in advance of our visit or to the OWPC offices on the above date.

Internal Audit Approach

In undertaking our review for the year, 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 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 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to again conclude that, based on the programme of work undertaken during our audit this year, the Clerk and Council have continued to maintain appropriate and effective internal control arrangements.

We have completed and signed the 'Annual IA Certificate' in the year's AGAR, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We take this opportunity to remind the Clerk and Council 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

The Clerk / RFO has continued to maintain the Council's accounting records in spreadsheet format with a single account in operation with Unity Bank. Our objectives in this area are to ensure that the accounting records are maintained accurately and in a timely manner with detail reconciled routinely to the bank account in use. We have consequently: -

- Checked to ensure that the closing balances reported in the 2022-23 accounts and AGAR have been "rolled-over" correctly as opening balances for 2023-24;
- Verified transactions recorded in the spreadsheet cashbook to the supporting bank statements for the full financial year;
- Verified the content of the quarterly and year-end bank / cashbook reconciliations, also noting that members have again been provided with detail of and review each quarter-end reconciliation; and
- Ensured that the year-end balance is accurately recorded in the year's AGAR at Section 2, Box 8.

Conclusion

Appropriate accounting records have been maintained throughout the 2023-24 financial year with reconciliations prepared quarterly, submitted to, reviewed and signed-off by a nominated member. We were however concerned about some of the lines on the spreadsheets, as they appeared to duplicate some of the totals, making it difficult to confirm the carry forward and brought forward figures, for each quarter, without further manual checking. We are also concerned about the possibility of the file corrupting as we understand the council prefers to use Google Sheets, rather than Excel. To provide more effective accounting the Council should consider the use of a sector specific accounting software package such as Rialtos Alpha or Scribe, as these would provide a variety of reporting functions, without the risk of file corruption or error.

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 be reasonably 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 last year that both SOs and Financial Regulations (FRs) were reviewed and re-adopted by the Council during 2023-24, noting that the tender limit in both has been retained at £25,000.

We note that the external auditors signed off the 2022-23 AGAR with the following comments.

'The AGAR was not accurately completed before submission for review:

- The figure in Section 2, Box 2 of the prior year comparative column does not agree to the prior year final signed AGAR due to a typographical error. The figure should read £42,265.
- The figure in Section 2, Box 9 of the prior year comparative column does not agree to the prior year final signed AGAR. The figure should read £41,139.'

Conclusion

We are pleased to report that no issues arise in this area this year warranting formal comment or recommendation. We have checked that the draft AGAR provided to us, contains the correct figures for both the prior and current financial years.

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.

We have again reviewed the Council's approach to the approval and authorisation of release of funds to traders and staff and consider that they are generally sound, examining documentation supporting all payments during the year for compliance with the above criteria noting that invoices are now being signed by members confirming their review and approval for payment, as are the payment lists provided to Council for approval.

We note that the final six months 2022-23 VAT reclaim, together with the first and second quarter's VAT for 2023-24 were reclaimed and repaid by HMRC. The third and fourth's quarters' VAT reclaims for 2023-24 had not been submitted at the close of the year.

Conclusion

We are pleased to record that no significant issues or concerns arise from our work in this area this year.

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.

We are pleased to acknowledge the further review and re-adoption in March 2024 of the previously prepared Risk Management & Assessment Register, which we consider remains appropriate for the Council's present needs.

We have examined the current year's insurance schedule with Zurich and consider that cover continues to be 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.

We have previously noted that the Council's play areas are subject to periodic inspections by a member who provides a verbal report to the Council. This is supplemented by an annual inspection undertaken by a suitably qualified agent who provides the Council with a formal report. We are pleased to note that, formalised records are maintained.

Conclusions

We are pleased to record that no matters have been identified 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 the Royal Borough: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains sufficient 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 note that, following due debate, the Council finalised its budget and precept deliberations for 2024-25 formally adopting the latter at the January 2024 full Council meeting at £45,560, the same as for 2023-24.

We again note that the Clerk / RFO continues to provide members with accounting detail including quarterly bank reconciliations and reports identifying performance against the approved budget and have examined the year-end outturn position noting the Clerk's commentary on the variances as recorded in the Cashbook spreadsheet detail with no concerns identified warranting further enquiry or explanation.

The Council's reserves at the financial year-end have increased to £60,871, however this includes the first payment of the 2024-25 precept, which was paid early by the precepting authority, deducting this payment from the reserves leaves a figure of £38,091 (£34,929 at 31st March 2023). The balance equates to approximately 8 1/2 months' revenue spending at the 2023-24 level and sits comfortably within the generally recognised and acceptable holding of between three- and twelve-months' revenue spending.

Conclusions

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

Review of Income

The Council receives income from a limited number of sources in addition to the precept, primarily by way of grants, including CIL moneys and recoverable VAT. We have agreed detail of income received to bank statements and, where available, other supporting documentation.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk or RFO being reclaimed through the normal 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 that the Council uses the services of an external payroll bureau.

To ensure compliance with the above objectives, we have: -

- Ensured that the gross salary applied in 2023-24 to the Clerk and RFO have been paid at the approved rate of pay by reference to the full years' payslips;
- Verified the accurate calculation of any Income Tax, National Insurance and pension contributions have been calculated at the appropriate rates by reference to the staff tax codes and relevant HMRC and Pension Fund Administrator tables.; and
- Ensured the appropriate and prompt payment of tax and pension contributions to HMRC and the Pension Fund Administrators during the year.

Conclusion

We are pleased to record that no issues have been identified in this area of our review process this year warranting formal comment or recommendation.

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are again pleased to note that a formal register remains in existence, noting that no purchases or disposals were made during 2023-24 and that the correct value has been reported in the year's AGAR at Section 2, Box 9.

Ideally, the Council should also develop a photographic register of its stock of outside equipment, etc to assist any insurance reclaim or police enquiry in the event of vandalism and / or accidental damage to property / premises. Such a register may assist the smooth progression of any insurance claim, etc

Conclusion

We are pleased to record that no issues have been identified in this area of our review process this year warranting formal comment or recommendation.

Investments and Loans

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

Statement of Accounts and AGAR

Section 2 of the AGAR Form 3 now serves as the Council's formal Statement of Accounts subject to external audit review and certification. We have examined the content of the detail to be recorded in Section 2 for 2023-24 agreeing that detail to the underlying financial and other records.

Conclusions

We are again pleased to record that no significant issues arise in this area this year and, based on the outcome of our work programme for the year and on the assumption that the above adjustment will be made, we have signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area.