

Stanford Rivers Parish Council

Internal Audit Report: Interim 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 first review for the 2024-25 financial year, which has been undertaken remotely at our offices on 5th December 2024.

Internal Audit Approach

In commencing our review for the year, we have as previously 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, on the basis of the work undertaken to date this year, the Council continues to operate adequate and effective internal control arrangements. Detail of that work is set out in the body of the following report with a few relatively minor recommendations arising each of which is further summarised in the appended Action Plan for ease of members reference.

We thank the Clerk for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate the review process.

We will update this report following completion of our final review for the year, also signing off the IA certificate 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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has again used Excel spreadsheets 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 2024-25 with the 2023-24 closing Statement of Accounts and certified AGAR;
- Ensured that transactions are appropriately analysed in the spreadsheet cashbook to facilitate production of the year-end Accounts & AGAR;
- Ensured that the accounts remain 'in balance' at 30th November 2024;
- Checked and agreed the year to 30th November 2024 financial transactions as recorded in the Excel spreadsheets, 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 30th November 2024.

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 at Section 2, Box 8.

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) were subjected to review and re-adoption at the May 2023 meeting. We take this opportunity to remind the Clerk and Council that NALC has recently revised its model FRs and urge that the Council review its existing document bringing it into line with the NALC model suitably tailored to meet the Council's own specific requirements. Once completed the SOs should also be examined to ensure consistency with the revised FRs.

We have commenced our examination of minutes of Council meetings reading those for the year to date as posted on the Council's website and /or provided by the Clerk 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 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 and recommendation

We are pleased to report that no significant issues arise in this review area this year, although we urge that the FRs be updated to bring them into line with the recently updated NALC model document. We shall continue to monitor the Council's approach to governance at future review visits, also continuing our review of minutes.

- 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.*
- R2. *Once that review is completed, the Standing Orders should also be reviewed to ensure consistency with the revised Financial Regulations.*

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 30th November 2024 ensuring compliance with the above criteria with no issues arising.

We also note that the 2023-24 VAT reclaim was submitted to and repaid by HMRC and have agreed its detail to that year's accounting records.

Conclusions

No issues arise in this area currently: we shall extend our review of payments to supporting documentation for the remainder of the year at our final review.

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 noted in last year's report that the Council's Financial Risk Register was subjected to scrutiny and formal re-adoption at the May 2023 full Council meeting. We have seen no indication of subsequent review at this stage of our 2024-25 work programme and remind the Clerk and Council of the requirement for the document to be subjected to at least once annual review.

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 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 to date this year already exceeds £4,200 and will undoubtedly exceed the £4,500 level by the year-end.

Conclusions and recommendation

We are pleased to record that no significant concerns arise in this area currently, 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.

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.

This review visit took place in advance of the Council's formal consideration of its budget and precept requirements for 2025-26: 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 2025-26 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 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 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 30th November 2024, it appears that invoice no. 27 remained unpaid at that date. We shall check to ensure appropriate payment if that debt (and others) at our final review.

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 number also be recorded in the THVH cashbook. We shall undertake further work in this area at our final review for the year.

R5. *To provide a clear audit trail, the THVH spreadsheet cashbook should also include reference to the serial numbers of invoices raised.*

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk, members or the 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 previously the Council's approval of a pay award for her effective from 1st 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.

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 repaid twice yearly, detail of which we have checked to the PWLB repayment demands.

Conclusions

No matters arise in this area warranting formal comment or recommendation this year. We shall, at our final review, ensure the accurate disclosure of the residual loan liability in the AGAR Section 2, Box 10 at 31st March 2025.

Rec. No	Recommendation	Response
Review of Corporate Governance		
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.	
R2	Once that review is completed, the Standing Orders should also be reviewed to ensure consistency with the revised Financial Regulations.	
Assessment and Management of Risk		
R3	The Council should review and formally re-adopt the Financial Risk Register prior to the current financial year-end.	
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.	
Review of Income		
R5	To provide a clear audit trail, the THVH spreadsheet cashbook should also include reference to the serial numbers of invoices raised.	