

## **Hullavington Parish Council**

*Internal Audit Report 2023-24*

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## **Background**

The Accounts and Audit Regulations introduced from 1<sup>st</sup> 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, which has been undertaken at our offices on 6<sup>th</sup> & 7<sup>th</sup> May 2024.

## **Internal Audit Approach**

In undertaking the year's review, 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 are robust and operate in a manner to ensure effective probity and accuracy of recording of financial 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 a number of internal control objectives.

## **Overall Conclusion**

We are pleased to conclude that, based on the programme of work undertaken this year, the Clerk and Council have maintained generally appropriate and effective internal control arrangements: we are also pleased to acknowledge the actions taken to address issues raised in last year's report. We thank the Clerk for maintaining a very clear set of records, which has assisted our review accordingly.

We are also pleased to acknowledge the actions taken to address issues raised in last year's report, although one or two remain to be fully implemented. We have discussed these with the Clerk and reiterate them, where applicable, in the body of the report with the few resultant recommendations restated in the appended Action Plan. We have completed and signed the 'IA Certificate' in the year's AGAR, having concluded that the control objectives set out in that certificate have been 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 must 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 maintains the Council's accounting records in spreadsheet format with four bank accounts in place, two with CAF Bank and two with Cambridge and Counties Bank: given the relatively low volume of annual transactions, we consider that the spreadsheet cashbook format is appropriate for recording the Council's present financial transaction detail. 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 accounts in use. Consequently, we have: -

- Checked to ensure that the combined account closing balance reported in the 2022-23 accounts and AGAR has been "rolled over" correctly as the opening balance for 2023-24;
- Checked all (due to their relatively low volume) transactions recorded in the spreadsheet cashbooks to the supporting bank statements for the full financial year;
- Checked the content of the bank / cashbook reconciliation as at 31<sup>st</sup> March 2024, also noting that members are provided with regular detail of financial transactions during the year; and
- Ensured that the combined account year-end balance will be accurately recorded in the AGAR at Section 2, Box 8.

### *Conclusions and recommendation*

*We are pleased to record that no significant concerns have been identified in relation to recording of the year's cashbook transactions or the year-end bank reconciliation provided for our examination.*

*We note that bank reconciliations are being produced periodically during the year with detail subject to member scrutiny, with the documents and bank statements duly signed-off in accordance with the adopted Financial Regulations (FRs).*

## 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 reasonably be 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 as posted on the website to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no issues arise in that respect. However, we understand that some consideration is being given to providing significant financial support to a village pub: before proceeding with such a grant or donation, the Council will need to consider carefully whether it has the necessary statutory power to provide such financial assistance and we urge that appropriate legal advice be sought before proceeding with such action.

We note that the Council's Standing Orders (SOs) have been reviewed and re-adopted by the Council at the October 2023 Council meeting. As recorded last year, we consider them to be comparatively "thin on the ground" in terms of content also noting that they are not fully in line with the NALC model document, being an abridged version of that document. We also noted that they contain no reference to the legal requirements of the 2015 Public Contracts Regulations in terms of the need to publicise tenders for contracts in excess of £25,000 (excluding VAT) on the Government's "Contract Finder" website. Whilst we acknowledge that such tenders are only likely to occur very occasionally, the adopted SOs should include appropriate reference to that requirement. We have provided the Clerk with a copy of the latest NALC model SOs to assist in the review and update of the Council's documentation and urge that the Council brings its own document more closely into line with the NALC model.

We also note that the Council has adopted Financial Regulations (FRs) governing the control of the Council's financial affairs at the meeting in October 2023. NALC has recently published an updated document which we urge is applied (providing the Council is affiliated to NALC either directly or through the County Association, as we believe NALC are threatening to sue councils adopting the document for breach of copyright if they are not affiliated members.

We note that the external auditors signed-off the 2022-23 AGAR drawing attention to the issues raised by us last year. Whilst acknowledging the progress made to address the majority of the issues raised, we consider that the website still requires further expansion to include detail of the Council's approved and adopted policies and procedure (e.g. SOs and FRs, risk registers, etc).

As a Council with an annual turnover below £25,000 in 2023-24, it will be able to claim exemption from the external audit process completing and submitting a Part 2 AGAR Exemption Certificate to the external auditors for the financial year. However, due to that threshold not being exceeded, the Council will now need to comply fully with the disclosure requirements of The Transparency Code for Smaller Authorities on its website. To assist the Clerk and Council we have provided a copy of the document setting out those disclosure requirements.

We are also pleased to note the timely and appropriate publication of the Notice of Public Rights to examine the Council's financial records for 2022-23 with the legally required 30 working days availability duly recorded thereon.

### ***Conclusions and recommendations***

***As indicated last year and specifically as its annual turnover falls below the £25,000 threshold, the Council will need to ensure compliance with the disclosure requirements of the Transparency Code publishing all required documentation on its website.***

- R1. The Council should undertake a further review its extant Standing Orders bringing them more closely into line with the NALC model document, which incorporates detail of all relevant legislation for a Council the size of Hullavington.*
- R2. As indicated in the body of the report, as the Council's turnover in 2023-24 fell below the £25,000 threshold it will be able to claim exemption from the external audit process: however, having fallen below that threshold for the year, the Council will also now need to ensure compliance with and publicise all required documentation as set out in The Transparency Code for Smaller Authorities.*

## Review of Expenditure & VAT

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 are pleased to note that, following our recommendation last year, a suitably designed certification stamp has been acquired and is affixed to each invoice / payment docket and is signed off by the Clerk and two councillors approving the payment. We are also pleased to note that the Clerk sets up payments online with two appointed signatory members then also going online and physically releasing the payments which we consider an appropriate control mechanism.

We also suggested last year that each payment during the year be allocated a unique sequential reference number and that those numbers also be recorded on the supporting documentation. We also suggested that, where no formal invoice is obtained (e.g., for the Clerk's monthly salary and expenses and any grant or donation payments), a proforma invoice should be prepared and be signed off as certified as appropriate for payment by the Council Chairman. We are pleased to acknowledge the positive action taken to comply with the above suggestions.

We have also ensured the appropriate identification of VAT in the cashbook for recovery in relation to the year's payments noting preparation of an appropriate reclaim for submission to HMRC, the content of which we have agreed to the year's cashbook.

### **Conclusions**

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

## Assessment and Management of Risk

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. We are pleased to note the existence of an appropriate Risk Register, which was adopted by the Council at its October 2023 meeting: we have reviewed the content of the register and consider it appropriate for the Council's present requirements.

We have examined the Council's insurance schedule for the year with Hiscox noting that Public and Employer's Liability cover are both in place at £10 million, together with Fidelity Guarantee (FG) cover set at £500,000. We also note that the insurance schedule includes cover for "Business Interruption – Loss of Revenue" cover at £10,000, which we understand is a standard item included in all council policies.

### *Conclusions*

*We are pleased to acknowledge adoption of an appropriate risk register during the year with no recommendations considered necessary 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 the parent Council: 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 agreeing and adopting an increase in the latter at the January 2024 meeting to £22,000.

We are pleased to note that detail of receipts and payments throughout the year are routinely provided to members: we also note the preparation of a formal detailed budget comparison spreadsheet for the year, together with the projected detailed budget for 2024-25. We have examined the final outturn for 2023-24 with no significant or unanticipated / unexplained variances existing warranting further enquiry or investigation.

The Council's total reserves at the financial year-end have reduced marginally to £88,000, including 4 "earmarked" reserves (EMRs) totalling £49,000. The residual General Fund balance of £39,000 equates to over a year's revenue spending and is considered adequate for the Council's future revenue spending.

### *Conclusions*

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

## **Review of Income**

The Council receives income from a limited number of sources in addition to the precept, primarily by way of burial fees, recovery of the PWLB loan acquired by the Council on behalf of the independent Village Hall Committee (repaid half yearly by the Committee in accordance with the terms of the loan agreement), bank interest and recoverable VAT.

We have reviewed the available documentation supporting the interments and memorials / additional inscriptions occurring during the year and are pleased to note receipt / holding of the requisite burial / cremation certificates. We have also verified the fees paid to the Council for each interment, headstone and additional inscription agreeing detail to the approved schedule of fees and charges.

We are also pleased to note that, following our suggestion last year an appropriately designed spreadsheet is being maintained by the clerk recording full detail of each interment and the fees received.

### ***Conclusions***

*As indicated above, we are pleased to record that no issues arise in this area this year warranting formal comment or recommendation.*

## **Petty Cash Account**

*The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk being reclaimed monthly through the normal trader 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, NI deductions and employer contributions.

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

- Reviewed the year's monthly salary payments noting that the 2023-24 national pay award was applied with the December 2023 salary payment, together with arrears backdated to 1<sup>st</sup> April 2023;
- Verified the monthly gross amounts payable to the Clerk based on her contracted weekly hours and point on the NJC salary scale; and
- Noted that no National Insurance employee deductions apply as the Clerk's earnings are below the relevant threshold, also noting although Employees and Employers NI contributions applied in the November 2022 salary due to the arrears payment made that month.

### ***Conclusions***

*We are pleased to record that no issues arise in this area 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 pleased to note that a formal register is in existence. No new acquisitions or disposals have occurred during the year and, consequently, the value to be reported in the 2023-24 AGAR at Section 2, Box 9 remains the same as for 2022-23.

We are pleased to note that, following our suggestion last year, a photographic record of assets such as street furniture, etc. has been prepared.

### ***Conclusions***

*No issues arise in this area this year.*

## **Investments and Loans**

We aim in this area to ensure that the Council is taking appropriate action to maximise its interest earning potential whilst safeguarding public funds appropriately and that any loan agreements in place are being managed appropriately.

We note, as indicated in the first section of this report, that surplus funds are suitably diversified and are held in interest earning accounts with the interest appropriately brought to account and recorded accordingly in the AGAR.

One loan remains in place which was arranged previously to assist in redevelopment work of the Village Hall repayable half yearly to the UK Debt Agency and recoverable, similarly half-yearly, from the Village Hall Committee. We have verified the payments made to the UK Debt Agency by reference to their recovery demands, also ensuring the timely receipt of the expended amounts from the Village Hall Committee during the year.

### ***Conclusions***

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

## **Statement of Accounts and AGAR**

Section 2 of the AGAR forms the Council's formal Statement of Accounts subject to external audit review and certification. We have examined the detail to be recorded in the year's AGAR for 2023-24, agreeing that detail to the underlying financial and other relevant records.

### ***Conclusions***

***We are pleased to record that no significant issues arise in this area this year and based on the satisfactory outcome of our work programme for the year, we have signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area, excepting those in relation to publication of relevant information on the Council's website.***



Rec. No.	Recommendation	Response
<b>Review of corporate Governance</b>		
R1	The Council should undertake a further review its extant Standing Orders bringing them more closely into line with the NALC model document, which incorporates detail of all relevant legislation for a Council the size of Hullavington.	
R2	As indicated in the body of the report, as the Council's turnover in 2023-24 fell below the £25,000 threshold it will be able to claim exemption from the external audit process: however, having fallen below that threshold for the year, the Council will also now need to ensure compliance with and publicise all required documentation as set out in The Transparency Code for Smaller Authorities.	