

Yatton Parish Council

Internal Audit Report 2023-24 (Final update)

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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 and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2023-24 financial year, during our two onsite reviews of the Council's records for the year undertaken on 13th December 2023 and 1st May 2024 with a raft of other work undertaken remotely at our office. We thank the Clerk and Finance Assistant for their assistance in providing all necessary documentation in either hard copy or electronic format to facilitate commencement of our review for the year.

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 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' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusion

We are again pleased to conclude that, based on the work undertaken this year, the Council's officers continue to maintain adequate and effective internal control arrangements. We are pleased to record that only one issue has been identified at this final visit, detail of which is set out in the body of the report with the resultant recommendation included in the appended Action Plan.

We again wish to express our appreciation to the Clerk and Finance Assistant for the clear way the accounting and other records continue to be maintained. We have duly completed and signed-off the 'IA Certificate' in the year's AGAR assigning positive assurances in each relevant area.

We remind the Clerk 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 Council uses the Rialtas Omega accounting software to maintain its financial and management accounting records with four bank accounts in operation with Lloyds TSB (Current, Deposit and two similar accounts for Cadbury Hill), together with the placement of funds in the CCLA Public Sector Deposit Fund (PSDF). Detail of transactions on each of the bank accounts, including the PSDF, is recorded in separate cashbooks within the accounting software, together with a separate cashbook account to record petty cash transactions.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers: consequently, we have -

- Agreed the opening trial balance detail with that in the 2022-23 Statement of Accounts and certified AGAR for the year;
- Checked that the ledger remains “in balance” at the financial year-end;
- Ensured that the cost and expenditure coding structure remain appropriate for the Council’s control and reporting needs;
- Checked detail of transactions on the Current account for four months (April, July and October 2023, plus March 2024) agreeing detail to the underlying bank statements;
- Verified transactions to bank statements for the full financial year on all other accounts; and
- Verified the accuracy of bank reconciliations on each cashbook as at 30th April 31st July and 31st October 2023 and 31st March 2024 ensuring that no long-standing uncleared cheques or other potentially anomalous entries exist; and
- Ensured the accurate disclosure of the combined cash and bank account balances in the year’s AGAR at Section 2, Box 8.

We are again pleased to acknowledge the existence of clear evidence of member involvement in the regular scrutiny, agreement and sign-off of bank reconciliations during the year with the individual account reconciliations and supporting bank statements duly initialled by a reviewing councillor.

Last year we drew the Clerk and FA’s attention to the Omega facility to generate a combined bank account reconciliation statement at each month-end through the Management Accounts suite of programmes through the following trail > Management Reports > Annual Return > Cash and Investment Reconciliation, enabling the “Detail” button to provide full detail of any uncleared cheques or deposits at the month-end. We note that, after due consideration, members have opted to continue reviewing and signing-off the individual account monthly reconciliations.

Conclusions

We are pleased to record that no issues or concerns have been identified in this area this year.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance policies, procedures and documentation in place; that Council and Committee 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 Council or Committee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation that may adversely affect the Council's financial standing or result in a legal challenge.

We note that the Council has again reviewed both SOs and Financial Regulations (FRs) re-adopting them in early December 2023: both documents are in line with the latest NALC model documents. We are aware that NALC is currently reviewing and updating the model FRs and will advise the Clerk once the updated document is publicised.

We have continued our review of the Council and Standing Committee minutes reading those for the financial year to establish whether any issues exist that may have an adverse effect through litigation or other causes on the Council's current or future financial stability.

We are pleased to note that the external auditors signed-off the 2022-23 AGAR with only one very insignificant matter recorded, which has no impact on the 2023-24 AGAR. We are also pleased to note the publication of an appropriate Notice of Public Rights for the requisite 30 working days.

Conclusions

No concerns or issues warranting formal comment or recommendation have been identified in this area of our review process currently. We shall continue to monitor the Council's approach to governance at future visits, also examining minutes of future meetings.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have again examined the controls in place over the placement of orders, receipt and approval of invoices for payment and release of relevant funds to traders, etc. noting the continued use of a certification stamp on each invoice for authorisation of payments, etc and consider the procedures to be sound, with members continuing to indicate their review of each invoice as and when they sign cheques or approve payments by BACS or Direct Debit.

We have extended our review of the 2023-24 paid invoices selecting a total of 44 individual payments in the year including all those greater than £1,000 plus every 20th payment to ensure compliance with the above criteria. Our test sample totals £75,795 equating to 59% by value of

non-pay related expenditure in the financial year. We have also examined all, in view of their low volume, invoices paid to date in the year through the Cadbury Hill accounts. We are pleased to confirm that no issues arise from this work with the above criteria met accordingly in each case.

We have agreed the value of VAT reclaims prepared, submitted to and repaid by HMRC for the final quarter of 2022-23 and first three quarters of 2023-24 to the underlying Omega nominal control account.

Conclusions

We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation with the above criteria met appropriately for all payments in our test sample.

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 have examined the Council's insurance policy for 2023-24, arranged with BHIB, to ensure that appropriate cover remains in place for the current year, noting that Employer's and Public Liability both stand at £10 million, with Hirer's Liability at £2 million, Fidelity Guarantee cover at £0.5 million and Business Interruption – Loss of Revenue cover of £10,000, all of which we consider appropriate for the Council's present requirements.

We are pleased to note that the Clerk has recently reviewed the Council's Financial Risk Register, which will be adopted at the next Finance, Personnel and Administration Committee meeting. We remind the Clerk that, in line with best practice, the register should be subject to at least once annual review and re-adoption.

We have also previously discussed the Council's approach to the inspection of play areas and sports grounds with the Clerk noting that regular weekly reviews were undertaken by the Council's staff with results formally recorded and retained in the office. We also note that an annual formal review is undertaken by RoSPA with results presented to Council for consideration of the appropriate action that is needed to address them.

Conclusions

We are pleased to report that no issues arise in this area this year, although we remind the Clerk and Council of the advisability of reviewing and formally re-adopting the Financial Risk Register at least once annually.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has robust procedures 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 the Council has, following due deliberation, agreed, approved and formally adopted a budget and increased precept for 2024-25, setting the latter at £285,746 at the January 2024 full Council meeting.

We also note that the Finance Assistant continues to prepare periodic budget monitoring reports for submission to members at the Finance, Personnel and Administration Committee meetings and have reviewed the year-end outturn with no unexplained or unanticipated variances noted warranting further enquiry or comment.

We have as in previous years considered the ongoing appropriateness of retained reserves noting that, as at 31st March 2024, the General Reserve balance is still very low standing at only £2,578, also noting that it is supplemented by a General Earmarked Contingency fund balance of £75,728. A further 14 Earmarked Reserves (EMRs) are in existence totalling £204,333 including 4 year's CIL receipt reserves totalling £138,405.

Conclusions

As indicated above, we have some residual concerns over the level of the retained General Fund balance, although this is supplemented, as indicated above, by a further £76,000 in a general contingency reserve. These two combined balances equate to just over three months' revenue spending at the 2023-24 level and are marginally in line with the generally recognised holding value of between 3 and 12 months revenue spending.

Review of Income

Our aim here is to ensure that, as far as we may reasonably be expected to determine, all income due to the Council is identified and recovered within a reasonable space of time and that the Council is receiving value for money by way of its periodic "investment" of surplus funds.

The Council receives income, in addition to the annual precept, primarily by way of burial and associated fees, allotment rents, hire fees arising from use of Hangstones Pavilion and sports field, together with recoverable VAT and occasional grants and donations.

We examined a sample of 12 burials occurring between 1st April and 30th September 2023, as recorded in the official Burial Register, at our interim review ensuring that all in the test sample were supported by appropriate undertakers' applications and the legally required burial / cremation certificates and that the fees charged were correct and in accordance with the approved scale of fees and charges with appropriate invoices raised in each case and resultant fees paid in good time.

We also examined the two spreadsheet records of allotment tenants noting that no tenants' rents remained unpaid in relation to the 2023-24 rental year, with a few plots relinquished and / or tenancies forfeited. We are also pleased to note and record that, following our prior year recommendation, the spreadsheet control records now include detail of dates when tenants pay their rents. We also note at this final visit that the 2024-25 allotment rents were actually invoiced in March with several tenants paying their fees by 31st March 2024.

We have, at this final review, examined the Hangstones Hall and sports pitch hire booking diary for the first two weeks of January 2024 ensuring that a signed booking form is held for casual bookings: where regular hirers make block bookings, we are pleased to note that a revised booking form is acquired at least annually or as and when there is a change of organiser.

We have also checked the resultant fee invoices raised for that period and are pleased to record that the fees have been charged appropriately except in relation to football fees where pitch hire has been charged at £50 rather than the approved fee of £60. This error appears to have arisen following the national legal ruling just over a year ago that VAT was non-chargeable on sports pitch hires and, following removal of the £10 VAT element of the hire charge, the Council's decision in June 2023 to retain the hire fee at £60 has been overlooked when subsequent invoices were raised. We understand that the football clubs were advised that the fee would remain at £60 per hire at the time with no VAT to be charged in future. The clubs appear, perhaps not surprisingly, to have overlooked the letter advising the change as the Clerk and Finance Assistant have received no queries from the clubs on the fees being charged.

We also understand that the Clerk has yet to claim recovery of prior year VAT charged to clubs, which they are now entitled to recover: we urge that a reclaim is submitted as soon as is practicable.

We have also examined the "Unpaid Debts reports" generated by the Sales Ledger software at the financial year-end and are pleased to note that no long-standing invoices remain unpaid, the earliest unsettled account dating from 1st March 2024.

Conclusions and recommendation

We are pleased to record that, apart from the above referenced under-charging of pitch hire fees, no other issues arise in relation to recovery of income, although we urge that the previously paid VAT on sports pitch hire is reclaimed as soon as is practicable.

R1. The football clubs will need to be re-advised of the correct pitch hire fee with appropriate fees charged for future bookings.

Petty Cash Account

We are required, as part of the AGAR IA Certification process, to review and verify the soundness of controls over the operation of a Council's petty cash account. We again note that, in addition to the recording of transactions in a separate Omega cashbook, a handwritten cashbook is maintained and is subjected to independent routine scrutiny and verification.

We have, in view of their low volume, ensured that each payment in the financial year to date is supported by an appropriate trade invoice, till receipt or signed petty cash voucher. We have also checked the physical cash holding at the time of our interim review visit confirming that it is in line with the supporting handwritten record and Omega cashbook.

Conclusions

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

Review of Staff Salaries

In examining the Council’s payroll function, we aim to confirm that extant legislation is being appropriately observed relating to the Employee Rights Act 1998 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 local government pension scheme, as regards employee contribution bandings. We note that the national 2023-24 pay award has been approved and been implemented with the December 2023 pay run, together with arrears due to each employee backdated to 1st April 2023. To meet the above objectives, we have, by reference to the November and December 2023 payslips and Clerk’s record of approved NJC Spinal Column Points and contracted weekly hours for each staff member: -

- Ensured that the Council reviews and approves pay scales for staff annually, noting that where changes in staff employment terms occur (i.e., changes in contracted hours or point on the NJC scale), detail is minuted appropriately;
- Noted that the monthly payroll continues to be prepared “in-house” using Earnie payroll software;
- Checked and agreed detail of all gross salaries payable to each employee in November and December 2023, including the arrears backdated to 1st April 2023 paid with the December salaries;
- Verified that individuals’ pension deductions, where applicable, have been accurately computed in line with the national approved percentages;
- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table in the same month by reference to the appropriate tax and NI; and
- Verified the physical net amounts paid to staff, HMRC and the Pension Fund Administrators for November 2023 by reference to supporting documentation.

Conclusions

We are pleased to record no matters have been identified in this area warranting formal comment or recommendation.

Fixed Asset Registers

The Practitioner’s Guid requires councils to establish and maintain a register of its stock of “fixed” assets: we are pleased to note that the register, which has been in place for several years, has been updated to reflect the cost of the new additions, and any disposals during 2023-24 at cost price with the value duly reported in the year’s AGAR at Section 2, Box 9.

Conclusions

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

Investments and Loans

In this area of our review, we seek to confirm that the Council is using its available resources to best effect and is maximising its interest earning potential. The Council now invests funds in a CCLA Public Sector Deposit (PSDF) account. We have consequently, as indicated in the first section of this report, verified detail of all these transactions to the supporting bank notifications,

also ensuring that interest arising on those deposits has been received and deposited appropriately into the Council's accounts.

We have noted previously that the Council has complied with the requirements of the statutory guidance on Local Government Investments re-adopting its appropriate Investment Strategy.

The Council has no loans repayable either by or to it.

Conclusions

No issues arise in this area warranting formal comment at this stage this year: we shall continue to check the appropriate receipt and recording of future interest on the CCLA account at our final review for the year.

Statement of Accounts and AGAR

The AGAR now forms the statutory Accounts of the Council, subject to external audit scrutiny and certification. The Omega accounting software generates a Balance Sheet and the Income and Expenditure (I&E) Account, detail of which we have scrutinised for consistency with the year's detailed accounting transactions and records. We have also reviewed and verified the financial content of the AGAR by reference to those two documents and other supporting records.

Conclusions

No matters arise from our work in this area warranting formal comment or recommendation and, based on the satisfactory conclusions drawn from our work programme during the year, we have duly signed off the IA Certificate in the Council's AGAR assigning positive assurances in all relevant areas.

We have also reviewed the limited transactions on the Cadbury Hill accounts agreeing detail to all relevant supporting documentation and duly signed off the 2023-24 Statement of Accounts for that body for the Clerk's necessary further action.

Rec. No	Recommendation	Response
Review of Income		
R1	The football clubs will need to be re-advised of the correct pitch hire fee with appropriate fees charged for future bookings.	