

Yatton Parish Council

Internal Audit Report 2024-25 (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 2024-25 financial year, during our two onsite reviews of the Council's records undertaken on 10th December 2024 and 30th April 2025 with a raft of other work undertaken remotely at our office. We thank the Clerk and Finance Assistant for providing all necessary documentation in either hard copy or electronic format to facilitate our review for the year.

Internal Audit Approach

In undertaking the 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 no issues have been identified at this final visit warranting formal comment or recommendation

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 the Cadbury Hill Charity), together with the placement of surplus 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 2023-24 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 and October 2024, plus January and March 2025) agreeing the recorded transactions to the underlying bank statements;
- Verified transactions to bank statements for the full financial year on all other accounts;
Verified the accuracy of bank reconciliations on each cashbook on 30th April and 31st October 2024, plus 31st January and March 2025 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.

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 (at that time). We also note that the Council subsequently, in November 2024, adopted the latest revision to the NALC model FRs and are also pleased to note that the limit for formal tender action is set at £30,000 (Para 5.6 refers), which is in line with the adopted SOs.

We have reviewed 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 2023-24 AGAR with only one very insignificant matter recorded, which has no impact on the 2024-25 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 this year. We shall continue to monitor the Council's approach to governance at future visits, also continuing our review of minutes.

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 2024-25 paid invoices selecting a total of 59 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 £174,280 equating to 54% by value of non-pay related expenditure in the financial year. We have also examined all, in view of their low volume, invoices paid 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 2023-24 and all four quarters of 2024-25 to the underlying Omega nominal control account, also ensuring that all, including the final reclaim, have been repaid by HMRC.

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 are pleased to note that the Clerk and Council have reviewed the Council's Financial Risk Register, which was duly adopted at the February 2025 Finance, Personnel and Administration Committee meeting.

We have examined the Council's insurance policy for 2024-25, 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 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 warranting formal comment or recommendation.

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 2025-26, setting the latter at £332,991 at the January 2025 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 examined the year-end budget outturn as presented in the Omega accounts noting that, overall, income stands at 152% of the year's approved budget whilst expenditure stood at 136%: the former high percentage arises from CIL receipts, whilst the expenditure "overspend" arises from the new cemetery development, for which only a nominal £1,000 budget was set up. Where significant variances exist, we have examined the Omega detailed transaction report acquiring appropriate explanations with none requiring further enquiry or comment.

We have as in previous years considered the ongoing appropriateness of retained reserves noting that, as at 31st March 2025, total reserves have increased to £310,766 (£282,639 at the prior year-end). The General Reserve balance has increased to £14,124 and is still extremely low, although we note that a "Contingency Fund" earmarked reserve (EMR) of £80,000 is in place, together with 9 other EMRs totalling £216,642, although 2 of those relate to CIL receipts totalling £146,858.

Conclusions

We are pleased to record that, apart from the ongoing low level of the General Reserves, no significant concerns arise in this area warranting formal comment or recommendation.

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 the sports field, together with recoverable VAT and occasional grants and donations.

We have examined detail of the 14 burials, as recorded in the official Burial Register, occurring between 1st April and the date of our interim review visit, ensuring that all in the test sample were supported by appropriate undertakers' applications and the legally required burial / cremation certificates. We also ensured 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 charges paid in good time.

We also note the Amenities and Property Committee March 2025 meeting's minuted approval of a 5% increase in hall and pitch fees.

We have re-examined the two spreadsheet records of allotment tenants noting that there has been a high turnover of tenants in the past twelve months with rents for a few of the reallocated plots seemingly unpaid at the financial year-end. The Clerk and Finance Assistant were working on the 2025-26 allotment rent position during our final visit. We shall, consequently, revisit this income stream in greater depth at our next review visit to ensure that the tenants have settled all receivable rents.

We have at this final review, examined the Hangstones Hall and sports pitch hire booking diary for the first two weeks of September 2024 ensuring that appropriately priced invoices have been raised and that fees have been settled in a reasonable time with no issues arising.

We have also examined the “Unpaid Debts reports” generated by the Sales Ledger software as at 31st March 2025 and are pleased to record that no long-standing invoices remain unpaid, all being dated 31st March 2025.

Conclusions

We are pleased to record that no concerns or issues arise in this area currently, other than the potential non-settlement, apart from the apparent / potential non-settlement of allotment rents, which, as indicated above, we will follow up at our next review visit.

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 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 the date of our interim review was supported by an appropriate trade invoice, till receipt or signed petty cash voucher. We also checked and agreed the physical cash holding at the time of that interim review visit confirming that it was 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 noted in our interim report that the national 2024-25 pay award was approved and implemented with the November 2024 pay run, together with arrears due to each employee backdated to 1st April 2024. To meet the above objectives, we have, by reference to the October and November 2024 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; we also note the Council’s further approval of a spinal point increase for all staff in 2025-26, with one member receiving a two-point increase;
- Noted that the monthly payroll continues to be prepared “in-house” using Earnie payroll software;
- Checked detail of all gross salaries payable to each employee in the aforementioned two months, including the arrears backdated to 1st April 2024 being paid with the November 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 tables; and
- Verified the physical net amounts paid to staff, HMRC and the Pension Fund Administrators for October 2024.

Conclusions

We are pleased to record no significant matters have been identified in this area warranting formal comment or recommendation. However, we identified, at our interim review, an anomaly in the way that the gross monthly salaries of part time staff were calculated resulting in those staff salaries being marginally underpaid. This has arisen due to applying a factor of 52 weeks when calculating the monthly salaries based on the NJC advised hourly pay rate. That rate has, however been calculated based on there being 52.143 weeks in the year (i.e. 365 days / 7).

We discussed the position with the clerk advising that the monthly gross salary for part time staff should be calculated by multiplying the NJC advised hourly pay rate by 52.143 and dividing the resultant value by 12 (months). We are pleased to note that the correct basis has been applied to the April 2025 payroll with the calculated underpaid amounts for each employee during 2024-25 also calculated and paid accordingly with that month's salaries.

Fixed Asset Registers

The Practitioner's Guide 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 again been reviewed and updated to reflect the cost of the new additions and any disposals during 2024-25 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 those 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 or recommendation.

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 very limited transactions on the Cadbury Hill accounts, detail of which is included in the Council's day-to-day transaction records in the two separate cashbook accounts in Omega agreeing detail to all relevant supporting documentation and duly signed off the 2024-25 Statement of Accounts for that body for the Clerk's necessary further action.