

Public Sector Audit

Skidby Parish Council

Internal Audit Report for the year ended 31 March 2024

Public Sector Audit

UK©CS

Registered with
UK Copyright Service
Reg. No.: 284714616

Public Sector Audit

Skidby Parish Council

Internal Audit Report for the year ended 31 March 2024

Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2024. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

Public Sector Audit

UKCS

Registered with
UK Copyright Service
Reg. No.: 284714616

Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

Public Sector Audit

UKCS

Registered with
UK Copyright Service
Reg. No.: 284714616

The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The cash book is maintained on spread sheets. It has been well maintained and balanced up to the 31st March 2024.</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>A year-end bank reconciliation has been performed and monthly reconciliations are presented to each meeting of the council.</p> <p>Records are maintained to provide an audit trail from original receipts/invoices and remittance advices to the cash book and bank.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</p> <p>The council's Standing Orders and Financial Regulations were reviewed and approved at the council meeting held on the 3rd October 2023.</p> <p>Both Financial Regulations and Standing Orders are based on the latest NALC Models.</p> <p>Financial Regulation 1.8 formally confirms the appointment of the Clerk as the council's RFO.</p>

3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have tested all payments throughout the year.</p> <ul style="list-style-type: none"> ➤ I have reviewed for completeness, accuracy, correct year of account, authorisation by Council Members, reporting to council and classification within the council's accounts. ➤ I have checked and confirmed that the council strived to obtain estimates and quotations in accordance with the council's Financial Regulations. <p>I have tested to confirmed that VAT has been identified and correctly recorded in the accounting records for inclusion in the VAT reclaim at the year end.</p> <ul style="list-style-type: none"> ➤ It is noted that a payment to the Poppy Shop UK, a trading arm of The Royal British Legion, for a wreath is supported by an order form which does not include the company's VAT registration number. The VAT element of the purchase, however, has been recorded in the cash book for reclaim from HMRC. ➤ It is also noted that an expenses claim for April 2023 includes three purchases. For two of these, VAT has been identified in the cash book in the absence of an official VAT invoices/receipt, as the companies' VAT registration numbers were not provided. <p>A separate account has correctly been established for s.137 expenditure. During the year £24.15 has been coded to this statutory power. The expenditure is appropriate for this statutory power and is well within the annual statutory limit.</p> <p>The Clerk has confirmed that no cheques were issued during the year.</p> <p>Invoices paid online via the BACS system were supported by three authorising signatures on each invoice and the BACS authorisation schedule. A schedule of monthly payments - including BACS, Direct Debit and cheques - is also included in the council's minutes and agreed by Council Members.</p>
---	---	--

On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.

- The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.
- Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.
- NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.

Recommendations

- VAT should only be identified in the cash book for reclaim from HMRC when the council is in possession of a valid official VAT invoice or receipt.
- When the VAT reclaim for 2023/24 is submitted to HMRC, the VAT incorrectly identified in the cash book as noted above, should not be included in the claim.

		<ul style="list-style-type: none"> ● The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council maintains a Risk Register which identifies all council risks and the measures in place to control and mitigate the risks. The document was updated to reflect additional mitigating actions and approved at the council meeting held on the 6th February 2024. A specific Christmas lights switch-on Risk Assessment was also prepared by the Clerk and was formally approved by council on the 5th September 2023.</p> <p>An inspection of all council Assets, including play equipment, was undertaken during February and March 2024. Inspection sheets were completed identifying who inspected each asset, the date of inspection, the condition of the assets and the work required to remedy any defects. There is also provision on the form for the date of completion of any remedial works.</p> <ul style="list-style-type: none"> ➤ It is noted that no formal decision has been made by the council regarding the future frequency of such inspections. <p>I have examined the council's insurance policy and the indemnity limits are considered to be adequate.</p> <p>I have reviewed the security of the council's electronic data. The Clerk has confirmed that all electronic records are backed up to cloud storage and, hence, are updated and saved automatically. The council's computer is password protected.</p> <p>The maintenance of a document that identifies key tasks which need to be undertaken on a routine basis was discussed by the council as part of the Action Plan following the 2022/23 Internal Audit. It was agreed that the creation of such a document would be an objective for the Clerk during 2023/24. The Action Plan submitted to audit confirms that the document is partially complete.</p>

		<p>Recommendation</p> <ul style="list-style-type: none"> ● In order to protect its interests, in the event of an incident or a claim against the council, the future frequency of asset inspections should be considered by the council.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>A detailed budget, which identified each income and expenditure cost centre, was prepared for 2023/24 and was approved by Full Council on 10th January 2023.</p> <p>Budget monitoring reports, which compare actual income and expenditure against the council's original budget, are presented to each council meeting for review and approval. Reports are also submitted to the Finance Committee when appropriate and for budget setting purposes. The council's minutes record the noting of the reports.</p> <p>The monitoring reports are reviewed by council Members and discussions take place if any queries arise or if any income or expenditure codes show significant variations from original budget.</p> <p>The council's general balances as at the 31st March 2024 totalled £62,201. This comprised reserves of £40,337 earmarked for future projects and contingencies and the remainder is a general working balance of £20,864. The general balance represents 64% of the council's current Precept requirement and it is considered to be both adequate and prudent for a council the size of Skidby Parish Council.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings</p> <p>The council's Precept for 2023/24 totals £32,315 which agrees to the two equal instalments of £16,157.50 received on 28/04/24 and 29/09/24.</p> <p>The council also received income in respect of land rent, hire of the playing field, the Cemetery, a VAT refund from HMRC, an ERYC "DifEY" grant, a National Grid Licence fee, a donation, sundry income and bank interest. I have agreed most of the income received to supporting documentation and the Cemetery Scale of Charges.</p>

		<p>➤ Following last year's audit, it is noted that additional charges in respect of the playing field and pavilion have been added to the 2024/25 formal scale of charges for the cemetery. Additional charges in respect of rent (£8.71 x 2, £25.63 and £30.75) have been received during the year, however, which have not been added to the scale of charges document. These fees may have been minuted, but the minute references have not been provided to audit for ease of reference to save both time and cost of the audit.</p> <p>A small amount of cash was received from the Christmas lights switch on. This was counted by two people and banked promptly.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● For transparency and audit purposes, the sums agreed by council for all rent charged should be added to the formal Scale of Charges and provided to audit for review and verification. This is necessary as I am required by the External Auditor to certify on the AGAR that: "Expected income was fully received, based on correct prices."
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings</p> <p>A separate petty cash system is not maintained. All petty disbursements incurred by the Clerk are reclaimed monthly and reimbursed through the payments system together with all other payments.</p> <p>The VAT element of sundry expenditure incurred has been correctly analysed and identified in the cash book.</p> <p>Petty disbursements are reported to council monthly together with all other council payments.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● To facilitate the audit of sundry expenses it would be helpful if the expenses claim form could be re-drafted. If the form included a VAT column to identify which of the attached receipts have been included in

		the total VAT element recorded in the cash book, an audit trail would be provided for the purpose of verifying the VAT reclaim.
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>The Clerk's original contract was not signed and did not include the actual date of appointment. A new contract was issued on the 4th July 2023 and was signed by both parties on the 14th July 2023.</p> <p>I have agreed all salary payments from April 2023 to March 2024 to the original and new contracts and the 2023/24 NJC National Pay Award, including appropriate back pay from the 1st April 2023.</p> <p>The Clerk has been subject to PAYE and NI regulations via the payroll prepared by the Clerk using HMRC Basic Tools. For the sample checked, PAYE and NI deductions have been correctly paid to HMRC.</p> <p>The External Auditor now requires me to check that the correct employers' pension percentage contribution has been applied. The Clerk has confirmed that she has, however, opted not to auto-enrol into the Government's NEST pension scheme.</p>
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council's Asset Register is maintained as a schedule in the recommended format.</p> <p>I have reviewed the expenditure records for the year and confirm that purchases during the year have been added to the register and correctly valued at cost price excluding VAT.</p> <p>Last year's audit identified that there were many items on the Asset Register that were not on the insurance schedule. The council considered this at the meeting held on the 9th May 2023 and considered that the current levels of cover were adequate.</p> <ul style="list-style-type: none"> ➤ It is noted that an order has been issued to a contractor to remove items of play equipment.

		<p>The council does not hold any investments.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● When the items of play equipment have been removed from the play park, the Asset Register values for these assets should be reduced to nil and the date of removal noted on the register.
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>The Clerk prepares bank reconciliations each month which include the Council's Current Account and Instant Access Account.</p> <p>The reconciliations balance the cash book to the bank statements for both accounts each month. The reconciliations that are presented to each council meeting have all been signed by the Chairman, as well as the respective bank statements, to confirm that they are in agreement. This is considered to best practice and an important part of the council's internal financial control systems.</p> <p>A review of the reconciliations confirms that there are no unusual or balancing entries.</p>
11	<p>Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cashbook and there is an audit trail from underlying financial records to the year-end statements. It is noted, however, that box 10, in respect of borrowings, had not been completed at the time of the audit. It is also noted that the External Auditor's template for the year-end bank reconciliation has been incorrectly completed and does not, therefore, agree to boxes 7 and 8 on the Accounting Statement. The figure for the year-end balance on the council's current account has been incorrectly stated and this has caused the difference.</p>

	Has the previous Internal Audit Report been submitted to council and actioned as necessary?	<p>The figure in box 8, bank balances, agrees to the council's internal year-end bank reconciliation statement and the figure in box 9, fixed assets, agrees with the year-end total on the Asset Register.</p> <p>The Internal Audit Report in respect of 2023/24 was presented to, and accepted at, the Finance Committee Meeting held on the 23rd May 2023. The report was presented to council on the 6th June 2024 and was accepted and agreed that the Clerk prepares an Action Plan to address the findings.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● Box 10 on the Accounting Statement requires completion prior to submission to the External Auditor. ● The External Auditor's template for the year-end bank reconciliation should be re-drafted to show the correct balance of the council's current account, thereby bringing the reconciliation into agreement with the year-end balance included in boxes 7 and 8 on the Accounting Statement.
12	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2023, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>

14	Did the council comply with the publication requirements for the previous year's AGAR?	<u>Publication Requirements</u> Findings I have reviewed the council's website and confirmed that the Parish Council published the correct documents as required by the Accounts and Audit Regulations 2015.
15	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> Findings I have seen no evidence that the council has responsibility as a sole Trustee for Trust Funds and the Deputy Clerk has confirmed that this is the case.

The accounts and governance arrangements of the council have continued to be maintained to a good standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is good and the consideration and adoption of the above recommendations and advisory note will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2024.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

Public Sector Audit

16th April 2024

Public Sector Audit

UK©CS

Registered with
UK Copyright Service
Reg. No.: 284714616