

Crudwell Parish Council

Internal Audit Report 2023-24

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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. The results of our work and a summary of the Council's accounts is 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. We thank the Clerk for enabling the process, providing all necessary documentation in electronic format to facilitate completion of our review.

Internal Audit Approach

In undertaking the review for the year, we have again 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 has been 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 'IA Certificate' in the AGAR which requires independent assurance over a range of specified internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our annual programme of work, the Council has maintained generally satisfactory and effective internal control arrangements. Consequently, we have completed and signed the 'IA Certificate' in the year's AGAR assigning positive assurance in each relevant area.

We take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should 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 has again maintained the year's accounting records in spreadsheet format, detail of which has been used to feed into the year-end financial report at Section 2 of the AGAR. Given their low volume, we have verified detail of all transactions for the year, as recorded in the cashbook to the Lloyds' current and deposit bank account statements, also verifying the accuracy of the brought forward balances at 1st April 2023 to the prior year's closing balances.

We have also checked and verified the accuracy of the bank reconciliation at 31st March 2024, also agreeing that value to the AGAR disclosure in the AGAR at Section 2, Box 8.

Conclusion

We are pleased to report that no issues have been identified in this area this year warranting formal comment or recommendation.

Review of Corporate Governance

We have examined the Council minutes for the financial year as posted on the website to determine, as far as we are reasonably able to ascertain as we do not attend meetings, whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability, also that the Council has not undertaken nor is planning to undertake any work or decisions that may result in ultra vires spending. We are pleased to record that no such issues appear to exist at present or to be developing.

We noted last year that the Council reviewed and adopted its Standing Orders (SOs) in September 2018 basing these on the NALC model. We also noted that the Financial Regulations (FRs) and other policies and procedures were re-adopted in January 2024.

We note that the external auditors signed off the 2022-23 AGAR with an adverse comment in relation to the publication date for the Notice of Public Rights: as indicated in that certificate the Council will need to give a negative assurance to Assertion 4 in the 2023-24 Governance Statement. We are, however, pleased to note that the Notice was published for the legally required 30 working days, but will also have to give a negative assurance at Box N of the IA Certificate.

Conclusions and recommendations

As indicated above, the Council will need to give a negative assurance to Assertion 4 in the 2023-24 Governance Statement. We also urge that the SOs and FRs are subjected to more frequent review and re-adoption, the latter being aligned to the latest published NALC document.

R1. When completing the 2023-24 AGAR, the Council will, as advised by the external auditors, need to give a negative response to Assertion 4 in the year's Governance Statement.

Review of Expenditure and VAT

Our objective in this area is to ensure that the Council has appropriate arrangements in place to monitor and control the incurring of expenditure and for the approval and authorisation of payment release. We note that payments during the year are made mostly by cheque with some direct debits with details of individual payments also recorded in the minutes posted on the website.

We have reviewed, due to their relatively low number and clarity of filing, all payments made during the year to ensure that they were supported by an appropriate invoice and are pleased to confirm appropriate compliance. We are also pleased to note that invoices are stamped and signed by two councillors confirming approval for payment.

We have also ensured that all VAT recorded on invoices has been recorded in the cashbook appropriately with two half year reclaims prepared, submitted to and repaid by HMRC during the year.

Conclusion

No issues arise in this area with all payments appropriately supported.

Assessment and Management of Risk

The Governance and Accountability Manual requires all councils to consider, develop and adopt formally at least once annually a suitably designed financial risk assessment register. We note that Crudwell has one covering financial and management risks, with the document reviewed and re-adopted at the Council meeting in January 2024. We have reviewed the resultant document and consider that it remains appropriate for the Council's present requirements.

We note that the Council's insurance cover is provided by Zurich with Public Liability & Employer's liability cover both in place at £12 million and £10 million respectively, together with Fidelity Guarantee cover at £50,000. Appropriate cover is also provided for the Council's equipment.

We note that the play area is subject to periodic independent safety inspections.

Conclusion

We consider that the Council has appropriate arrangements in place for the identification and management of potential risks.

Budgetary Control and Reserves

We aim in this area to ensure that the Council has appropriate arrangements in place for determining its annual budget and precept requirement, whilst monitoring spend during the year against the approved budget, and that appropriate reserves are in place to meet ongoing revenue spending and any planned development aspirations.

We note that, following due deliberation, the Council agreed the budgetary and precept requirement for 2024-25 setting the latter at £16,000 at the January 2024 full Council meeting. We are also

pleased to note that the Council receives appropriate financial information during the course of the year.

We note that the combined account balances at 31st March 2024 have reduced to £24,134 (£37,237 at the prior year-end) with a raft of earmarked reserves in place. We take this opportunity to remind the Clerk and Council that generally accepted guidance suggests that the residual General Reserve balance should be held at between three and twelve months' revenue spending, which would equate to a minimum of £5,000 based on the usual level of revenue spending over previous years.

Conclusions

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

Review of Income

The Council receives, in addition to the annual precept, income from bank interest, grants and donations, allotment rents and recoverable VAT. Consequently, we have as indicated earlier in the report agreed all income received during the year to the supporting bank statements.

The Council manages an allotment site with an appropriate schedule of tenants maintained. We have reviewed that schedule noting, following discussion with the Clerk, that two tenants have still to pay their rent with the Clerk continuing to actively pursue recovery.

As referred to earlier in this report, we have also reviewed the two VAT reclaims prepared and submitted to HMRC during the year.

Conclusions

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

Petty Cash Account

We note that the Council does not maintain any form of cash float or petty cash account with any out-of-pocket expenses incurred, reclaimed and paid accordingly in line with normal trader payment procedures.

Review of Staff Salaries

We note the Council continues to use an external payroll bureau to process the Clerk's monthly salary and any tax or NI deductions arising. We have reviewed the monthly payslips for the year with no issues arising, also noting the application of the 2023-24 national pay award in November, together with arrears backdated to 1st April 2023.

We are also pleased to note that the Clerk's "home working allowance" has correctly been excluded from the Staff Costs value recorded in the AGAR at Section 2, Box 4.

Conclusions

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

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of its stock of assets. We are pleased to acknowledge the continued existence of an appropriate register, which has been updated to include the cost of new fencing acquired during the year. Consequently, the AGAR value at Section 2, Box 9 has been uplifted by the net cost of that fencing.

Conclusions

There are no issues arising from this area of our review this year.

Investments and Loans

The Council has no funds in investments, other than the Lloyds deposit account on which a small amount of interest is received monthly.

Statement of Accounts and AGAR

The AGAR Section 2 now forms the statutory accounts of the Council subject to external audit review and certification. However, unlike recent years, the annual expenditure in 2023-24 exceeds the £25,000 threshold and, consequently, the Council will be unable to claim exemption from the external audit process this year.

The Clerk originally provided us with a Part 2 AGAR form (i.e. indicating the intent to claim exemption from the external audit process): as above, due to the new fencing acquired in 2023-24, expenditure has exceeded the £25,000 threshold and the Council will, consequently, have to submit a Form 3 AGAR and will be subject to an external audit review for 2023-24.

Conclusions

We are pleased to record that no residual issues arise in this area this year. We have duly signed off the IA Certificate in a Part 3 AGAR assigning positive assurances in each relevant area, except in relation to the non-compliance with the publication requirements of the 2022-23 AGAR, as referred to in that year's external audit report.

Rec. No.	Detail	Response
Review of Corporate Governance		
R1	When completing the 2023-24 AGAR, the Council will, as advised by the external auditors, need to give a negative response to Assertion 4 in the year's Governance Statement.	