

## **Collier Street Parish Council**

*Internal Audit Report: 2023-24 Final update*

---

*Stuart J Pollard*

*Director  
Auditing Solutions Ltd*

## **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).

We have agreed with the Clerk that, as we were working close to her home, we would undertake our reviews of transactions for the year at the Marden PC offices in both October 2023 and March 2024, with a remote review of the final year-end transactions, etc once the accounts had been closed down for the year. We again thank the Clerk for her assistance with this year's review providing all required documentation in either electronic or hard copy format.

## **Internal Audit Approach**

In undertaking our review for the year, we have, as previously, 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 has been designed to afford appropriate assurance that the Council's financial systems and governance controls 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' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

We are pleased to again conclude that, based on the programme of work undertaken this year, the Clerk & Council have continued to maintain adequate and effective internal control arrangements throughout the year with no significant issues or concerns identified.

Based on the satisfactory conclusions drawn from our work this year, we have duly signed-off the IA Certificate in the AGAR assigning positive assurances in each relevant area. We take this opportunity to remind the Clerk that she will need to ensure that all appropriate documentation is posted on the Council's website, the requirements of which are set out in the preface to the AGAR, also that appropriate financial detail is set out in the AGAR Section 2, which correlates with the detailed explanation of variances between the current and prior year.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the Alpha accounts maintained by the Clerk with two bank accounts in use with HSBC Bank. We have: -

- Checked and agreed the opening balances in Alpha for 2023-24 to the closing Trial Balance and certified AGAR for 2022-23;
- Verified that an appropriate cost centre and nominal ledger structure remains in place;
- Checked and agreed all transactions for the financial year, due to their relative low volume, to the supporting HSBC Bank statements on both accounts;
- Ensured that the accounts remain “in balance” at 31<sup>st</sup> March 2024;
- Verified the accuracy of detail in the bank reconciliations as of 30<sup>th</sup> April and September 2023 and 31<sup>st</sup> March 2024 on both accounts ensuring that no long-standing uncleared cheques or other anomalous entries exist; and
- Ensured the accurate disclosure of the combined accounts balances in the year’s AGAR at Section 2, Box 8.

### *Conclusions*

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

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council 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 meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have noted previously that both the SOs and Financial Regulations (FRs) were reviewed, updated in line with the latest legislative changes both being re-adopted by Council at the February 2021 meeting with a consistent value of £10,000 recorded for formal tender action. We also note that the FRs were re-adopted in June 2023.

We have examined the Council meeting minutes for the financial year as posted on the Council’s website and provided electronically by the Clerk to ensure that no issues either exist currently or are developing that may have an adverse effect on the Council’s financial standing; we have also sought to ensure that, as far as we are reasonably able to ascertain, no actions are planned or have taken place that may be of an ultra vires nature and place the Council at risk of criticism or possible financial penalty.

We noted last year that, with the Council’s receipts and payments in 2022-23 individually exceeding the £25,000 threshold, an external audit review was required. We note that the external auditors have issued their certificate with one issue recorded relating to minor errors in the values recorded on the AGAR as originally submitted. Care should be taken when completing the 2023-24

AGAR detail to ensure the values at Section 2 are recorded accurately and are in line with the detailed explanations of any significant variances compared with the 2022-23 values.

We also note the appropriate publication of the Notice of Public Rights to examine the 2022-23 financial records for the requisite 30 working days.

### *Conclusions*

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

## **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;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;
- 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;
- The correct coding and cost centre has been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

We have, due to effectively undertaking the bulk of the year's review "on-site", examined all payments for the year recorded in the Alpha cashbook for compliance with the above criteria. We noted previously that the Clerk holds an HSBC company debit card with a pre-determined spending limit of £500 and have similarly verified those transactions during the year.

We are pleased to note the positive action taken to address our previous recommendation with councillors now evidencing their review of traders' and other invoices for payment duly initialling the certification stamp that has been applied to each payment docket.

We note that the recoverable VAT for 2022-23 was reclaimed and repaid by HMRC in April 2023 noting, as last year, that the receipt has been coded to 515. As the Council's accounts are prepared on a receipts and payments basis, it should be coded to 115 – "VAT Receipts". Consequently, we recommended at our interim visit that an appropriate correction be made and are pleased to acknowledge the corrective action taken. We have, as part of this final review examined the two reclaims prepared and submitted to HMRC in respect of the year's expended VAT, with the first repaid in October 2023.

### *Conclusions and recommendation*

*No residual issues arise in relation to the settlement of traders' invoices for the year.*

*R1. An appropriate journal should be raised correcting the mis-posting of the 2022-23 VAT reclaim recording it as a receipt at code 115 rather than as an offset to the 2023-24 expended VAT. This has been actioned as recommended.*

## **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 note that the Council's comprehensive risk register was reviewed, approved and re-adopted by the Council at the April 2023 full Council meeting and have reviewed its content, which we consider appropriate for the Council's present requirements.

We have examined the Council's insurance policy for 2023-24, cover being provided to 31<sup>st</sup> May 2024 through the BHIB Council's insurance scheme and consider that appropriate cover remains in place with both Public and Employer's Liability standing at £10 million and Fidelity Guarantee at £250,000.

### **Conclusions**

*We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.*

## **Budgetary Control and Reserves**

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on TMBC; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we have: -

- Noted from our review of the minutes that members continue to be provided with regular management accounting information;
- Noted that following due deliberation at the January 2024 Council meeting, the 2024-25 budget and precept were approved and adopted, the latter being set at £21,837;
- Reviewed the 2023-24 year-end budget outturn with no significant variances existing warranting further comment or enquiry; and
- Considered the appropriateness of the level of general reserves to meet the Council's ongoing revenue spending requirements noting that the year-end balance of £63,852 (£98,401 at 31<sup>st</sup> March 2023) includes £39,500 of received CIL moneys that are held in a specific earmarked reserve. The residual General Reserve balance of £24,352 (£19,401 at 31<sup>st</sup> March 2023) equates to approximately six months' revenue expenditure at the 2023-24 level and is considered more than appropriate for the Council's present requirements.

### *Conclusions*

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

## **Review of Income**

The Council has limited sources of income, primarily the annual precept, occasional CIL moneys and other grants, bank interest and recoverable VAT. As indicated earlier in this report, we have checked and agreed the detail of such receipts during 2023-24 to the Council's bank statements and other supporting documentation, where available.

### *Conclusions*

*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 in connection with her work for the council being reimbursed with her monthly salary payment.*

## **Review of Staff Salaries**

In examining the Council's payroll function, we aim to verify that staff salaries are paid in accordance with their Contracts of Employment and that legislation is being appropriately observed as regards adherence to the requirements of HMRC with regard to the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that the Clerk uses HMRC's "PAYE Tools" software;
- Have ensured that the Clerk's gross salary being paid in 2023-24 has been applied appropriately by reference to the 2023-24 payslip detail;
- Ensured that the PAYE deductions have been calculated accurately by reference to the HMRC PAYE Tools software; and
- Ensured that the monthly deductions have been paid over to HMRC in a timely manner.

### *Conclusions*

*No issues have been identified in the management of the Council staff's pay for the year.*

## **Asset Registers**

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We have checked and agreed the detail recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or, where that value is unknown, at the previous year's recorded AGAR value uplifted or decreased to reflect the acquisition or disposal of assets during the financial year.

### ***Conclusions and recommendation***

***We are pleased to report that there are no issues of concern arising in this area of our review process: however, as indicated in last year's report, in line with best practice and to potentially assist any insurance reclaim or police enquiry in the event of the theft of or accidental / wilful damage to street furniture / equipment, we suggest that consideration be given to the development of a photographic register of the Council's assets – several of our clients have found that such a record has eased the process of insurance reclaims, etc.***

***R2. Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.***

### **Investments and Loans**

***The Council neither owns any investments, not has any outstanding loans repayable either by or to it.***

### **Statement of Accounts and Annual Return**

The AGAR now serves as the statutory accounts of the Council which, for 2023-24, will require external audit scrutiny and certification as the year's turnover exceeded the £25,000 threshold. The Section 2 financial information detail is generated automatically by the Rialtas Alpha software for disclosure in the year's AGAR and we have duly ensured its accurate transfer to the year's AGAR.

### ***Conclusions***

***We are pleased to record that no issues arise in this area this year: we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.***

Rec. No.	Recommendation	Response
<b>Review of Payments and VAT</b>		
R1	An appropriate journal should be raised correcting the mis-posting of the 2022-23 VAT reclaim recording it as a receipt at code 115 rather than as an offset to the 2023-24 expended VAT.	<i>This has been actioner as recommended.</i>
<b>Fixed Asset Register</b>		
R2	Consideration should be given to the development of a photographic register of the Council's asset stock to assist any potential insurance reclaims or police investigations in the event of theft or damage to Council property.	