

West Lavington Parish Council

Internal Audit Report 2023-24

Chris Hall

*Consultant
Auditing Solutions Ltd*

Background and Scope

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system 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. We have again undertaken our review for the year remotely, based on information available on the Council's website and that provided by the Clerk.

Internal Audit approach

In undertaking our review for the year, 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 has again 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Based on our 2023-24 programme of work, we have found important areas of the Council's governance where we are unable to give an assurance, which we have confirmed with the Clerk. While we have not seen the need to make any formal recommendations this year, we have made a number of observations throughout this report designed to improve the level of governance and internal control.

We have duly completed and signed-off the 'Internal Audit Report' in the year's AGAR assigning appropriate assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliation

The Clerk maintains the Council's accounting records using a spreadsheet, which is appropriate for the volume of annual transactions. However, while categories of expenditure are noted, proper segmental analysis would avoid considerable sorting to aid budgetary control and reconciliation of the AGAR.

Four bank accounts are in use with Lloyds - a Current account for everyday transactions, two Deposit accounts (one general, and one for playground balances, both seldom used), and a 32-day Notice account for Community Infrastructure Levy (CIL) receipts.

We have checked and agreed a sample of cashbook entries for the financial year to bank statements, with no issues arising.

We note that the monthly bank reconciliations reported to Council meetings are checked and signed by an independent Councillor, which meets the requirements of Financial Regulation 2.2.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place, that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council undertakes an annual review of both Standing Orders and Financial Regulations (FRs) at its AGM each May, in line with the latest NALC Model forms. The latest versions of these documents show that tendering levels are now consistent at £10,000.

We have examined the Council's Minutes for the year 2023-24 to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that the Council has neither considered nor is considering any actions that may result in ultra vires expenditure.

Further to our comments in our 2022-23 report, we now believe that the Council provides an adequate suite of information on its website that meets the requirements of both the Accounts and Audit Regulations and the Transparency Code 2015.

We have confirmed that the Exercise of Public Rights with regard to the 2022-23 accounts was properly undertaken with regard to the Accounts and Audit Regulations.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Review of Payments & VAT

We have reviewed all payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt
- VAT has been calculated correctly and is recovered at appropriate intervals
- Appropriate procedures are in place for the review approval and payment of invoices received
- The Council at a Council meeting approved each payment, and
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

We note that the Council moved to a system of electronic payments in November 2023, which provides a greater degree of check against bank statements. We also note that transactions are properly recorded in the Council's Minutes.

The Clerk has confirmed that, contrary to Financial Regulation 9.8, no VAT reclaim was made during 2023-24 relating to either the financial year under review or any balance remaining from 2022-23. Therefore we are unable to give an assurance in this area of our review (Objective B of our AGAR report).

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation, other than the failure to undertake a VAT reclaim during the financial year.

Assessment and Management of Risk

We note that the Council maintains an ongoing review of its risk profile, undertaken by the Risk Committee. We believe this to accord with the requirement in Financial Regulations for a minimum annual review.

We have reviewed the Council's insurance cover, undertaken through BHIB Brokers, for the financial year under review. This policy shows Public Liability and Employers Liability cover of £10 Million each, Fidelity Guarantee of £150,000, and Official Indemnity of £500,000, along with a good level of All Risks cover for the Council's assets. This level of cover is consistent with other Councils of a similar size.

We note some evidence in the Minutes that, alongside an independent annual safety inspection, playpark inspections are being undertaken by Councillors.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that the Council considered its budgetary requirements for 2024-25 and adopted a Precept of £36,483 at the January 2024 meeting. We note that the Council continues to monitor its budget at each Council meeting.

We have not been given any specific evidence of Earmarked Reserves as at 31 March 2024. Therefore, the Council's General Reserve is equal to the cash balance of £82,638. This represents 226% of the agreed Precept against a Best Practice level of 50%. We are, therefore, unable to give an assurance as to whether the Council's reserves are appropriate (Objective D of our AGAR report).

Conclusions

We are unable to provide any level of assurance as to whether the Council's reserves are appropriate.

Review of Income

The Council receives has received relatively limited annual income during the year under review, apart from the annual Precept, bank interest, and an insurance / damages claim. We have checked and agreed cashbook transactions to bank statements for these transactions with no issues arising.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Petty Cash Account

No petty cash account is operated by the Council. Therefore, we have no issues to raise in this area warranting formal comment or recommendation.

Review of Staff Salaries

We have checked monthly salary payments for the Clerk to determine whether payments are in line with standard NJC terms and conditions, and that appropriate deductions are made at source and paid over to HMRC on a timely basis. We have found no issues of concern.

The payroll service was maintained by an external contractor (Charlton Baker) until November 2023, when it was brought back in house. We can see evidence in the cashbook that payments were continued after the service was closed, which we have referred to the Clerk for reconciliation and possible reclaim.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation, other than our observation about possible overpayments to the former payroll provider.

Fixed Asset Registers

The Governance and Accountability Manual (G&AM) requires all councils to maintain a record of all assets owned, valued at original net purchase cost or, where that value is unknown, a reasonable valuation that can be a nominal £1. These values only then change due to acquisitions and disposals in each year.

During our review we found a number of significant capital transactions that had not been added to the Asset Register. We referred these to the Clerk, who has provided an updated Register.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Investments and Loans

The Council currently maintains its balances in a range of Lloyds Bank accounts. We have discussed with the Clerk whether the number of accounts in existence could be rationalised to make reconciliations more straightforward.

We note that the Council has agreed a rudimentary Investment Strategy. While its accumulated balances of £82,638 as at 31 March 2024 do not make this a statutory requirement, it is regarded as Best Practice. We would suggest that the Strategy be reviewed to accord with the more comprehensive forms used by other Councils. Advice could be sought from WALC, SLCC, or simply from searching the websites of other Parish Councils.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation, other than our observation about making the Investment Strategy more comprehensive.

Statement of Accounts and AGAR

The AGAR, Section 2, now serves as the Council's statutory Accounts, which, together with the Governance Statement at Section 1 is subject to external audit review and certification.

We have checked and agreed the detail on the AGAR to the analysis of receipts and payments as set out in the cashbook although, as we note above, this is not a straightforward exercise and has resulted in some necessary amendments which have now been processed.

Conclusions

Based on our conclusions above reached from our review programme, we have duly signed off the IA Certificate in the year's AGAR assigning appropriate assurances in each relevant area.

| Rec. No. | Recommendation | Response |
|-------------|----------------|----------|
|-------------|----------------|----------|

No formal recommendations made
