

Annual Internal Audit Report 2023/24

Hadlow Parish Council

www.hadlowpc.co.uk

During the financial year ended 31 March 2024 this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2023/24 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations: payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process: progress against the budget was regularly monitored, and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		See Report
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were 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 debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick 'not covered')			✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2023-24 AGAR period were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set)	✓		
N. The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes)	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

25/10/2023 19/03/2024 13/05/2024

Name of person who carried out the internal audit

S J Pollard for Auditing Solutions Ltd

Signature of person who carried out the internal audit

Date 13/05/2024

***If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).**

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Hadlow Parish Council

Internal Audit Report 2023-24 (Final update)

Stuart 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).

This report sets out the work undertaken in relation to the 2023-24 financial year during our two on site visits to the Council on 25th October 2023 and 19th March 2024 plus a final remote review once the accounts had been closed down for the year on 13th May 2024. We thank the Clerk and her Deputy for their help in progressing our review providing all required documentation in a combination of electronic and hard copy format for our examination.

Internal Audit Approach

In conducting our review for 2023-24, 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 is 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 Council's AGAR, which requires independent assurance over a range of internal control objectives.

Overall Conclusion

We are pleased to conclude that, based on the work undertaken this year, the Clerk and Council continue to maintain adequate and effective internal control arrangements with no significant issues or concerns identified warranting formal comment or recommendation: detail of the work undertaken for the year is set out in the body of the following report.

We are also pleased to again acknowledge the quality of records maintained by the Clerk and her staff.

We have duly completed and signed-off the 'IA Certificate' in the year's AGAR assigning positive assurances in each relevant area.

We also take this opportunity to remind the Clerk and Council 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

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. The Council currently operates a single bank account with Lloyds with all transactions duly recorded in the RBS Rialtas Alpha accounts software. We have: -

- Checked and agreed the opening Alpha trial balance detail 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;
- Ensured that the accounts remain “in balance” at the financial year-end;
- Verified transactions in the Alpha “cashbook” by reference to the supporting bank statements for the full financial year;
- Verified the accuracy of bank reconciliations as at 30th September 2023, plus 29th February and 31st March 2024; and
- Ensured the accurate disclosure of the combined cash and bank account balances in the 2023-24 AGAR at Section 2, Box 8.

We are pleased to note that members continue to review and sign-off the monthly bank reconciliations. As recommended previously, we also note that members are provided with an effective Alpha month-end Trial Balance and copy bank statements to facilitate verification of the month-end bank reconciliation detail, duly signing off all the provided records as evidence of their review and agreement of the detail thereon.

We are also pleased to note that detail of all “on-line”, direct debit, standing order and cheque payments are routinely recorded in the minutes as approved.

Conclusions

As indicated above, no issues have been identified warranting formal comment or recommendation in this area this year.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain as we do not attend Council or Committee meetings, all meetings are conducted in accordance with the adopted Standing Orders (SOs) and no actions of a potentially unlawful nature have been or are being considered for implementation.

We have noted previously that the Council re-adopts its Standing Orders (SOs) and Financial Regulations (FRs) at the annual Council Meeting; we have noted a few areas where the documentation needs to be updated and have discussed those areas with the Clerk who has agreed to undertake a further detailed review updating the documents appropriately to reflect all current regulations with them submitted to a Council meeting for adoption prior to the financial year-end. We also note that the General Statement on Internal Controls was also approved and re-adopted at the May 2023 meeting.

We have commenced our review of the full Council and Committee minutes, excluding those relating to Planning, examining those for the financial year as available on the Council's website or provided in electronic format by the Clerk to ensure that no issues exist or are likely to arise that may have an adverse effect on the Council's future financial stability, also to ensure that members have not taken, nor are they planning, any actions that may result in ultra vires action.

We are also pleased to note that the external auditors have signed-off the 2022-23 AGAR with no comments or qualifications reported: we also note the appropriate publication of the notice of Public Rights to examine the Council's financial records for the requisite 30 working days.

Conclusions

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

Review of Expenditure and VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- 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 expense headings have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have previously discussed the procedures in place relating to the receipt, verification and approval of invoices for payment with the Clerk noting that they have again been applied in 2023-24: we consider them sound noting that virtually all payments are made "online". We are also pleased to note that, following a prior year recommendation, the Clerk is now setting payments up online with one of two councillors physically releasing them, which we consider good working practice.

To ensure compliance with the above criteria, we have selected a sample of 46 payments processed in the financial year, including two annual NNDR payments, examining all those individually in excess of £1,500, together with every 30th payment in order to provide a representative cross-section of payments processed. Our test sample totals £114,550 and equates to 77% by value of non-pay related expenditure in the year. We are pleased to confirm that all payments in our test sample complied with the above criteria.

We note that the final 2022-23 quarter's VAT return was prepared, submitted to HMRC and repaid accordingly in April 2023: further reclaims to 31st December 2023 have also been prepared, submitted and repaid.

Conclusions

No issues have been identified in this review area this year warranting formal comment or recommendation.

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 in order to minimise the opportunity for their coming to fruition.

We have previously reviewed the approach to the assessment and management of risks, both financial and health and safety, again noting that the register was reviewed and updated by the Clerk and submitted to and agreed by the Planning & Environment Committee in March 2024 with a detailed risk assessment report was approved by Council at its meeting in May 2022, being subsequently approved by the Council.

We have examined the Council's insurance policy with Hiscox for the year to 30th September 2024 to ensure that appropriate cover is in place. With Employer's and Public Liability cover both set at £10 million, Fidelity Guarantee cover at £500,000, and Loss of Revenue cover at almost £46,000, we consider cover appropriate for the Council's ongoing requirements.

Conclusions

We are pleased to report that no issues arise in this review area, although we remind the Clerk and Council that, in line with best practice, the risk register should be subjected to at least once annual review, update (if appropriate) and formal re-adoption by the Council.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust process in place for identifying and approving its future budgetary requirements and 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 appropriate funds are retained in reserves to finance the Council's ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that members continue to receive regular reports containing full detail of all receipts and payments, together with account balances, detail being based on the Alpha accounting software. We have reviewed the year-end outturn with a few significant variances noted, detail of which we have further examined by reference to the Alpha nominal account codes for the year, which has afforded appropriate and satisfactory explanations.

We note that, following due deliberation, members agreed the required budget and precept for 2024-25 setting and formally adopting the latter at £135,731 at the December 2023 full Council meeting.

We have reviewed the year-end budget outturn seeking and obtaining appropriate explanations for the few areas where overspends and over-recovery of budgeted income have occurred by reference to the Alpha accounting records.

We have reviewed the level of retained funds at the year-end, assessing their adequacy to meet the Council's ongoing revenue spending requirements and future development aspirations. At 31st March 2024, total reserves have decreased to £194,487 (£210,869 as at 31st March 2023) with Earmarked funds also decreased to £82,139 (£116,171 at the prior year-end). The residual General Reserve of £112,348 equates to approximately five months' revenue expenditure and is within the generally recognised guideline of between three and twelve months such spending.

Conclusions

We are again pleased to report that no issues arise in this area this year warranting formal comment or recommendation, although we urge that formal budgets are identified in the Alpha accounts for minibus income and expenditure, none being identified in 2023-24.

Review of Income

In addition to the annual precept, the major sources of income for the Council are the cemetery, allotment rents, hire of the Old School and Hy-Arts Halls plus Medical Centre rent, together with Minibus fares, periodic funding by way of grants, donations and recoverable VAT.

We have examined the Burial Register reviewing the documentation relating to burials in the year to 31st December 2023 checking the files of undertaker applications ensuring that all legally required documentation (Burial and Cremation Certificates) was held and that the appropriate fees had been charged (by invoice) for each interment with no issues arising.

We also note that allotment tenants have been invoiced appropriately for their 2023-24 rents, the tenancy year running from 1st October annually, noting that no rents remained unpaid at the financial year-end.

We have examined the controls in place over income from bookings at the Old School Hall examining a sample of one week each during April and July 2023 ensuring that appropriately priced invoices have been raised covering those bookings and are pleased to record that no issues arise in this area.

We have examined the spreadsheet record of sales invoices raised to ensure that none remain unpaid for any significant length of time, with no issues arising.

We have also examined the Alpha detailed income transaction reports for the year and are pleased to record that, as far as we are reasonably able to ascertain, no obvious or significant non-collection of fees exists currently.

Conclusions

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

Petty Cash Account

We are required, as part of the annual IA certification process on the AGAR, to indicate the soundness of controls in this area of the Council's financial activities noting that an "Imprest" style petty cash scheme is in place with a holding of £150.

We examined the Petty Cash records for the year to the date of our first review visit ensuring that the system continued to operate effectively, checking and agreeing the detail of transactions recorded in the Alpha software to ensure that appropriate invoices / till receipts were held. We also checked and verified the physical cash holding on the date of that visit, ensuring that the cash held, together with the two, at that time, un-reimbursed expense vouchers, agreed to the £150 "imprest".

Conclusions

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

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions; To meet this objective, we have: -

- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff;
- Noted that staff continue to be paid in a four-weekly cycle;
- Noted that the payroll is processed "in house" by the Clerk using the HMRC Basic PAYE Tools software;
- Checked and agreed the amounts paid to individual staff by reference to the approved pay rates, examining payslips processed in September and November 2023, the 2023-24 national pay award and arrears having been paid in the latter month; and
- Ensured that PAYE and NIC deductions have been made accurately by reference to the HMRC Basic PAYE Tools software,

Conclusions

We are pleased to record that no issues arise in this area of our review process.

Asset Registers

We noted last year that a full review of the Council's asset register had been undertaken detail being updated to remove a number of no longer serviceable assets with all other values also updated to reflect more accurately the actual acquisition cost (where identifiable); we now also note that, following a further review, asset values have been updated to include the purchase cost of new assets acquired during the year, together with, as in previous years, an inflationary factor for land and building assets.

We have, consequently, ensured that the AGAR Section 2, Box 9 value is in accordance with the updated asset register.

Conclusions

Whilst noting the inclusion of an insurance inflationary factor in the land and buildings asset value, we understand that this is in line with prior year practice as advised to the external auditors annually.

Investments and Loans

The Council neither has funds placed in short or long-term investments nor do any loans exist repayable either by or to it.

We are, however, pleased to note that an appropriate Investment Strategy document has been prepared and adopted by the Council as now required by extant legislation: we have reviewed the document and consider that it meets the Council's present requirements and complies with the legislative requirement.

Conclusions

No issues arise in this area this year.

Statement of Accounts and AGAR

The AGAR now forms the statutory Accounts of the Council, subject to external audit scrutiny and certification. The Rialtas Alpha accounting software generates a Balance Sheet and 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 content of the AGAR by reference to the Alpha generated Balance Sheet and I&E Account and other relevant records.

Conclusions

We are pleased to record that no additional issues have been identified in relation to the accuracy of detail in the AGAR this year.

Based on our detailed work during the course of the year on the Council's systems of financial control and content of the Accounts set out in Section 2 of the AGAR, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, but with a caveat in relation to the uplifted asset value at 31st March 2024.