AUDITING SOLUTIONS LTD

Broad Town 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 examination of their accounting records and system of internal control and for the conclusions to be reported each year in the 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: we wish to thank the Clerk for assisting the process, providing documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken sufficient substantive testing to determine whether governance and financial controls remain effective.

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 AGAR. Our programme of cover has, as with all our clients, been designed to afford appropriate assurance that the Council's financial systems are 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.

Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with those issues arising with recommendations further summarised in the appended Action Plan.

Overall Conclusions

While we are able to offer the Council a reasonable level of assurance on its procedures, this report does contain a number of observations which we would invite the Council to carefully consider. These are designed to improve the level of internal control operated by the Council.

We are particularly concerned at the level and treatment of Reserves, which we feel should be urgently reviewed and monitored to ensure that they do not become excessive.

We are required to note one negative assurance in our AGAR audit report, concerning the lack of an annual review of the Risk Register during 2023-24.

This report has been prepared for the sole use of Broad Town Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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 those records. We note that three bank accounts continue in operation with Lloyds Bank, including one for the Community Fund.

We note that the Clerk is continuing to maintain a cashbook on an Excel spreadsheet, which is entirely appropriate for a Council of this size.

We note that bank reconciliations are reported to each Council meeting. We have previously commented on the lack of an independent check of bank reconciliations to meet the requirement of Financial Regulation 2.2. While we note some discussion on this during the year, it is apparent that this important control has not been put in place.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than our observation about implementing an independent check on bank reconciliations to satisfy Financial Regulation 2.2.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SO's) and Financial Regulations (FR's) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We note that the Council readopted its SO's and FR's in February 2024. We note that the Council has increased its tendering levels in both documents to £12,000.

We have examined the Council's Minutes for the financial year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such issues arise in this respect.

We note that the Clerk is not CiLCA qualified, and therefore the Council relies on its Section 137 powers, although no relevant expenditure has been recorded during the year.

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

The Council's website records a good level of information with regard to the 2022-23 Accounts, which satisfies the requirements of the Transparency Code 2015, although this information needs to be updated for 2023-24.

Conclusions

No matters have been identified in this area warranting further comment or recommendation.

Review of Payments and VAT

We have undertaken substantive testing of a range of payments made during the year to ensure that the following criteria were met:

- Payments are supported by a trade invoice or acknowledgement of receipt;
- Members are scrutinising all payments and evidencing their review accordingly;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- 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 have confirmed transactions throughout the year. We note that a good level of information on approved payments is provided in the Minutes.

We have confirmed that VAT is being properly recorded in the cashbook and recovered from HMRC on an annual basis. A balance of £785.55 remains on the cashbook to be reclaimed for 2023-24.

Conclusions

No matters have been identified in this area warranting further 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 & 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.

While we note discussions in the Minutes concerning the Risk Register, this was not re-approved between January 2023 and April 2024, which therefore means that it was not properly reviewed during 2023-24. This is contrary to the requirement of Financial Regulation 15.1 for at least an annual review. We are required to note this as a negative assurance in our AGAR audit report, which the Council is required to confirm in its AGAR Governance Statement (Section 1, Assertion 5).

The Council's insurance is provided by Zurich, with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £25,000, all of which we consider appropriate for the Council's present requirements. However, we are concerned that the level of asset cover, particularly for playground equipment, appears insufficient. This should be discussed with the Council's insurers.

Further to our comment in previous years, we remain concerned that there is no evidence of regular visual safety inspections being undertaken by the Council. Evidence of such inspections, on a weekly basis, is increasingly being called for by insurers to guard against unwarranted claims.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than the failure to review the Risk Register during the financial year, and our ongoing concerns about insurance cover for, and regular visual safety inspections of, the Council's playpark. The Council should urgently review these arrangements.

Precept Determination and Budgetary Control

We note that the Council properly considered its 2024-25 Budget and Precept at its January 2024 meeting, setting its Precept at £10,146.

We have, as in previous years, regarded the Community Fund balance of £6,799.41 recorded in the cashbook as at 31 March 2024 as an Earmarked Reserve, as this clearly represents Public Funds under the Council's financial control. Set against the 31 March 2024 total cash balance of £17,681 this leaves a General Reserve of £10,882, which represents an increased figure of 107% of the Precept, against a Best Practice level of 50%.

We therefore repeat our observation from previous years that the level of Earmarked Reserves, including the Community Fund, should be properly considered and Minuted as part of the annual Budget setting and Precept exercise.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than our ongoing concern about the clarity of Earmarked Reserves, and the high level of the General Reserve. If this position is not properly resolved we will have to consider whether we can give an independent assertion that reserves are appropriate (Objective D of the AGAR Internal Audit report).

Review of Income

The Council receives limited income primarily by way of the annual Precept, small amounts of bank interest and recovered VAT, together with donations received into the Community Fund for specific projects. We have agreed a sample of receipts to bank statements and other available supporting documentation.

Conclusions

No matters have been identified in this area warranting further comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account. Therefore, there are no matters arising in this area warranting further comment or recommendation.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions.

The Council continues to calculate its own payroll, using the HMRC Basic PAYE Tools system. We have test-checked the Clerk's pay for the year, with no issues arising. We note that the Council approved the most recent NJC pay award in December 2023.

Conclusions

No matters have been identified in this area warranting further comment or recommendation.

Fixed Asset Register

We again note the existence and maintenance of an appropriate Register, with all identified assets valued at original cost price or, if this is not available, a nominal £1. This satisfies the requirements of Government Accounting.

We have reconciled the Asset Register as at 31 March 2024 to the brought forward figure from 31 March 2023, noting the purchase of a new laptop during the year. As with last year, this was incorrectly valued in the Asset Register due to the inclusion of VAT. We have referred this to the Clerk, and calculated the correct total as £15,018, which should be shown in Box 9 of the 2023-24 AGAR.

Conclusions

No matters have been identified in this area warranting further comment or recommendation, other than the required change to the valuation as at 31 March 2024.

Investments and Loans

The Council holds no funds in investments, nor does it have any loans in place either repayable by or to it. All funds are retained in its bank accounts with Lloyds Bank.

Statement of Accounts and AGAR

The AGAR forms the Council's Statutory Accounts. For the 2023-24 AGAR the Council can properly declare itself exempt from external audit examination and certification, as neither its income or expenditure for the financial year exceed £25,000.

Conclusions

Other than our observations stated above, with particular regard to the level of Reserves and the failure to review the Risk Register, and a minor adjustment to the Asset valuation, no additional issues arise in this review area and, based on the work undertaken this year, we have duly signed off the Internal Audit Report in the AGAR, assigning appropriate assurances in each relevant area based on our conclusions above.

Rec. No	Recommendation	Response
	No recommendations made	