



Gowdall Parish Council

Internal Audit Report for the year ended 31 March 2024

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Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2024. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted:

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings The accounting records are maintained in a manual analysis cash book. It is balanced up to the 31st March 2024.</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR). It is noted that the Clerk is considering transferring to a spreadsheet format for 2024/25. This would be more efficient and quicker to use and, provided the formulae are correctly inserted in the spreadsheet, would save time in adding up the accounting record in the future.</p> <p>The cash book is arithmetically correct and quarterly bank reconciliations confirm that the cash book and bank are in agreement.</p> <p>Records are maintained to provide an audit trail from original receipts/remittance advices and invoices to the cash book and bank.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings The council's Standing Orders and Financial Regulations were approved at the council meeting held on the 7th March 2024. They are both the latest NALC Models.</p> <p>On the 1st January 2024 the Government increased the procurement thresholds to £214,904 for goods or services and to £5,372,609 for public works (construction).</p> <p>Financial Regulation 1.8 formally confirms the appointment of the Clerk as the council's RFO.</p>

	<p>Recommendation</p> <ul style="list-style-type: none"> The footer on page 16 of the council's Financial Regulations should be amended to reflect the Government's revised procurement thresholds.
<p>3</p> <p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have reviewed all payments throughout the year.</p> <p>I have tested for completeness, accuracy, correct year of account, authorisation by two Council Members, reporting to council and classification within the council's accounts.</p> <ul style="list-style-type: none"> The Clerk's payslips and the Employer's Summary, used for the calculation of net pay and the entries in the cash book for salary payments, allowances and payments to HMRC, are confusing and lead to errors in the payment of the Clerk's net salary. <p>I am required by the External Auditor to confirm that the council has complied with its Financial Regulations. The council's Financial Regulations identify that the RFO shall strive to obtain 3 estimates when the value of a supply is below £5,000 and above £100.</p> <ul style="list-style-type: none"> The Clerk has provided evidence of quotations sought and received in respect of grass cutting during the year. <p>I have tested that VAT has been identified and correctly recorded in the accounting records for inclusion in the VAT reclaim at the year end. It is noted that a minor error of just 16 pence has been overclaimed as part of the reclaim for 2023/24. This, however, is not material in the context of the whole of the council's accounts and from an audit perspective.</p> <p>A separate account has correctly been established for s137. No expenditure has been coded to this statutory power during the year.</p> <p>No cheques have been issued during the year.</p>

All invoices are presented to council for review and approval and are recorded in the minutes. Each invoice is signed by the Chairman and one other Councillor. All payments are paid online.

On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.

- The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.
- Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.
- NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.

Recommendations

- The construction of the Clerk's payslips and the Employer's Summary, used for the calculation of net pay and the entries in the cash book for salary payments, allowances and payments to HMRC, require amendment to provide improved transparency, clarity and an audit trail. Non-taxable allowance should not be included in the payslips. They should be included on an expenses statement and paid separately from salary and HMRC deductions.
- The council should reduce the claim for 2024/25 by the small overclaimed amount during 2023/24.

	<ul style="list-style-type: none"> ● The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p> <p> Assessment of significant risks Findings The council maintains detailed Risk Assessments which identify all council risks and the measures in place to control and mitigate the risks. The Risk Assessment was reviewed and approved at the council meeting held on the 7th May 2024. It is noted that the Risk Assessment in respect of assets identifies that visual inspections are undertaken at least annually. </p> <p>As recorded following the 2022/23 Internal Audit, I am required by the External Auditor to: "Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation." The Clerk has confirmed that it is the intention of the council to undertake such checks quarterly during 2024/25. A checklist file will be maintained and presented to audit annually for review and verification. The inspections will be reported to council and minuted to confirm their review and actions taken if found to be necessary.</p> <p>➤ The recording of routine inspections of land and street furniture, for which the council is responsible, demonstrates the council's commitment to maintaining a safe environment for the public whilst at the same time protecting its interests in the event of an issue arising or a claim being made against the council.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● Asset inspection sheets should be introduced by the council as soon as possible to record the routine inspections of all council owned and maintained land and assets. ● The council's new computer and external hard drive should be either encrypted or password protected to safeguard the council's interests in the event of loss or theft.

5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings A detailed budget, which included each income and expenditure cost centre, was prepared for 2023/24 and was approved by Full Council on 12th January 2023.</p> <p>Quarterly budget monitoring reports, which compare actual income and expenditure against the council's original budget, are presented to council by the Clerk for review and approval. The council's minutes record the approval of the reports.</p> <p>The council's general balances as at the 31st March 2024 totalled £14,834. The council holds earmarked reserves of £900 in case of flooding, £225 for the toddler group, £523 for the scarecrow garden and £1,500 for a computer. The remaining general balance of £11,686 represents 111% of the council's current Precept requirement and is considered to be both adequate and prudent for a council the size of Gowdall Parish Council.</p> <p><u>Adequate income controls</u></p> <p>Findings The council's Precept of £10,005.83 for 2023/24, agrees to the two instalments of £5,002.67 and £5,002.66 received on the 3rd May and 3rd October 2023.</p> <p>The council also received income in respect of the annual HMRC VAT refund, Field Rent, a refund, grants from Drax and ERYC, Scarecrow Committee donation and bank interest.</p> <p>➤ It is noted that the council is currently investigating the tenancy and rental issues in respect of the Field Rent it receives.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	

7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p>Appropriate petty cash controls</p> <p>Findings A separate petty cash system is not maintained. All petty disbursements incurred by the Clerk and Council Members are reclaimed monthly and reimbursed through the payments system together with all other payments.</p> <p>Petty disbursements are reported to council monthly, together with all other council payments.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p>Adequate payroll controls</p> <p>Findings The council's Clerk received a formal contract of employment, dated the 11th November 2015, which was signed by the Clerk and the council and contains clear terms and conditions of employment.</p> <p>I have agreed all gross salary payments from April 2023 to March 2024 to the original contract and the 2023/24 NJC National Pay Award including back pay from the 1st April 2023.</p> <p>It is noted that the Clerk's hours were increased by the council at the meeting held on the 6th July 2023. This was further discussed at the council meeting held on the 7th September when it was again agreed that the Clerk be paid an additional two hours each week. At a further meeting held on the 7th March 2024 it was agreed that the additional hours would be paid with effect from the 1st April 2024.</p> <p>All allowances paid are reasonable and have been authorised by council.</p> <p>The Clerk has been subject to PAYE and NI regulations via the payroll prepared by the council's external payroll provider. All statutory deductions due per the payslips have been paid to HMRC. The P 60 agrees to the gross pay and PAYE paid during the year.</p>

		The External Auditor requires me to check that the correct employers' pension percentage contribution has been applied. The Clerk has confirmed that she has, however, opted to not auto-enrol into the Government's NEST pension scheme.
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council's Asset Register is maintained as a schedule. It is in the recommended format.</p> <p>I have reviewed the expenditure records for the year and confirm that the purchase of a litter bin has been added to the register at the correct valuation of net cost excluding VAT.</p> <p>The council does not hold any investments.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>Bank reconciliations have been prepared quarterly by the Clerk. They correctly include both the council's Current Account and Deposit Account.</p> <p>The reconciliations have been signed as prepared by the Clerk and by the Chairman as confirmation that he has reviewed them.</p> <p>In accordance with best practice and as an important part of the council's internal financial control processes, the monthly bank reconciliations and the respective month-end balances on the bank statements have been initialled by the Chairman to signify that both are in agreement.</p> <p>A review of the reconciliations confirms that there are no unusual or balancing entries.</p>

<p>11</p> <p>Were Accounting statements 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, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>Following minor amendments, as a result of the audit, the statements agree with the cashbook and there is an audit trail from underlying financial records to the year-end statements.</p> <p>Following the audit a minor amendment was found to be needed to the figure in box 8, bank balances, to ensure that it agreed to the year-end bank reconciliation statement.</p> <p>Also, at the time of the audit, box 11.a required completion by ticking "No", to confirm that the council does not act as a sole Trustee and is not responsible for managing Trust Funds or accounts. This has now been completed.</p> <p>The figure in box 9, fixed assets, agrees to the year-end total on the Asset Register.</p> <p>The Internal Audit Report in respect of 2022/23 was presented to, and approved by, the Parish Council on the 18th July 2023.</p>
<p>12</p> <p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u></p> <p>Findings Section 2, Accounting Statements, of the Annual Governance and Accounting Return Part 2, identified that the council's gross income and gross annual expenditure for 2022/23 did not exceed £25,000.</p> <p>The council confirmed, by signing the Certificate of Exemption at the meeting held on the 18th May 2023 that the exemption criteria identified on the Certificate for the previous year were fully met by the council.</p>

Executive Summary

Page | 13

The accounts and governance arrangements of the council have been maintained to a much higher standard during 2023/24 and the hard work of the Clerk during the year to achieve this, and assistance provided in the completion of the audit, was much appreciated.

The internal financial control environment within the council is good and the consideration and adoption of the above recommendations and advisory note will serve to strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2024.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

Public Sector Audit

28th April 2024

Public Sector Audit

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