

Public Sector Audit

Gowdall Parish Council

Internal Audit Report for the year ended 31 March 2025

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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 2025. 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: Page | 3

- 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</p> <p>The accounting records are maintained in a manual analysis cash book. It is balanced up to the 31st March 2025.</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> <p>The cash book is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</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</p> <p>The council's Standing Orders and Financial Regulations were approved at the council meeting held on the 7th March 2024. At the time of approval they were both the latest NALC Models.</p> <p>During March 2025 NALC issued revised Model Financial Regulations.</p> <p>During April 2025 NALC also updated its Model Standing Orders for Local Councils to adopt.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should review and adopt the latest 2025 NALC Model Standing Orders and Financial Regulations during the current financial year.

3	<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> <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 previously provided evidence of quotations sought and received in respect of grass cutting during the year. Year 2024/25 is the second year of the three-year grass cutting contract. It is noted, however, that the contractor has quoted an increase in the cost for the 2025 season. The council has accepted this on the condition that it will be held for the 2026 cutting season. <p>I have tested and confirmed that VAT has been identified and correctly recorded in the accounting records for inclusion in the VAT reclaim at the year end.</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>One cheque was issued during the year. The stub has correctly been initialled by both signatories to signify agreement with the cheque. The cheque was for a Christmas tree but no documentation has been submitted to audit in support of this expenditure.</p> <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, with the exception of one paid by cheque, have been paid online.</p>
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		Recommendation <p>● Invoices or receipts must be obtained by the council in support of all payments made and they must be provided to audit for review and verification purposes.</p>
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><u>Assessment of significant risks</u></p> <p>Findings</p> <p>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 March 2024. It is noted that the Risk Assessment in respect of assets identifies that visual inspections are undertaken at least annually.</p> <p>The council has confirmed that an annual inspection of council owned street furniture and sundry items is sufficient. The inspection for 2024/25 was undertaken by a council member on the 1st July 2024 and an inspection sheet was completed. The inspection sheet identifies what was inspected, its condition and any remedial works considered necessary.</p> <p>I have examined the council's insurance policy and the indemnity limits are considered to be adequate.</p> <p>I have reviewed the security of the council's electronic data. The Clerk has confirmed that all electronic data is automatically saved to cloud storage. Additionally, the council has purchased an external hard drive on which to save electronic information. The Clerk has confirmed that the council's laptop and external hard drive are password protected.</p>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>A detailed budget, which included each income and expenditure cost centre, was prepared for 2024/25 and was approved by Full Council on 16th January 2025.</p>

	Has progress against budget been regularly monitored and reported and were reserves appropriate?	<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 2025 totalled £15,530. 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 £12,382 represents 108% 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>
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>	<p><u>Adequate income controls</u></p> <p>Findings</p> <p>The council's Precept of £10,482.42 for 2024/25, agrees to the two instalments of £5,241.21 received on the 30th April and 30th September 2024.</p> <p>The council also received income in respect of an HMRC VAT refund, Field Rent, a donation from the Social Centre towards the Christmas Lights and bank interest.</p> <p>➤ It is noted that a Tenancy Agreement has been drawn up between the Parish Council and the tenant of the field. The agreement has been signed by both parties and is to be reviewed every three years.</p> <p>Recommendation</p> <p>● A copy of the new Tenancy Agreement should be forwarded to audit next year in support of the income received from Field Rent. This will facilitate audit review and verification of the income received during the year.</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><u>Appropriate petty cash controls</u></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>For all tested sundry payments, VAT has been correctly accounted for.</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><u>Adequate payroll controls</u></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 2024 to March 2025 to the original contract, the 2024/25 NJC National Pay Award, including back pay from the 1st April 2024, and changes to the Clerk's terms and conditions of contract authorised by the council on the 7th March 2024. It was noted that the decision by council on the 7th March 2024 was implemented in December 2024 including an appropriate back pay adjustment.</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. For the sample tested, 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. Following last year's audit a review of all council owned assets has been undertaken and adjustments to the Asset Register have been made where necessary.</p> <ul style="list-style-type: none"> ➤ It was noted that a set of festive lights was purchased during the year and added to the register. The total cost of the lights was added to the register, however, including the VAT element. Following the audit, this was amended to exclude the VAT element of the invoice, as only the net cost of goods should be recorded on the Asset Register. <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, all quarterly bank reconciliations and the respective month-end balances on the bank statements should also be initialled by the Chairman to signify that both are in agreement.</p> <p>➤ It is noted that the month-end balances on the bank statements have not been initialled by the Chairman in respect of the June and September bank reconciliations.</p> <p>A review of the reconciliations confirms that there are no unusual or balancing entries.</p> <p>Recommendation</p> <p>● As a significant part of the council's internal financial control processes, it is important that the Chairman, when reviewing and signing the quarterly bank reconciliations, also signs against the respective quarter-end balances on the bank statements to signify that the balances on the statements are in agreement with the bank reconciliation statements.</p>
11	<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</p> <p>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>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, one figure on the year-end statements was amended to allow for rounding to ensure that the statements added correctly,</p> <p>Following amendment to the Asset Register in respect of the addition of festive lights, box nine, total fixed assets, on the year-end Accounting Statements has also been amended to agree to the revised total on the Asset Register as at the 31st March 2025.</p>

		The Internal Audit Report in respect of 2023/24 was presented to, and approved by, the Parish Council on the 13th May 2024.
12	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><u>Exemption Certificate</u></p> <p>Findings</p> <p>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 2023/24 did not exceed £25,000.</p> <p>The council confirmed, by signing the Certificate of Exemption at the meeting held on the 13th May 2024 that the exemption criteria identified on the Certificate for the previous year were fully met by the council.</p>
13	Did the council publish information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities?	<p><u>Transparency Code</u></p> <p>Findings</p> <p>The council's gross income for last year or gross annual expenditure for the year did not exceed £25,000 and hence the council is subject to the Transparency Code for Smaller Councils.</p> <p>I have reviewed the council's website and confirmed that the Parish Council published the required information in accordance with the Smaller Authorities Transparency Code.</p>
14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2024, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>

15	Did the council comply with the publication requirements for the previous year's AGAR?	<u>Publication Requirements</u> Findings I have reviewed the council's website and confirmed that the Parish Council published the correct documents as required by the Accounts and Audit Regulations 2015.
16	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> Findings I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.

Executive Summary

The accounts and governance arrangements of the council have been maintained to a good standard and the hard work of the Clerk in achieving this is acknowledged.

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The internal financial control environment within the council is good and the consideration and adoption of the above recommendations will 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

2nd May 2025

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