

Broughton Gifford Parish Council

Internal Audit Report: 2023-24

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Background

The Accounts and Audit Regulations introduced from 1st April 2001, as amended periodically, require all Town and Parish Councils to implement 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 initial review of the Council's records undertaken remotely in March 2024 together with our final review on 30th April 2024. We thank the new Clerk for assisting the process, providing all necessary documentation in a mix of electronic and hard copy format to facilitate completion of this year's review.

Internal Audit Approach

In undertaking this year's review, 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 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 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to conclude that, based on the programme of work undertaken this year, the new Clerk and Council have maintained adequate and effective internal control arrangements over the Council's finances. We have, however, identified a few where we consider controls could and should be further strengthened, details of which are set out in the body of the following detailed report with consequent recommendations further summarised in the appended Action Plan for ease of members reference and response.

We have completed and signed the 'IA Certificate' in the year's AGAR, having concluded that the relevant control objectives set out therein have been achieved satisfactorily throughout the financial year.

We also take this opportunity to draw the new Clerk's attention to 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 the financial ledgers. The former Clerk switched to use of the Easypc accounting software to maintain the financial records for the year, which we consider appropriate given the level of annual transactions with two bank accounts in place with Lloyds (Treasurer's for day to day transactions and Instant Access for Solar Farm funds): the latter is credited with small amounts of interest each month. We have: -

- Checked and agreed the opening balances for 2023-24 to the closing Trial Balance and certified AGAR for 2022-23;
- Verified that appropriate analysis is in place to facilitate production of a detailed Statement of Accounts and transfer of said detail to the Accounts in the AGAR;
- Checked and agreed all transactions for the financial year to the supporting bank statements on both accounts;
- Ensured that the accounts remain "in balance" at the financial year-end;
- Checked the accuracy of detail in the two accounts' bank reconciliations as at 31st March 2024, noting that monthly bank reconciliations are prepared and retained in the file of financial records, also noting at the interim review stage that that neither the reconciliations nor bank statements were being signed-off by a non-signatory councillor as required by the adopted Financial Regulations (FRs para 2.2 refer); and
- Ensured the accurate disclosure of the combined account balances in the AGAR at Section 2, Box 8.

Conclusions and recommendation

As indicated above, at the interim review, we saw no indication that the Council was complying with its own adopted FRs in that we had seen no evidence that a non-account signatory councillor was reviewing and signing off bank reconciliations and original bank statements at regular intervals during the course of the financial year. We drew this to the attention of the Clerk at that stage of our review and are pleased to note that the year-end bank reconciliation has been duly signed-off, although the bank statements have yet to be signed-off.

R1. The Council must ensure compliance with its adopted regulatory framework appointing an appropriate councillor to undertake at least quarterly checks on bank reconciliations, signing off the reconciliation together with the supporting original bank statements. This has been partially actioned at the year-end, but should also extend to the sign-off of bank statements as and when reconciliations are prepared and reviewed.

Review of Corporate Governance

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

We are pleased to note that, following our earlier recommendation, both the SOs and Financial Regulations (FRs) were reviewed, revised and brought into line with the latest NALC model documents with a consistent value of £25,000 for formal tender action recorded, together with appropriate reference to the requirements of the extant Public Contracts Regulations (2015) on tendering and the requirement to advertise any contracts in excess of £25,000 on the Government Contract Finder website.

We referred, in last year's report, to the potentially high value for the council to take formal tender action (FRs £25,000 Para 11.1.h & SOs para 18.a.v refer) and again suggest that the Council considers a lower value for such local tendering action in the region of £10,000.

We have examined the minutes of meetings of the Council and Finance Committee for the financial year to ensure that no issues either exist currently or are developing that may have an adverse effect on the Council's financial standing: we have also sought to ensure that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions are planned or have taken place that may be of an ultra vires nature and place the Council at risk of criticism or possible financial penalty.

We are pleased to note from examination of the Council's website that the external auditors signed-off the 2022-23 AGAR: we also note that the 2022-23 Notice of Public Rights was posted affording members of the public the requisite 30 working days availability of the Council's financial records for their examination.

As the Council's receipts and payments in 2023-24 both exceeded £25,000 the Council will again be subject to an external audit review and will need to complete a Part 3 AGAR form. Similarly, whilst not legally bound by the requirements of the Transparency Code for Smaller Councils, we suggest that, in line with best practice and as the 2023-24 turnover only marginally exceeds the £25,000 threshold, the Council should consider publishing the requisite information, as future years turnover may well drop below the threshold for compliance. We have provided the Clerk with a copy of that Code to assist the process.

Conclusions and recommendations

Whilst no significant concerns arise in this area this year, we make one or two suggestions where we feel that the Council should consider ensuring compliance with best practice.

- R2. *Consideration should be given to revising the level at which formal tender action is required down to the previous value of £10,000 given the Council's usual level of annual spending.*
- R3. *Consideration should be given to publicising all relevant documentation as though it were governed by the Transparency Code for Smaller Councils.*

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;

- 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 coding and cost centre has been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

Due to their relatively low volume and tidy manner of filing, we have examined all payments during the course of the year to ensure compliance with the above criteria: we noted at our interim review that members were not routinely providing any formal confirmation of their review of documentation supporting each payment: in discussion with the new Clerk at that time we urged that a more formalised approach be taken, ideally, as indicated previously with a rubber certification stamp affixed to every payment docket providing for both the Clerk's and councillors certification of the invoices, We are pleased to acknowledge the action taken by the new Clerk and councillors with the March 2024 invoices appropriately signed-off by herself and two councillors.

We also noted at our interim review that a few duplicated payments had occurred during the year that had been appropriately corrected, also noting a few payments that were not supported by appropriate invoices or other relevant supporting documentation. The new Clerk has, wherever possible, now identified / obtained copies of the relevant supporting documentation. Going forward, we urge that, where no formal trade invoice is available, a suitably designed proforma "invoice / supporting docket" be prepared and be signed-off as approved for payment by the Chairman.

We also suggested last year that, to provide an effective means of cross-referencing paid invoices to the cashbook as cheques were no longer routinely used, each payment during the year should be allocated a unique sequential reference number which should be recorded on both the paid invoice and cashbook. Whilst this was implemented in the early months of the year, compliance appeared to have ceased part way through: again, we suggested to the new Clerk that this action be reinstated and are pleased to note compliance in the latter stages of the year.

We note that a VAT reclaim for expenditure incurred in the latter stages of 2022-23 was prepared, submitted to and repaid by HMRC in May 2023. We have seen no indication of the submission of any subsequent reclaim and suggest that, if not already actioned a reclaim dating from the previous submission date to 31st March 2024 be prepared and submitted as soon as practicable. Going forward we urge that reclaims are submitted routinely at the end of each financial year to include recoverable VAT for the full financial year.

Conclusions and recommendations

As indicated above, we urge that a more formalised approach be taken to evidencing member certification and approval for release of funds on all payment documentation with the acquisition of a suitably designed rubber certification stamp acquired and affixed to each document. We also urge that, to afford the Clerk a degree of protection against potential allegations of inappropriate activity, a councillor should function as the payment releasing officer following the Clerk's setting up the payments online.

We also reiterate our suggestion that, for ease of cross-referencing, a unique sequential number be allocated to each payment during the year, that number being recorded in the cashbook similarly to a cheque number and also on the invoice / payment document.

We are also pleased to note that the new Clerk has, following our interim review suggestion, implemented arrangements for all payments to be set-up by herself with a nominated signatory then going on-line to physically release the payments.

With regard to VAT, we also suggest that reclaims be prepared and submitted at the close of each financial year thereby easing identification of the amount being reclaimed.

- R4. Effective segregation of duties between setting up and releasing payments should be implemented with the Clerk setting them up and one or more councillors going online to physically release the payments having verified their authenticity by reference to the supporting documentation. **Appropriate arrangements, as suggested, have now been put in place.***
- R5. Consideration should be given to the acquisition of a suitably designed payment certification / authorisation rubber stamp as indicated in the body of the report: this should then be affixed to **all** payment dockets thereby effectively evidencing members' scrutiny, approval and authorisation of all payments. **This has been actioned appropriately, with the Chairman signing-off the monthly schedule of payments and another councillor reviewing and signing-off the individual invoices.***
- R6. The use of a unique sequential reference number should be allocated to each payment in the year, that number being recorded on both the invoice / payment document and, as if it were a cheque number, in the cashbook. **This has been reinstated as suggested.***
- R7. VAT reclaims should, ideally, given their relatively low value be prepared and submitted to HMRC at each year-end covering the full financial year.*

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 note that the Council's Risk Management policy has been reviewed and re-adopted by the Council at the March 2024 meeting. We are pleased to note that, following our prior year recommendation, the register now affords indication of both the likelihood of the individually identified risks coming to fruition and the potential impact (financial or political) on the Council should that eventuality arise. We consider the resultant register appropriate for the Council's present requirements.

We have examined the Council's current insurance policy, arranged through BHIB, noting that cover is in place with Public and Employer's Liability both standing at £10 million and Fidelity Guarantee at £250,000, all of which we consider appropriate for the Council's present needs.

We have also noted previously that the Council's play area is subject to periodic inspections during the year by the Village Caretaker, also noting that he had undergone the relevant training and received the necessary accreditation with relevant supporting documentation following the reviews being retained by the Clerk.

Conclusions

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

Budgetary Control and Reserves

We aim in this review area to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on Wiltshire Council; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We noted at our interim review that minutes afforded no indication that members were provided with periodic budgetary performance information during the year.

We note from our review of minutes that, following due deliberation, the 2024-25 budget and precept were approved and adopted at the December 2023 full Council meeting, the latter being set at £18,190.59.

We have considered the appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements noting that the year-end balance has reduced to £58,076 (£62,062 at 31st March 2023): the detailed Statement of Accounts prepared by the Clerk indicates that, of the total reserve balance, £49,920 is earmarked as "Solar Farm" money. The residual General Fund reserve balance of £8,156 equates to just over three months' revenue spending at the 2023-24 level and is marginally within the generally recognised level of between three and twelve months revenue spending.

Conclusions and recommendation

We are pleased to record that no significant concerns have been identified in this area although, as indicated above, we urge that members are provided with periodic detail of financial performance against the year's approved budget.

R8. The Council should be provided with periodic financial information comparing the actual receipts and payments at the point of reporting against the approved annual budget. The Easypc accounting software should provide the necessary information.

Review of Income

The Council has relatively limited sources of income, primarily the annual precept, cemetery fees, occasional grants, bank interest and recoverable VAT. As indicated earlier in this report, we have checked and agreed the detail of these for the year to bank statements and other available supporting documentation.

As part of our review, we have examined the Clerk's burial records noting that six burial receipts are recorded in the Easypc "cashbook" and burial register as occurring during the financial year, together with the receipt of fees for two memorial headstones. In examining the formal burial register we noted, as confirmed by the Clerk, that one receipt referred to an interment in May 2022.

We noted previously that the cemetery fees and charges were last reviewed and increased at the April 2020 meeting. We note that, at the March 2024 meeting, Council agreed that the charges relating to purchase of plots would be increased by 10% for 2024-25, whilst other fees and charges would be reviewed at the April 2024 meeting: we will check the outcome as part of the 2024-25 IA review.

Conclusions

Care should be taken to ensure that appropriate invoices are raised for all interments promptly with resultant income due to the Council pursued to ensure similar prompt settlement.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk in connection with her work for the council being reimbursed through the usual trader payment process.

Review of Staff Salaries

In examining the Council's payroll function, we aim to verify that staff salaries are paid in accordance with their Contracts of Employment and that legislation is being appropriately observed as regards adherence to the requirements of HMRC with regard to the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that the payroll function is outsourced to Highland Payroll Services;
- Checked to ensure that the Council has prepared an appropriate Employment Contract for the new Clerk: in doing so, we note that she is employed for 10 hours per week on the National NJC Scale Point 22: in reviewing the contract, we note that the salary quoted therein does not reflect the nationally agreed pay scale applying from 1st April 2023;
- Reviewed the Clerk's salary payment by reference to various monthly payslips processed during the year.

Conclusions and recommendation

*We are pleased to record that no significant concerns arise in this area, although we urge that the Council reviews and ensures that the Clerk's monthly gross salary is calculated and paid in accordance with the nationally agreed salary applying from 1st April 2023. The monthly basic salary payable should be calculated as the annual salary on SCP Point 22 * 10 h.p.wk / 37 (Basic nationally agreed weekly full-time hours) / 12 months.*

We have also pointed out to the new Clerk that the "Working from home allowance" is not to be included in the "Staff costs" column of the Easypc financial ledger or at Section 2, Box 4 of the year's AGAR.

R9. *The Clerk's monthly gross salary should be paid in accordance with the Nationally agreed rate for her point on the NJC Scale, calculated as indicated above.*

Fixed Asset Registers

“The Governance and Accountability Manual – The Practitioner’s Guide” requires all councils to maintain a record of all assets owned. We have checked and agreed the detail recorded in the Council’s Asset Register, noting that it has been prepared using purchase cost values, net of VAT as required by The Practitioner’s Guide, or, where that value is unknown, at the prior year recorded AGAR value uplifted or decreased to reflect the acquisition or disposal of any assets during the financial year. We have verified that the AGAR value at Box 9 equates to the Asset register value as recorded at 31st March 2024.

Conclusions

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

Investments and Loans

The Council has one small residual investment of £15.44 in 2.5% Consolidated Stock, the value of which is reported appropriately as a “Fixed Asset” in the Asset register and thence the AGAR.

Statement of Accounts and AGAR

The AGAR forms the Council’s statutory accounts subject to external audit examination and certification, other than for those councils with an annual turnover below £25,000 who may claim exemption. As indicated earlier in this report, Broughton Gifford is no longer eligible to claim exemption and must therefore submit a Form 3 AGAR to the appointed external auditor for certification.

We have reviewed and ensured the accuracy of the financial detail for 2023-24 as disclosed in the year’s AGAR, subject to a further final amendment relating to the original incorrect erroneous inclusion of the “home working” allowance as a Staff cost in the accounting software. We have checked and reworked the values and provided the clerk with the reworked detail for inclusion at Boxes 4 & 6 of the AGAR Section 2. Consequently, the Clerk will need to ensure that the “working from home allowance” is recorded as a box 6 expense in the 2024-25 accounting software and is not identified as an AGAR Box 4 “Staff cost”.

Conclusions

Based on the generally satisfactory conclusions drawn from our review programme for the year, we have signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The Council must ensure compliance with its adopted regulatory framework appointing an appropriate councillor to undertake at least quarterly checks on bank reconciliations, signing off the reconciliation together with the supporting original bank statements.	<i>This has been partially actioned at the year-end, but should also extend to the sign-off of bank statements as and when reconciliations are prepared and reviewed.</i>
Review of Corporate Governance		
R2	Consideration should be given to revising the level at which formal tender action is required down to the previous value of £10,000 given the Council's usual level of annual spending.	
R3	Consideration should be given to publicising all relevant documentation as though it were governed by the Transparency Code for Smaller Councils.	
Review of Expenditure and VAT		
R4	Effective segregation of duties between setting up and releasing payments should be implemented with the Clerk setting them up and one or more councillors going online to physically release the payments having verified their authenticity by reference to the supporting documentation.	<i>Appropriate arrangements, as suggested, have now been put in place.</i>
R5	Consideration should be given to the acquisition of a suitably designed payment certification / authorisation rubber stamp as indicated in the body of the report: this should then be affixed to all payment dockets thereby effectively evidencing members' scrutiny, approval and authorisation of all payments.	<i>This has been actioned appropriately, with the Chairman signing-off the monthly schedule of payments and another councillor reviewing and signing-off the individual invoices.</i>
R6	The use of a unique sequential reference number should be allocated to each payment in the year, that number being recorded on both the invoice / payment document and, as if it were a cheque number, in the cashbook.	<i>This has been reinstated as suggested.</i>
R7	VAT reclaims should, ideally, given their relatively low value be prepared and submitted to HMRC at each year-end covering the full financial year.	
Budgetary Control & Reserves		
R8	The Council should be provided with periodic financial information comparing the actual receipts and payments at the point of reporting against the approved annual budget. The Easygc accounting software should provide the necessary information.	

Rec. No.	Recommendation	Response
Review of Staff Salaries		
R9	The Clerk's monthly gross salary should be paid in accordance with the Nationally agreed rate for her point on the NJC Scale, calculated as indicated above.	