

## **Northway Parish Council**

*Internal Audit Report 2023-24: Final*

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*Adrian Shepherd-Roberts*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

All town and parish councils are required by statute to make arrangements 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 Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2023-24 financial year which was completed by 25<sup>th</sup> October 2023 and 9<sup>th</sup> May 2024. We have undertaken our reviews for the year remotely. We wish to thank the Clerk who undertook a significant amount of work to assist in the process, providing all necessary additional documentation in electronic format to facilitate completion of our review. We have ensured governance and financial controls remain effective.

## **Internal Audit Approach**

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

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 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We are pleased to report that the accounts and Council records are maintained to a high standard, together with supporting documentation which was provided for the purposes of our review.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

# Detailed Report

## Review of Accounting Arrangements & Bank Reconciliations

The Council uses the Omega accounting software to maintain its day to day financial records and provide the basis for production of year-end accounts and AGAR detail. 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. To that end, we have:

- Ensured that the ledger remains in balance at the present date;
- Agreed the opening trial balance detail for 2023-24 with that in the 2022-23 Statement of Accounts;
- Examined and ensured that the coding structure remains appropriate for purpose and provides sufficient detail to assist in the preparation of the Council's year-end AGAR and more detailed Statement of Accounts presented to members;
- Checked and agreed transactions in the Council's HSBC Current account cashbook to the relevant bank statements for April and September 2023 and March 2024; and
- Checked detail on the bank reconciliations for the Current account as at 30<sup>th</sup> September 2023 and March 2024 relating to the aforementioned accounts to ensure that no long-standing uncleared cheques or other anomalous entries exist.

### *Conclusions*

*We are pleased to report that no issues have been identified in this area.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, that Council and Committee (where appropriate) meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Examined the Council's minutes for the current year to determine 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 note that all Council Minutes are signed and initialled on each page;
- Noted that the Council reviewed Standing Orders (SOs) and Financial Regulations (FRs) which were re-adopted in May 2023.
- Noted that members continue to be provided with and approve a schedule of payments.

### *Conclusions*

*We are pleased to report that no significant issues have been identified in this area of review.*

## Review of Expenditure

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;
- We note that the Council are approving some payments by BACS which are approved, in most cases, prior to the funds being transmitted.
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and reclaimed quarterly.

We have selected a sample of payments to examine for compliance with the above criteria, to 31<sup>st</sup> March 2024.

We have also examined the content of the quarterly VAT reclaims submitted to HMRC and agreed detail to the underlying control account balance in Omega.

### *Conclusions*

*We are pleased to record that no significant issues have been identified in this area.*

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

- We note that the Financial Risk Assessment programme was adopted by the Council in February 2024.
- Zurich Municipal continues to provide the Council's insurance cover: we have examined the current year's schedule and are pleased to note that asset insurance cover has recently been reviewed, together with Employer's and Public Liability cover, both of which are in place at £10 million and £15 million respectively, with Fidelity Guarantee cover at £250,000.

### *Conclusions*

*No issues have arisen in this area warranting formal comment or recommendation currently with appropriate insurance cover in place.*

## **Precept Determination and Budgetary Control**

We aim in this area of our work 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 of the precept placed on the Unitary Authority, 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 note that Full Council approved, at its January 2023 meeting, a precept level of £216,083 for 2024-25.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

### *Conclusions*

*There are no matters requiring formal comment or recommendation in this area of our review process.*

## **Review of Income**

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that the income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

The main sources of income are the annual precept and fees from the hire of the Community Hub.

We have reviewed hire receipts from the nominal ledger relating to the Hub and are satisfied that the processes are satisfactory.

We are pleased to note that members have considered and approved the fees and charges for the Community Hub for in line with the requirements of the Council's Financial Regulations.

### *Conclusions*

*We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation.*

## **Petty Cash Account**

Our aim in this area is to ensure that appropriate controls are in place; that all expenditure incurred is adequately supported by trade invoices or till receipts; that the expenditure is appropriate for the Council's requirements; that VAT has been separately identified for

periodic recovery and that cheque encashments from the main cashbooks are properly recorded.

We have not physically checked the cash but have reviewed the holding from the information that we have been provided and we consider that it continues to operate effectively.

### *Conclusions*

*No matters arise 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 Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further revised from 1<sup>st</sup> April 2022 in relation to employee percentage bandings. Consequently, we have:-

- Checked and agreed the computation of staff gross and net pay and salary deductions for September 2023 as compiled by DCK Accounting Solutions;
- Checked to ensure that the correct Tax codes, National Insurance tables and LGPS salary banding pension rates have been accurately applied and that the deductions arising therefrom have been paid over in a timely manner; and
- Checked and agreed a sample of enhanced payments to supporting timesheets ensuring that the latter were appropriately checked and certified for payment.

### *Conclusions*

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

## **Fixed Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

### *Conclusion*

*No issues require formal comment or recommendation*

## **Investments and Loans**

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of

return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council has a PWLB loan in place, the combined balance being repaid in half-yearly instalments. We have verified the instalment repayments for the year as part of the above referenced expenditure testing.

The Council has an investment with CCLA Investment Management Limited, a deposit account with an initial deposit of £100,000.

### *Conclusions*

*There are no issues arising in this area for this financial year.*

## **Annual Governance and Accountability Return**

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs. The accounts have been prepared by DCK Accounting Solutions Limited

We have examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

### *Conclusions*

*No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.*