Lyneham & Bradenstoke Parish Council

Internal Audit Report 2023-24

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Background and Scope

Statute requires all town and parish councils to arrange for 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. We have undertaken our review based on electronic information made available to us, and information freely available on the Council's website. We thank the Clerk for her assistance in the process, providing all necessary documentation to facilitate completion of our review for the year and sign off of the IA Certificate in the year's AGAR.

Internal Audit Approach

In undertaking our 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 is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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' in the year's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

While we have made some observations in this report about improving the level of internal control by Councillors, most notably with regard to payment approvals and bank reconciliations, we are able to offer the Council a reasonable assurance on their governance and financial procedures during the year under review. While we have not made any formal recommendations, we would invite the Council to give careful consideration to the comments contained in this report.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the accounting records using the Rialtas Alpha accounting software, which remains appropriate for the Council's needs. Two bank accounts are in operation with Unity Trust (Current and Deposit).

We aim in this review area to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear therein. Consequently, and in view of their relatively low volume, we have: -

- Agreed the opening balances recorded in the Alpha accounts for 2023-24 with those in the 2022-23 certified AGAR;
- Ensured that the accounts remain "in balance" at the financial year-end;
- Test-checked transactions recorded on all accounts for the full financial year by reference to the underlying bank statements;
- Ensured the accurate disclosure of the combined bank balances in the year's AGAR at Section 2, Box 8.

We would again observe that Financial Regulation (FR) 2.2 requires an independent Councillor to undertake a quarterly check on bank reconciliations, which should be reported to and minuted by Council.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our repeated observation about the absence of an FR2.2 independent check.

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 (SOs) 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 note that the Council's Standing Orders and Financial Regulations were reviewed by Council in May 2023, are available on the Council's website, and accord with the NALC Model Forms.

We note that the tendering levels in both documents (SO18a(v) and FR11.1h refer) have been left at the NALC default level of £25,000. We again suggest that a level of £10,000 would be more appropriate to the Council's current level of operation. However, we note good evidence of tendering practices in the Minutes.

We have reviewed the minutes of Council meetings during 2023-24, as posted on the Council's website, with no issues of concern noted.

We have checked whether the Exercise of Public Rights for the 2022-23 accounts was properly undertaken in accordance with the Accounts and Audit Regulations. We note that the published notice was for 31 days, rather than the statutory 30 days. Care should be taken to ensure that the statutory requirement is complied with.

We note a reasonable level of compliance with the Transparency Code 2015 for Smaller Authorities.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about revising tendering levels, and the correct period for the Exercise of Public Rights.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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 expense analysis has been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We note that schedules of payments due are submitted to each meeting of Council. However, we can only find evidence that around 25% of approved payments are formally signed, which should again be regarded as best internal control practice.

We have agreed the outstanding VAT reclaim for 2023-24 to the Alpha records.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our concern about a higher level of formal sign-off by Councillors of approved expenditure.

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 to minimise the opportunity for their coming to fruition.

We note that the Council approved its Risk Register at the March 20224 meeting, which meets the requirement in Financial Regulations for at least an annual review.

We have examined the Council's insurance policy for the year with Aviva through BHIB Brokers, noting that both Employer's and Public Liability cover stands at £10 million, together with Fidelity Guarantee cover at £150,000 and Officials Indemnity at £500,000, with appropriate property cover for the Council's assets, all of which we consider appropriate for the Council's present needs.

We note that the Council's play areas are subject to annual RoSPA inspection and report, the outcome being presented to members for formal agreement of any remedial action deemed necessary, with an appropriate contractor engaged to undertake the necessary repairs.

We note that play area inspections continue to be undertaken weekly on a rota with a formal record of each inspection completed and sent to the Clerk for electronic filing.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of Precept to be drawn down from Wiltshire Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans and cover any unplanned expenditure that might arise.

We note that the 2024-25 budget and Precept were formally approved and adopted at the January 2024 Council meeting, in the sum of £61,579.

The Council has total funds of £170,733 as at 31 March 2024. The Alpha system shows Earmarked Reserves (EMRs) of £154,649, plus a further £35,000 as a 'Contingency Reserve' which we regard as part of the General Reserve. Therefore the General Reserve stands at £51,084, which represents 83% of the agreed Precept against a Best Practice figure of 50%. The level of reserves is high, and should be kept under regular review.

We have repeatedly noted that the Financial Reserves Policy adopted by the Council in May 2020 has not subsequently been reviewed, which was an annual objective.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about the high level of reserves, and the need to periodically review the Financial Reserves Policy.

Review of Income

The Council has relatively limited sources of income, primarily the annual Precept, allotment rents, recoverable VAT, bank interest, grants and donations.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate period and is also banked promptly. We have test-checked significant receipts between the accounting system and the bank statements, with no issues arising.

We have found no evidence that fees and charges for allotments were reviewed during 2023-24, which is an annual requirement under Financial Regulation 9.3. We have been assured by the Clerk that a review was undertaken, with no increase proposed, although this decision needs to be formally minuted.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observation about the minuting of fees reviews.

Petty Cash Account

The Council does not operate a formal petty cash account. Therefore, no matters arise in this area warranting further 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 HMRC legislation as regards the deduction and payment over of income tax and NI contributions.

We note that preparation of the monthly payroll is now outsourced to an external contractor who provides all relevant documentation pertaining to the clerk's salary, tax, NI and NEST pension deductions and Council contributions to facilitate payment of the net salary and HMRC / NEST monthly payments.

To meet the above objective, we have: -

- Checked and agreed detail of the gross pay of the clerk's salary to her employment contract and approved salary rate for March 2024;
- Verified the tax and NI deductions applied by reference to the relevant HMRC tables based on her Tax Code for the same two months;
- Ensured that all net pay, HMRC and NEST payments have been processed in an appropriate and timely manner.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Fixed Asset Register

The Governance and Accountability Manual (GAM) sets out the reporting requirements for Fixed Assets in the AGAR. We note that that the Council's Asset Register was reviewed in March 2020 to more closely accord with the GAM requirement to record assets at original cost (net of VAT) or, if this figure is not available, a notional cost.

We note that the Asset Register has now been updated for purchases up to 31 March 2024, and therefore meets the above requirement. We have agreed with the Clerk that the correct figure to be included at Section 2, Box 9 of the 2023-24 AGAR is £145,332, which may require a restatement of the 2022-23 total, to justify variances between the years.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observation about a possible restatement of the 2022-23 Asset valuation in the AGAR.

Investments and Loans

The Council has no funds invested in long-term deposits, only in a Unity Trust deposit account, nor are any loans in existence either repayable by or to the Council.

Statement of Accounts / AGAR

All Councils are required to prepare and submit to their appointed external auditor each year a completed AGAR before 30th June. The Alpha accounting software generates all necessary end-of-year financial information, including the detail to be disclosed in the AGAR at Section 2.

We have checked and agreed the financial values to be reported in the 2023-24 AGAR to the underlying year-end financial detail, as set out in the Rialtas Alpha accounting records with no issues arising other than the amendment to the Asset valuation as referred to above.

Conclusions

Subject to our observations in this report, we have duly signed off the IA Certificate in the 2023-24 AGAR with appropriate assertions in each relevant area.

Rec. No.	Recommendation	Response
No recommendations made.		