

# Annual Internal Auditor's report 2023/24 Cholesbury Parish Council

Internal Auditor: Deborah O'Brien CiLCA PSLCC.

To: The Councillors of Cholesbury Parish Council,

25<sup>th</sup> April 2024

Smaller authorities are required by the Accounts and Audit Regulations 2015 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.

In accordance with guidelines contained in the 2023 Practitioners' Guide (JPAG) paragraphs 4.6-4.12, I am independent of the Parish Council and its members as well as being a CiLCA qualified Clerk with over 10 years' experience.

I have carried out a selective assessment of the Council's compliance with relevant procedures and controls, which I expected to be in operation during the year ended 31st March 2024, as outlined in the letter of engagement signed by the Council at its 20th February 2024 meeting. The function of this internal audit is to improve efficiency and effectiveness of the Council's procedures, not to detect errors or fraud, as the management of the Council's internal controls is a function of the Council as a whole. (Practitioners' Guide, paragraphs 4.4-4.5).

This internal audit has been conducted electronically utilising requested documents provided by the Clerk, as well as those present on the website at Cholesbury-cum-St Leonards | Parish Council.

Overall, the standard of management and governance processes is good, with some issues highlighted below for the attention of the Parish Council. I would like to thank the Parish Clerk/RFO, Hayley Farrelly for her cooperation and assistance in facilitating this internal audit.

## Internal Audit report assertions

- A. **Appropriate accounting records have been properly kept throughout the financial year.**
  - Appropriate accounting records have been kept throughout the year with monthly updates brought to council meetings. (Detailed Excel workbook) However, there are no date/month descriptions shown on the expenditure tab after October. Please ensure these are include going forward.
  - Bank reconciliations are reviewed quarterly and signed & dated at meetings by two councillors.
  - Prior year's cashbook balance has been correctly brought forward.
  - Council minutes for the year are complete and up to date, initialled & signed by the Chairman. I would suggest dating the signatures as well.

- There was a resolution in the May 2023 minutes to maintain regular payments, d/debits and standing orders for certain suppliers such as Clerk's salary, Castle Water and ICO. Annual subscriptions were also confirmed by resolution.
- B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.
- The council's Financial Regulations and Standing Orders are in place.
  - Financial Regulations are regularly reviewed and are based on the latest 2019 template. Standing Orders are also regularly reviewed and based upon Model Standing Orders 2018. New Financial Regulations are expected in May 2024, so please review and adopt as soon as practical.
  - Invoices are processed promptly with the Clerk/RFO checking for validity and prior authorisation. They are then presented to full council for approval.
  - A random sample of financial transactions was examined in detail and found to be administered correctly. (All invoices and bank statements were provided) Invoices are initialled by 2 councillors upon approval.
  - Currently three Councillors are authorised on the banking mandate.
  - Payments are made electronically. Clerk sets up payments in the bank account and two councillors must approve the payments, having had sight of the invoices first. All payments are minuted.
  - An internet banking policy is in place.
  - I would recommend that where grants are made (Parish Hall & Village Hall), a receipt is obtained to show a clear audit trail. An acknowledgment of receipt is on file for the Village Hall, but not the Parish Hall. The Parish Council should consider a Grants policy which includes an application form to cover this.
- C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- [The Accounts and Audit Regulations 2015](#) require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. All councillors and clerk review these.
  - Standing Orders were last reviewed in May 2023 and are reviewed regularly. Paragraph 18 (c) needs to be updated as the Public Contracts Amended Regulations 2022 (SI 2022/1390) increased the threshold from £25,000 to £30,000 incl VAT.
  - Other policies are in place and regularly reviewed. These are available on the website at [Governance documents | Cholesbury-cum-St Leonards](#)
  - The Risk Management register was reviewed in June 2023 and this is also available on the website. Additional assessments of the allotments and Village Green have been added. I would still recommend a formal review/inspection of trees in the parish for which the Council is responsible.
  - Insurance coverage appears to be appropriate and was reviewed in April 2023, when liability coverage was confirmed for the Green and Buckland Common.

- D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- The 2023-24 budget was considered, and precept agreed at a full council meeting dated 27/11/2022 (minute 5504(e)). This was correctly recorded as the amount payable of £10,800. The budgeted expenditure was £13,485, with total income set at £12,300 leaving £1,185 shortfall.
  - The 2024-25 budget was considered, and precept of £13,000.00 agreed at a full council meeting dated 9/1/24 (minute 5631(d) and (e)). A draft 2024/25 budget was not made available online as part of the transparency requirement of meeting papers to be made available with agendas. The budgeted expenditure was £15,924, with total income set at £14,515 leaving £1,409 shortfall. The Council must consider this when setting next year's precept as reserves are being eroded. It was noted that the Chairman has proposed a 3 year forward budget projection plan and I would refer Councillors to Practitioners' Guide paragraphs 5.30 -5.38 for guidance.
  - A quarterly review of budget vs expenditure is made – this document should be made available online with the agendas for transparency.
- E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- The precept received matched that requested and the central government records.
  - The April 2023 agenda and minutes record the first half-yearly precept payment as £5,800 when in fact it was £5,400. The second half-yearly payment of £5,400, received in September was not recorded in the minutes.
  - 2022/23 partial VAT claim (£153.46) received in April, a further £336 is due for 2022/23 plus £447.79 VAT claimed for 2023/24; claims are made annually.
  - Allotment fees were reviewed in October and held at current rates.
  - Bank interest – the Business Instant Access account only has a nominal amount in whereas the Treasurer's account (non-interest bearing) holds the bulk of the Council's cash. I would recommend reviewing this to see if more interest can be earned by depositing a higher amount in the Instant Access account.
- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
- The council does not hold petty cash.
- G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.
- The sole employee is the Clerk/RFO who has the NALC model contract. Payroll is administered via HMRC Basic Tools/RTI.
  - Regular HMRC payments are made and the HMRC website shows payments have been made, with no payments outstanding.
  - The current hourly rate of pay is based upon the 2023/24 National Salary Award. This was increased to SCP 19 as of 1<sup>st</sup> October 2023. The latest NALC/SLCC pay scale amendments have been applied and backpay paid and minuted in November 2023. An additional backpay (3 months underpaid) amount was made in March 2024 and is on the agenda for April 2024. It is recommended that all salary

adjustments/amendments to contract are formally contained in a letter confirming them.

- **Sample payslips were reviewed, and it was noted that a £500 working from home allowance has been included in the staffing costs line 4 of Section 2 Accounting Statement. This amount should be included in line 6 'All other payments'. Guidance on staff costs can be found in Practitioners' Guide paragraph 5.154. This was also raised in last year's internal audit. The accounting statement should be corrected accordingly and if last year's was not corrected, it should be re-stated.**
- The Council is registered with the Pensions Regulator.

H. Asset and investment registers were complete and accurately and properly maintained.

- The asset register is regularly updated and reviewed annually.
- The Council does not have any loans.

I. Periodic bank account reconciliations were properly carried out during the year.

- Quarterly bank reconciliations are made to the statements, reviewed by full Council. These are signed by councillors.
- Year-end reconciliations for 31/3/23 and 26/3/24 were checked and agreed to line 8 of section 2 of the AGAR.
- The year-end bank reconciliation matches section 2 line 8 of the AGAR. However, the latest bank statement I have reviewed is dated 26 March 2023, and whilst there may be no anticipated activity, a statement including the end of the month is required, (even allowing for the Easter bank holidays). Please ensure that the final balance is correct.

J. Accounting statements prepared during the year were 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, debtors and creditors were properly recorded.

- The council operates on receipts and payments accounting in accordance with regulation 11 of the Accounts and Audit Regulations 2015.
- **The financial detail reported in the draft Section 2 of the AGAR reflects the detail shown in the accounting records for 2023/24. However, some corrections should be made to lines 4 and 6, as indicated elsewhere in this report. (G point 4)**
- The signature of the RFO on section 2 of the AGAR Accounting Statements must be dated before the meeting at which it is approved.
- The Annual Governance Statement should not be pre-populated, but completed at the approval meeting after reviewing the Internal Auditor's report.

K. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt.

- The Council correctly declared itself exempt in 2022/23.
- The Exemption Certificate was prepared approved at a full council meeting on 18<sup>th</sup> April 2023. It has been published on the Council's website.

- L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.
- The authority maintains a website which is regularly updated.
  - In general, all required information is published. The council is below the £25,000 threshold and is subject to the [Transparency Code for Smaller Authorities 2015](#)
  - Part of the Transparency Code publication requirements is that all supporting papers (draft budgets for example) are published with the agendas for meetings. See page 6 paragraph 10 of the [Code](#). Please ensure that this is enacted.
  - In addition, a list of Councillor's responsibilities must be published.
  - It is recommended that the written Internal Auditor's report is published as well as the AGAR version.
  - The council is in compliance with [The Accounts & Audit regulations 2015 regulation 13](#) (At least five years of AGARs and associated documents must be published).
- M. In the year covered by the AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (*during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set?)*
- **The council approved the dates of 30 June – 11 August 2023 (which is 31 working days), and these were agreed at the 20 June 2023 meeting. However, the published notice states 30 June – 14 August which is 32 working days and in both cases exceeds the mandatory 30 days required.**
- N. The authority has complied with the publication requirements for 2022/23 AGAR (*see AGAR page 1 Guidance Notes*)
- The council complied with this requirement.
- O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.
- Not applicable – the council is not a trustee.

Other matters not covered above:

- Agendas: In addition to issuing an agenda to every meeting, it is a legal requirement that Councillors are formally summoned to meetings. This can be incorporated with the agenda if preferred. See [Local Government Act 1972 schedule 12 part II](#) paragraph 10 (2) (b) This was also raised last year.
- It is recommended that the Clerk and all councillors Review the Practitioners' Guide (JPAG). A copy can be downloaded from NALC.
- Election of Chair in May 2023 – the Clerk called for nominations – this should be the function of either the previous Chairman or the Vice-Chairman in his absence (as he had resigned). Please refer to Standing Order 5.
- It was noted that the co-option of 3 councillors in September was not minuted according to standard practice, but rather "ratified following interviews". Co-option must take place at a full council meeting, with candidates nominated and voted

upon. Acceptance of Office declarations were also not minuted. Please refer to NALC LTN8 for guidance. A Co-option policy is recommended.

- Publication Scheme policy – this appears to be missing the tables of items as illustrated in the ICO’s template on pages 4-9 of [template-parish-councils-20211029](#)
- The Clerk has a PC g-mail address, but councillors still do not have PC specific e-mail addresses. It is recommended that all councillors utilise a PC dedicated e-mail address such as councillorA@cholesburyparishcouncil.org.uk. The use of personal e-mail addresses may cause GDPR and Freedom of Information issues. Please refer to [Fact sheet for councils: the use of personal email addresses and devices \(ico.org.uk\)](#) for guidance. It is anticipated that within the next couple of years this will become mandatory. Please see Practitioners’ Guide 2024 paragraphs 5.210-5.219.

This report and its recommendations are to help the Council and not to criticise it. There are many excellent practices in place which reflect well on the Clerk/RFO/Proper Officer. The report should be submitted along with the Annual Internal Audit Report 2023/24 to the full council for review and consideration, prior to completing the Annual Governance Statement.

If you have any questions, please do not hesitate to ask.

*Deborah O'Brien*