

HEELIS&LODGE

Local Council Services • Internal Audit

Internal Audit Report for Tostock Parish Council – 2023/2024

The following Internal Audit was carried out on the adequacy of systems of control in accordance with the requirements of the Audit and Accounts Regulations 2015 and the guidance and instruction in the Practitioners Guide 2023. The following recommendations/comments have been made:

Income: £25,275.26 Expenditure: £14,862.12 Reserves: £59,830.84
As recorded in the bank reconciliation against the cashbook.

AGAR Completion:

Section One: No

Section Two: Yes – draft figures

Annual Internal Audit Report 2023/2024: Yes

Certificate of Exemption: Yes

Proper book-keeping Cash Book, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

All were found to be in order. VAT payments are tracked and identified within the year end accounts.

The cashbook is referenced providing a clear audit trail. Supporting paperwork is in place and well referenced.

Financial regulations Standing Orders and Financial Regulations
Tenders
Appropriate payment controls including acting within the legal framework with reference to council minutes
Identifying VAT payments and reclamation
Cheque books, paying in books and other relevant documents

Standing Orders in place: Yes
Reviewed: 9/1/2024 (Ref: 24.01.08.1)
11/9/2023 (Ref: 23.09.08.3)

Financial Regulations in place: Yes
Reviewed: To be reviewed during 2024-2025

VAT reclaimed during the year: Yes (£90.44) Registered: No

General Power of Competence: No

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Code of Conduct Adopted: 12/3/2024 (Ref: 24.03.12.1)

There were no tenders during the year that exceeded the £30,000 Public Contract Regulations threshold.

The Council adopted a Dispensation Procedure at a meeting held on 12/3/2024 (Ref: 24/03.12.2).

Risk Assessment

Appropriate procedures in place for the activities of the council
Compliance with Data Protection regulations

Risk Assessment document in place: Yes
Data Protection registration: Yes (Ref: ZA128874)

Data Protection

The General Data Protection Regulations have changed and the new Regulations came into force on 25 May 2018. It is likely that this will affect the way in which the Council handles its data. Due to the financial risk associated with the General Data Protection Regulations, the Council have included this in their Risk Assessment.

Privacy Policy published: Yes

Insurance was in place for the year of audit. The Risk Assessment, including Internal Controls, has not been reviewed during the year of audit. It is noted that this is due to be reviewed on 14/5/2024.

Recommendation: *To undertake and minute a review of the Risk Assessment and Internal Controls during the year of audit.*

The Council have drafted a sound Risk Register and Internal Control statement. The Clerk provides financial reports to council meetings. Councillors are provided with information to enable them to make informed decisions.

The Council reviewed and confirmed bank signatories at a meeting held on 14/11/2024 (Ref: 23.11.08.3).

Fidelity Cover: £25,000

The level of Fidelity cover is below the recommended guidelines of year end balances plus 50% of the precept.

Recommendation: *To carry out a review of the level of Fidelity cover.*

Transparency

Under the **Transparency code for smaller authorities**, smaller councils with income/expenditure under £25,000 should publish on their website from 1 April 2015:

Smaller Council: No

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The Council is not subject to the requirements of the Transparency Code for smaller Councils as they were selected for an intermediate audit. The Transparency Code for Councils with a turnover exceeding £200,000 is not covered as part of the Internal Audit.

Under **The Accounts & Audit Regulations 2015 15** councils must publish on their website:

External audit report

2023 Annual Return, Section One Published – Yes

2023 Annual Return, Section Two Published – Yes

2023 Annual Return, Section Three Published – Yes

Under **The Accounts & Audit Regulations** councils must publish on their website:

Notice of period for the exercise of public rights

Published – Yes

Period of Exercise of Public Rights

Publish Date: [30/6/2023](#) Start Date: [3/7/2023](#) End Date: [11/8/2023](#)

Under the requirements of the **Accounts and Audit Regulations 2015 13(2b)** council are required to display AGARs for the five years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 on their website.

The Council have not met the publication requirements. Some of the published AGARs are incomplete and there is no information available for the 2018-2019 financial year.

Recommendation: *To publish all the required information.*

Budgetary controls supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: £9,920.00 (2023-2024)

Date: 23/1/2023 (Ref: 23.01.15)

Precept: £12,323.00 (2024-2025)

Date: 9/1/2024 (Ref: 24.01.07.5)

Good budgetary procedures are in place. The precept was agreed in full council and the precept decision and amount has been clearly minuted. The Clerk ensures the council are aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions. Budgets are monitored during the year.

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Income controls	<p>Precept and other income, including credit control mechanisms</p> <p><i>All were found to be in order. Income controls were checked and a sample of income received and banked cross referenced with the Cash Book and bank statements. NB the comment further on in the report regarding grant income.</i></p>						
Petty Cash	<p>Associated books and established system in place</p> <p><i>A satisfactory expenses system is in place with supporting paperwork. No Petty Cash held.</i></p>						
Payroll controls	<p>PAYE and NIC in place where necessary. Compliance with Inland Revenue procedures Records relating to contracts of employment</p> <p>PAYE System in place: Yes Employer's Reference: 120/NE71782 P60s issued: Yes</p> <p><i>The Council continue to operate RTI in accordance with HMRC regulations. Supporting paperwork is in place and a P60 has been produced as part of the year end process.</i></p> <p><i>It is noted that the Council undertook a review of salaries at a meeting held on 9/1/2024 (Ref: 24.01.07.2). The Council has completed its re-declaration with the Pensions Regulator (Ref: 19/2/2014).</i></p>						
Asset control	<p>Inspection of asset register and checks on existence of assets Cross checking on insurance cover</p> <p><i>A separate asset register is in place and was reviewed at a meeting held on 12/3/2024 (Ref: 24.03.11). Values are recorded at cost value. The total value of assets are recorded at £35,407.75. The figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR.</i></p>						
Bank Reconciliation	<p>Regularly completed and cash books reconcile with bank statements</p> <p><i>Bank Reconciliations are carried out regularly.</i></p> <p><i>Bank Balances at 31 March were confirmed as:</i></p> <table border="0" style="margin-left: 40px;"> <tr> <td><i>NatWest Current</i></td> <td><i>xxxx2847</i></td> <td><i>£21,755.20</i></td> </tr> <tr> <td><i>NatWest Reserve</i></td> <td><i>xxxx7158</i></td> <td><i>£38,199.43</i></td> </tr> </table> <p><i>The figures for receipts and payments in the bank reconciliation were verified against the cashbook. However, these differed from the figures in the AGAR Section 2.</i></p>	<i>NatWest Current</i>	<i>xxxx2847</i>	<i>£21,755.20</i>	<i>NatWest Reserve</i>	<i>xxxx7158</i>	<i>£38,199.43</i>
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<u>AGAR</u>	<u>Cashbook</u>
Receipts £24,775	£25,275.26
Payments £14,361	£14,862.12

The AGAR receipts and payments should reflect the cashbook figures.

Recommendation: *To review the AGAR figures.*

Reserves

General Reserves are reasonable for the activities of the Council
Earmarked Reserves are identified

The Council have adequate general reserves (£4,116.97) and have identified CIL earmarked reserves of £55,713.87 in their year end accounts.

It is noted that general reserves are low, less than 50% of the precept. Good practice indicates that the Council should be aiming towards 75% - 100% of the precept in general reserves.

Following on from a recommendation made by the previous year's Internal Auditor, it is recommended that the Council adopt a Reserves Policy outlining an acceptable level of general reserves and the rationale behind its decision. The Reserves Policy would also cover the CIL funds the Council holds and the infrastructure projects the funds will be allocated to.

Recommendation: *To adopt a Reserves Policy.*

Year-end procedures

Appropriate accounting procedures are used and can be followed through from working papers to final documents
Verifying sample payments and income
Checking creditors and debtors where appropriate.

End of year accounts are prepared on a Receipts & Payments basis.

It is noted that the Council have repaid a loan from MSDC during the year which is entered in Section 2, Box 6 of the AGAR.

It is noted that the Council have voided the payment made in error for the Clerk's Tax for the period October 2023 – January 2024.

It is noted that £350 income received on behalf of the knitting group, and then paid to the group has not been included as a receipt or payment. As this is money that has been received into the Council's bank account and paid out to a third party the Council should include both the receipt and the payment in their accounts.

Recommendation: *To include the £350 income and payment in the Council's accounts. This may result in the Council exceeding the £25,000 Transparency Code for smaller councils threshold.*

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Sole Trustee

The Council has met its responsibilities as a trustee

The Council is not a sole trustee.

Internal Audit Procedures

The 2023 Internal Audit report was considered by the Council at a meeting held on 22/5/2023 (Ref: 23.05.09). Recommendations arising from the Internal Audit report were considered and resolved to action (Ref: 23.05.10).

Heelis & Lodge were appointed as Internal Auditor at a meeting held on 12/3/2024 (Ref: 24.03.07.5).

External Audit

The Council formally approved the 2023 AGAR at a meeting of the full Council held on 12/6/2023 (Ref: 23/06/07.2.1).

The Council was selected for an intermediate audit for the 2022-2023 financial year.

There was no evidence that the External Auditor's report was considered at a meeting.

Recommendation: *To minute the consideration of the External Auditor's report.*

The following matters were brought to the attention of the Council:

The AGAR was not accurately completed before submission for review:

- Section 2, Box 4 incorrectly includes items which are not staff costs as defined in the Joint Panel on Accountability and Governance Practitioners' Guide. Please note that Box 4 should comprise payments made in relation to the employment of staff including only gross salary, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or terminations payments to employees. Payments to self employed contractors who are not on the payroll are not staff costs for the purpose of completion of the AGAR in accordance with proper practice. The figures in Section 2, Boxes 4 and 6 in the prior year comparative column should read £1,271 and £7,823 respectively.

Section 1, Assertion 4 has been incorrectly completed. Information received from the internal auditor in the Annual Internal Audit Report and their detailed report highlights that not all of the required documentation in respect of public rights for 2021/22 was published on the website. As a result, this assertion should have been answered 'No'.

Section 1, Assertion 5 has been incorrectly completed. The internal auditor has highlighted that there was no review or approval of the risk assessment during the year under review and as a result, this assertion should have been answered 'No'.

Other matters not affecting our opinion which we draw to the attention of the authority:

We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2023/24 for the exercise of public rights, since the period for the exercise of public rights was less than 30 consecutive working days in length. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2023/24 and ensure that it makes proper provision for the exercise of public rights during 2024/25.

In the prior year, the smaller authority was exempt from our review, thus we have not reviewed any evidence to support the prior year comparatives on the AGAR.

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Additional Comments/Recommendations

- The Annual Parish Council meeting was held on 22/5/2023. The first item of business was the Election of Chairman, in accordance with Standing Orders.
- There are no additional comments/recommendations to make in relation to this audit.
- I would like to record my appreciation to the Clerk to the Council for their assistance during the course of the audit work



Heather Heelis
Heelis & Lodge
4 May 2024

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