

Old Windsor Parish Council

Internal Audit Report 2023-24 (Final)

Susan Cook

*For and on behalf of
Auditing Solutions Ltd*

Background

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, during our visits to the Council, which took place on 6th December 2023 and 1st May 2024, along with the preparatory work undertaken at our offices.

Internal Audit Approach

In commencing our review for 2023-24 and in accordance with the requirements of the IA Certificate in the AGAR and the latest 2023-24 edition of the Governance and Accountability Manual, we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council continues to operate robust control systems and that transactions are, as far as we are able to ascertain, processed in accordance with national and locally approved legislation and controls.

Overall Conclusion

We are pleased to record that the Council continues to maintain adequate and effective internal control arrangements with only three issues identified this year, detail of which is set out in the body of the report with resultant recommendations summarised in the appended Action Plan. We are also again pleased to acknowledge the quality of records maintained by the Clerk with the assistance of the Lead Member for Finance (LMF).

We have duly completed and signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk and Council of the requirements of 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.

We ask that this report is presented to members and their comments reported to us.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Omega software to process the Council's financial transactions operating two bank accounts with the Unity Bank (Current and Deposit). We note the opening of an account with CCLA during the 2023-24 financial year.

Our objectives in this area are to ensure that the accounting records are being maintained accurately and in a timely manner with detail reconciled routinely to the bank accounts in use. We have consequently -

- Verified that the closing balances, as reported in the 2022-23 Statement of Accounts and certified AGAR, have been "rolled-forward" correctly as opening balances for 2023-24;
- Ensured that the financial ledger remains in balance;
- Examined the coding schedule, which we consider remains appropriate for the Council's requirements;
- Verified transactions on the current account for three months during the year to date (June, and October 2023 and March 2024);
- Verified transactions on the Reserve account for June and October 2023 and March 2024;
- Verified transactions on the CCLA account for June and October 2023 and March 2024;
- Verified detail of the month-end bank reconciliations on the current account as of 30th June, and 31st October 2023 and March 2024; and
- Reviewed the procedures in place for preparing and authorising journals, together with the controls in place over the review of bank reconciliations;

Conclusions

We are pleased to report that no issues of concern have been identified from work completed in this area for the year to date, although we note that the CCLA account has not been reconciled for March 2024. Whilst the balance has not changed from the prior month, it is a requirement in the Financial Regulations for all bank accounts to be reconciled at year-end.

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 may reasonably be expected to ascertain, as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We note that the Standing Orders, based on the NALC Model document, were reviewed and formally adopted by the Council at the February 2023 meeting. We note that the NALC Model Financial Regulations (FRs) were last adopted at the December 2019 meeting of the Council.

We have reviewed the Council's minutes for the financial year checking to ensure that there are no significant issues arising that might give rise to ultra vires expenditure or other forms of potentially

unlawful activity, also that the Council is continuing to manage its resources effectively and are pleased to record that no indications exist of potential problems with the Council's ongoing financial viability.

We also note that the external auditors have "signed-off" the 2022-23 Annual Governance and Accountability Return (AGAR) Certificate with the following comment. 'The AGAR has not been signed in accordance with the Accounts and Audit Regulations 2015. Section 2 was not signed by the Responsible Finance Officer before approval.'

Conclusions

We note that the Council has now formally re-adopted the General Power of Competence at its meeting in January 2024.

We note that approval of the AGAR was not set out in the minutes as a separate agenda item, and that approval was given to the AGAR, without separate deliberation of the two sections, both of these should follow receipt of the report of the Internal Auditor.

We have discussed with the Clerk, that as Responsible Finance Officer (RFO) he should sign Section 2, Accounting Statement of the AGAR in confirmation that the accounts information within Section 2 is correct, before presentation to Council for adoption.

Our check of the Exercise of Public Rights Notice for 2022-23 revealed that the Council did not correctly comply with the requirements of the Accounts and Audit Regulations 2015, as the date of the announcement was incorrect, being dated in error within the provided review period.

R1. In line with the Accounts and Audit Regulations, approval of the AGAR should be a separate item on the agenda, with Council reviewing the assertions in Section One, before resolving to approve. These should be reviewed against the Internal Audit report and signed Internal Audit (page 3 of the AGAR reporting pack). Once these have been approved and signed by the Chair and Clerk, the Council should then resolve to approve Section Two, which should then be signed by the Chair.

R2. Care should be taken when completing the AGAR, to ensure that the information provided is correct and signed in accordance with the Accounts and Audit Regulations. The accompanying paperwork at the beginning of the AGAR provides further details of the requirements.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- All payments are subject to approval by the relevant lead member in accordance with the Council's approved procedures;
- 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 expense codes have been applied to invoices when processed; and

- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have reviewed the Council's approach to the approval and authorisation of the release of moneys to traders and staff and consider that they remain sound. We have selected a sample of 63 payments processed in the year to date to check for compliance with the above criteria. Our test sample includes all those payments individually in excess of £1,000, plus every 25th as recorded in the cashbook and totals £124,956 and equates to 61% by value of non-pay related expenditure in the year to date.

We have also reviewed and verified the accuracy of the 2023-24 quarterly VAT reclaims submitted to HMRC to date, with no issues, the final quarter return having been submitted to HMRC on 30th April 2024.

Conclusions

We are pleased to note that the value of payments is now included on the website.

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 have reviewed the risk register, which is extensive in its coverage of both financial risk and physical assets noting it was reviewed and re-adopted at the November 23 meeting of the Council.

We have examined the current year's insurance schedule with cover again provided by Zurich noting that Employer's and Public Liability cover are in place at £10 million and £12 million respectively, together with Fidelity Guarantee cover at £250,000 and Hirer's Liability at £2 million.

We have also confirmed receipt of the annual play area risk assessment.

Conclusions

It is good practise to ensure that fidelity guarantee insurance covers the value of the year end bank balance plus 50% of the following years precept. When reviewing insurance requirements for 2024-25 the Council should consider if an increase in fidelity insurance is required, as the current value of the bank accounts is just under £397,000.

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 annual precept; 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 are pleased to note that, following due deliberation, the Council formally adopted the 2024-25 budget and precept at the January 2024 meeting, setting the latter at £175,822, the same value as the prior year.

We are pleased to note that members continue to receive quarterly budget monitoring reports through the year presented by the LMF. We have examined and have examined the year-end outturn noting some small variances but have no concerns warranting further enquiry.

We have again considered the level of retained reserves at the financial year-end noting that they have reduced marginally to £292,697 (£300,887 at 31st March 2023), with EMRs now standing at £123,097 (£129,112 at prior year-end). The residual General Reserve balance of £169,560 (£152,641 as at 31st March 2023) equates to approximately 8 months expenditure at the 2023-24 level and is considered appropriate for the Council's ongoing revenue spending requirements.

Conclusions

We are again pleased to record that no issues arise in this area this year.

Review of Income

The Council continues to receive income from a relatively small number of sources in addition to the precept including cemetery activities, sports and rifle club rentals, bank interest, allotment rents, sundry grants and donations and recovered VAT.

We have reviewed the procedures in place relating to the identification and recovery of fees in relation to interments at this interim visit selecting a sample of 7 interments occurring to 31st March 2024 ensuring that all appropriate legally required documentation was held (i.e., Burial and / or cremation certificates) and that appropriate fees have been charged and recovered.

We note that the Council continues to operate the Rialtas allotment software to manage the allocation of plots and recovery of rents: we examined the related data output ensuring that the appropriate rents were invoiced and recovered in the current financial year with none remaining unpaid. We also note that all tenants have now paid a refundable deposit detail of which is appropriately recorded in the Omega accounts as a liability.

We have also examined the detailed income transaction reports for the financial year to date to ensure that, as far as we can reasonably establish, income due has been received and banked appropriately.

Conclusions

We are again pleased to record that no issues have arisen in this area to date warranting formal comment or recommendation.

Petty Cash Account & Use of Debit / Credit Cards

The Council does not operate a petty cash account as such: however, a Unity Trust Bank Debit Mastercard is in place with a £500 limit, which is used to meet any ad hoc purchases and achieve savings by purchasing through the internet where appropriate: the account is settled monthly as and when any expenditure occurs. We have reviewed all statements for the year, with no issues arising.

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 relating to the deduction and payment over of income tax and NI contributions.

We note that the Clerk, and two Village Wardens' salaries are paid in accordance with national NJC scales applying since 1st April 2022, with amendments due to be made in the December 2023 salaries to include the agreed uplift from 1st April 2023.

Consequently, we have: -

- Ensured that the gross salaries paid in September 2023 to the Clerk, Community Social Worker and two Village Wardens were paid at the approved rates and, where applicable, approved working hours by reference to payslips;
- Checked and agreed detail of the computations of tax and national insurance deductions for the same month;
- Verified the resultant net salary payments made to the staff; and
- Ensured the appropriate payment of tax and NI contributions to HMRC for the year to date.

Conclusions

We are pleased to record that no issues have been identified in this area of our review process.

Asset Registers / Inventories

The "Governance and Accountability Manual – The Practitioner's Guide", requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council's documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

We confirm the value of the asset register to Section 2 box 9 of the AGAR as £1,717,802.

Conclusions

We are pleased to record that no issues have been identified in this area of our review process.

Investments and Loans

The Council has opened an account with CCLA, investing £80,000, following a review of its Investment Strategy, with the monthly interest being paid into Unity Bank.

The Council currently has one outstanding PWLB loans repaid at half-yearly intervals. We have, as part of our above payment review / testing, verified details of the half-yearly loan repayments for the current year by reference to the PWLB third-party demands and the UK Debt Agency year-end residual loan schedule, confirming the outstanding loan liability to be reported in the AGAR at Section 2, Box 9 as £24,000.00.

Conclusions and recommendations

We note that the bank balances with Unity Bank exceed £317,000.00 which would not be covered by the FSCS (Financial Services Compensation Scheme), in the unlikely event that Unity Bank were to fail. The Council should consider spreading the risk by investing some of these funds elsewhere, in line with its Investment Policy.

R3. The Council should review the balances held with Unity Bank and consider transferring funds elsewhere to reduce the risk to the Council in the unlikely event of the failure of Unity Bank, and to maximise interest earnings.

Statement of Accounts and AGAR

The Clerk and LMF have, with assistance from external contractors (DCK Accounting), prepared the necessary Annual Accounts and statutory AGAR detail from the Omega accounting system: we have checked and agreed the detail therein to the underlying data in the software and other supporting documentation.

Conclusions and recommendations

We have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

As in the preface to this report, we take this opportunity to remind the Clerk and Council of the need to ensure compliance with the website disclosure requirements as set out in the preface to the 2023-24 AGAR, also observing the timing requirements for posting the AGAR and Notice of Public Rights for 2023-24.

<i>Rec. No.</i>	<i>Recommendations</i>	<i>Response</i>
Review of Corporate Governance		
R1	In line with the Accounts and Audit Regulations, approval of the AGAR should be a separate item on the agenda, with Council reviewing the assertions in Section One, before resolving to approve. These should be reviewed against the Internal Audit report and signed Internal Audit (page 3 of the AGAR reporting pack). Once these have been approved and signed by the Chair and Clerk, the Council should then resolve to approve Section Two, which should then be signed by the Chair.	
R2	Care should be taken when completing the AGAR, to ensure that the information provided is correct and signed in accordance with the Accounts and Audit Regulations. The accompanying paperwork at the beginning of the AGAR provides further details of the requirements.	
Investments and Loans		
R3	The Council should review the balances held with Unity Bank and consider transferring funds elsewhere to reduce the risk to the Council in the unlikely event of the failure of Unity Bank, and to maximise interest earnings.	