



Hullbridge Parish Council

Internal Audit Report 2023-24 (Interim)

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*For and on behalf of
Auditing Solutions Ltd*

Background

All town and parish councils are required by statute 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). The Council has complied with the requirements in terms of independence from the Council decision making process appointing us at Auditing Solutions Ltd to provide the service.

For a variety of reasons we have again undertaken this review remotely and thank the Clerk for providing all necessary information in electronic format to facilitate this interim review for 2023-24.

This report sets out the work undertaken to date in the 2023-24 financial year, which took place by 6th October 2023

Internal Audit Approach

In commencing our review for the year, 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 has again been designed to afford appropriate assurance that the Council's financial systems remain 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 'IA Certificate' in the AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year to date.

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

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

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 ledgers remain in balance at the present date;
- Verified the opening trial balance for 2023-24 to the Statement of Accounts and AGAR for 2022-23 to ensure that the closing balances have been brought forward accurately and completely;
- Checked and agreed transactions in the Council's main bank account cashbook to the relevant Unity Bank statements for April to September 2023.

Conclusions

We are pleased to report that no issues have been identified in this area warranting further comment. We will undertake further work at our final review.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain as we do not attend Council or Committee meetings, all meetings are conducted in accordance with the adopted Standing Orders (SOs) and no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that SOs and Financial Regulations (FRs) are in place, being further reviewed and adopted by Council at their meeting in May 2023.

We have reviewed the minutes of the full Council and standing committees for the year to date to determine whether any issues exist that may have an adverse effect on the Council's future financial stability, either in the short, medium or longer term with no such issues apparent.

Conclusions

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

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;

- Members are provided with, and subsequently authorise, all supplier payments and that appropriate details are recorded in the Council minutes;
- 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 commenced testing in this area, examining a selected sample of those payments individually in excess of £1,000, together with a more random sample of approximately every 25th cashbook transaction irrespective of value, for the year to 30th September 2023. Our sample comprises 16 individual payments totalling £22,792 excluding salary payments which totalled £56,494.

We have confirmed that VAT has been appropriately identified and coded to the control account for periodic recovery with the two quarterly reclaims to 30th September 2023 completed.

We noted previously that the Council also holds Trade Cards which are used by the Clerk and by the Council's Maintenance Officers. The use of these cards by the Maintenance Officers is authorised by the Clerk with all expenditure thereon authorised as part of the routine payment approval process.

Conclusions

We are pleased to report that no significant concerns have been identified in this area of our review process to date.

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

We have noted that the Council has reviewed and re-adopted its Risk Assessment and Management document as at the March 2023.

We have reviewed the current year's insurance schedule, as now provided by Zurich, noting that Public and Employer's Liability are in place at £12 million and £10 million respectively together with Fidelity Guarantee cover at £250,000 and Business Interruption - "Loss of Revenue" cover in place at £10,000. We consider these levels of insurance appropriate for the Council's present requirements, although have doubts about the need for Business Interruption – Loss of Revenue cover.

We have noted previously that a member of the Council's maintenance undertakes weekly inspections of play area equipment staff with an appropriate record retained in the office and believe that situation to remain unchanged.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation

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 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.

The Council will commence consideration of the 2024-25 budgetary requirements later this year and we shall consider the action taken and outcomes, together with the approved level of precept at a future review.

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

We have been advised that the Council are to formally consider and finalise its budget and precept requirements for 2024-25 later in the financial year. Consequently, we shall review this area further at our final visit, also examining the year's budget outturn, following up any significant variances and obtaining appropriate explanations: we shall also consider the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations.

Review of Income

In this review area, we aim to ensure that the Council has appropriate procedures in place to ensure that all income due is identified, invoiced (where appropriate), recovered and banked in a timely manner. The Council only has limited income sources in the form of the annual Precept, recoverable VAT, allotment income and miscellaneous small receipts and grants.

We noted last year that members reviewed and approved the scale of allotment fees and charges for 2023-24 as part of the annual budget determination process.

We note that bespoke Rialtas software is used to manage and control the recovery of allotment rental income, the allotment tenancy year running from 1st October annually. The Clerk has kindly provided us with detail of the tenants who have paid their rents to date, together with detail of those currently unpaid. Given that the allotment rental year only commences on 1st October, we have no concerns currently regarding the level of unpaid rents currently and will revisit this area at our final review.

Conclusions

No issues have been identified in this review area currently: as above, we will undertake further work in this area at our final review, specifically focusing on the recovery of the allotment rents.

Petty Cash Account

The Council operates a formal petty cash account on an “imprest” basis with a float of £250, which is “topped-up” as and when required during the year: a separate cashbook is in use in Alpha.

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 checked the cash but have reviewed the holding from the information that we have been provided. As we are working remotely, we suggested that where possible an independent check is undertaken to confirm that the cash has been checked and the account balances. We note that this continues to be undertaken.

We have reviewed the vehicle fuel nominal ledger and sample statements and we are satisfied that this is monitored and controlled effectively.

Conclusions

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

Review of Staff Salaries

In examining the Council’s payroll function, we aim to confirm that current 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, together with meeting the requirements of the Local Government pension scheme. We have: -

- Reviewed the Council’s payroll preparation procedures;
- Noted that the Clerk processes the payroll “in house” using the HMRC Basic PAYE Tools software;
- Confirmed, by reference to the September 2023 payslips, that each member of staff has received the correct gross salary in line with the Council’s approved rates;
- Checked to ensure that Income Tax and NIC deductions have been applied appropriately by reference to the relevant HMRC tables for September 2023;
- Ensured that the resultant deductions and contributions have been paid over to HMRC in a timely manner
- Checked to ensure that the appropriate employee percentage deduction rate has been applied in respect of pension contributions; and
- Verified that the appropriate net pay has been paid to each employee for September 2023 in accordance with the payslip detail provided by the Clerk.

Conclusions

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

We have previously noted that the Council opened a two-year bond with the Hampshire Trust Bank and have ensured the appropriate receipt and recording of the accrued interest in September 2023: we have also noted the £25,177 in the Nationwide building Society account. We will ensure that any further interest receivable in the year on / both account(s) is appropriately recorded in Alpha at our final review.

We are pleased to note that the Council has reviewed and re-adopted its Investment Policy at their meeting in May 2023.

Conclusions

We are pleased to report that no issues have been identified in this review area currently: we shall, as above, ensure the appropriate recording of any further interest income on the two deposit accounts.