

Annual Internal Auditor's report 2023/24 Hoath Parish Council

Internal Auditor: Deborah O'Brien CiLCA PSLCC.

To: Hoath Parish Council,

15th May 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 16th October 2023 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 [Hoath Parish Council](#). In addition, a Zoom meeting was held on 15th May 2024 to review this report.

I would like to thank the Parish Clerk/RFO, Caroline Read, 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.

- Prior year's cashbook balance has been correctly brought forward.
- Appropriate accounting records have been kept throughout the year with monthly updates brought to council meetings. The PC will switch to Easy PC accounts for 2024/25.
- Bank reconciliations are reviewed monthly and minuted.
- Year-end bank reconciliation matched section 2 line 8 of the AGAR.
- Minutes for the year are complete and have been signed by the Chairman at the ensuing meeting.

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 has now adopted (September 2023) Standing Orders and last Financial Regulations which are based upon the current model NALC templates. A revised set of Financial Regulations have been issued by NALC as of May 2024. Please review and adopt when practical.
- A sample of 15% of payments was reviewed and found to be administered and processed correctly. Most invoices are signed by a councillor upon payment and an audit trail was possible. Please ensure that all are initialled. Going forward, it should be more clearly minuted that three quotes were obtained (where possible) and reviewed by full council. Also, where contracts are awarded or purchases agreed, the supplier and amount should be recorded in the minutes.
- Payments are made by cheque in accordance with Financial Regulations, and the Council has effective controls in place. Three out of five Councillors are on the mandate. Council to research BACS payments.

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. **The internal control review has not taken place and needs to be implemented and documented (minuted) going forward.**
- **There is no strategic (financial & operational) risk management policy in place, and this is a requirement. Please develop, review and adopt one as a matter of urgency. This was also raised last year.**
- **It is also a requirement to publish the ICO model publication scheme which can be found at [template-parish-councils-20211029](#)**
- Risk assessments have been developed for the allotments, the Paddock, Village Green and car park.
- **Liability insurance & risk assessments are not being reviewed and held on file for contractors used by the Parish Council. This should be part of the tendering process.**
- Standing Orders were adopted in September 2023 and must be 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.
- Insurance coverage appears to be adequate generally and is to be reviewed prior to renewal annually. However, as raised last year, asset coverage is for £15,664 whereas the latest asset for insurance register totals over £21,000.

Please review this with your insurers, increase coverage where needed and confirm that cyber insurance coverage is also included.

- Inspections of assets should be conducted regularly, and repairs made accordingly. These should be documented and kept on file for insurance purposes. Clerk is now conducting these quarterly.

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 not mentioned in the 21 December 2022 minutes, but the precept was set at £9,000 'in accordance with Canterbury City Council guidance.' (minute 6). The 2024-25 budget was agreed at the 11 December 2023 meeting, but after the precept of £10,000 was set. It is essential that a detailed budget is considered and agreed prior to the setting of the precept and that this is minuted accordingly. The draft budgets should be published with the meeting agendas as required by the Transparency Code 2015. (All meeting papers to be published)**
- The budget is for £11,165 for 2024-25 so general reserves will be eroded. The Council has ear-marked reserves of £7,151. As advised last year, the council should include contingencies such as loss of Concurrent Function Grant, tree inspections/remedial works, election costs, planned high-cost expenditure such as developing a Neighbourhood Plan. Reserves should be considered as part of the budget setting process.
- Regular (quarterly at a minimum) progress against the budget reviews must be undertaken by full council to comply with Financial Regulations and best practice. It was noted that a dedicated councillor is now reviewing this and has presented to full council in the latter part of the year.

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

- It is recommended that income received is minuted as well as payments made.
- The precept received (£9,000) equalled the precept requested. This matched central government records.
- VAT claims have finally been made (none made since 2018) and are current up to February 2024. This has now been received as of 13 March in the amount of £854.21.
- Allotment rent was reviewed and is to be increased by £25 as of May 2024. The allotments are administered by an association.
- The playgroup's lease was reviewed and is being renewed – it is recommended that this is reviewed by a solicitor.

- No interest is generated by the Council's bank account. Given the higher rates currently available, it is recommended that the Council research savings or instant access accounts to benefit from interest income.

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

- No petty cash held.

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 and this was verified.
- The current hourly rate of pay is based upon the 2023/24 National Salary Award. The latest NALC/SLCC pay scale amendments have been applied.
- Sample payslips were reviewed and in order. HMRC is paid quarterly.
- The Parish Council is registered with the Pensions Regulator and the latest re-declaration of compliance was made on 1st June 2023.
- A working from home allowance is paid.
- HMRC PAYE online shows zero balance owing.

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

- A revised and updated Asset Register was viewed. It includes AGAR and insurance valuations and will be submitted to Full Council at its April 2024 meeting.
- The Insurance values on the asset register do not appear to match the insurance schedule – see assertion C point 6. Please review before renewal.
- The fixed and insured values on the asset register should not include VAT (e.g. the defibrillator is listed at £1,821 which includes £303.50 VAT) – please amend accordingly.
- Physical assets should be checked regularly (more than annually) for damage or repairs needed. Please minute and keep documentation pertaining to this for insurance purposes.

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

- Monthly bank reconciliations are made to the statements, reviewed by full Council and minuted.
- Year-end reconciliations for 31/3/23 and 31/3/24 were checked and agreed to line 8 of section 2 of the AGAR.

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.

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 meets the criteria as set out in Form 2 of the Annual Governance & Accountability Return. Neither payments nor receipts exceed £25,000.
- The Council approved the 2022/23 Certificate of exemption at its 23rd June 2023 meeting. It was submitted to the External Auditor by the 30th June deadline.
- The exemption certificate is 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 Accounts and Audit Regulations 2015 - regulation 13](#) requires that all authorities publish on their website for at least 5 (five) years: the statement of accounts, any certificate of the auditor, and the annual governance statement. This has now been done.
- The [Transparency Code for Smaller Authorities 2015](#) requires that the following information must be published by authorities with turnover below £25,000: "**all items of expenditure above £100; end of year accounts; annual governance statement; internal audit report; list of councillor or member responsibilities; the details of public land and building assets; Minutes (in draft format within 30 days of the meeting to which they refer), agendas and meeting papers of formal meetings**". Items in 'bold' are still not published (reported last year).
- **There is no model Publication Policy issued by the Information Commissioner's Office. This is a statutory requirement and an example is at [template-parish-councils-2021](#) (reported last year).**
- **It is mandatory that an Accessibility Statement is included on the website.** The Accessibility Statement must be reviewed annually at a minimum and updated where necessary. This is not in evidence and must be implemented. A sample statement is available at [Sample accessibility statement - GOV.UK \(www.gov.uk\)](#) (reported last year).

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?)

- 2022-23 Electors' Rights notice is on the website allowing for 30 working days review and including the first 10 working days in July. (3rd July – 11th August 2023). These dates were approved at the 23rd June 2023 meeting.
- The announcement date of 30th June 2023, was before the commencement date as required.

N. The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR page 1 Guidance Notes)

- The Council published the Annual Governance Statement, Accounting Statements, External Auditor's report and Notice of Conclusion of Audit on its website.
- The Governance statement and Accounting Statement should include the minute references from the meeting at which they were approved. Please ensure this happens in future.

O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.

- Not applicable

Other matters not covered above:

- Minutes for the Annual Parish Meeting should be kept separately and not numbered within the PC meeting minutes. They should also not be approved until the following year's Annual Parish Meeting. The Annual Parish Meeting is not a meeting of the Parish Council, but rather a meeting of the electorate.
- At the May 2023 meeting, four new Councillors took office and a Chairman was elected. There is no minute recording that any of them signed an Acceptance of Office. This must be recorded after each election or co-option and for the annual election of the Chairman. I have viewed the Chairman's Acceptance of Office.
- Section 137 payments – a column should be maintained in the cashbook for S.137 payments, to be used if appropriate when no other power is available to the Council.
- ICO subscription – I noted that £40 was paid for this. If the Council signs up to a direct/debit for this payment it will be reduced to £35.
- The website is in the process of re-design as the current one does not meet accessibility standards – e.g. the agenda page has 55 contrast errors.
- Allotment Association – included on insurance but do individual plot holders hold occupiers' liability insurance? This can be included within NSALG membership.

Following last year's Internal Audit, the Clerk/RFO and Councillors have reviewed and updated many processes bringing the Council into compliance and best practice. There are a few areas requiring attention but overall, the standard of governance is good.

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

Deborah O'Brien **CiLCA**

15 May 2024