

## **Collier Street Parish Council**

***Internal Audit Report: 2023-24 Interim***

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## 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).

We have agreed with the Clerk that, as we were working in the vicinity, we would undertake a review of the first six-months transactions and issue an interim report. Consequently, this report sets out the initial work undertaken in relation to the 2023-24 financial year. We thank the Clerk in assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate commencement of our review for the year.

## Internal Audit Approach

In commencing our review, we have as previously, 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 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 'Internal Audit Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

## Overall Conclusion

We are pleased to again conclude that, based on the work undertaken to date, the Clerk & Council have continued to maintain adequate and effective internal control arrangements during the year to date with a few areas identified where we consider that the Council needs to ensure compliance with best working practice and its own regulatory framework. Detail of the few issues arising are set out in the following report with resultant recommendations further summarised in the appended Action Plan for ease of councillors' reference.

We have also agreed with the Clerk that we would undertake the final review in two stages as last year with effectively an "on-site" visit in early / mid-March 224 and a final review remotely once the accounts for the year have been closed down.

# Detailed Report

## Maintenance of Accounting Records & 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 the Alpha accounts maintained by the Clerk with two bank accounts in use with HSBC Bank. We have: -

- Checked and agreed the opening balances in Alpha for 2023-24 to the closing Trial Balance and certified AGAR for 2022-23;
- Verified that an appropriate cost centre and nominal ledger structure remains in place;
- Checked and agreed all transactions to 30<sup>th</sup> September 2023, due to their relative low volume, to the supporting HSBC Bank statements on both accounts;
- Ensured that the accounts remain “in balance” at 30<sup>th</sup> September 2023; and
- Verified the accuracy of detail in the bank reconciliations at 30<sup>th</sup> April and September 2023 on both accounts ensuring that no long-standing uncleared cheques or other anomalous entries exist.

We are also pleased to note and record that the month-end bank reconciliations and supporting bank statements, etc bear clear evidence of member review, agreement of detail and sign-off.

### Conclusions

*We are pleased to record that no issues have been identified in this review area this year currently warranting formal comment or recommendation. We shall undertake further work in this area at our final review, ensuring the accuracy of the year-end bank reconciliations and accurate disclosure of the combined account balances in the year’s AGAR at Section 2, Box 8.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend Council meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have been pleased to note that both the SOs and Financial Regulations (FRs) were reviewed, updated in line with the latest legislative changes both being re-adopted by Council at the February 2021 meeting with a consistent value of £10,000 recorded for formal tender action.

We have examined the Council meeting minutes for the financial year to date as [posted on the Council’s website and provided electronically by the Clerk to ensure that no issues either exist currently or are developing that may have an adverse effect on the Council’s financial standing: we have also sought to ensure that, as far as we are reasonably able to ascertain, no actions are planned or have taken place that may be of an ultra vires nature and place the Council at risk of criticism or possible financial penalty.

We noted last year that, with the Council’s receipts and payments in 2022-23 individually exceeding the £25,000 threshold, an external audit review was required. We note that the

external auditors have issued their certificate with one issue recorded relating to minor errors I the values recorded on the AGAR as originally submitted.

We also note the publication of the Notice of Public Rights to examine the 2022-23 financial records for the requisite 30 working days.

### ***Conclusions***

***We are pleased to record that no matters arise in this area this year currently warranting formal comment or recommendation. We shall continue to monitor the Council's approach to corporate governance at our final review, also continuing our examination of minutes.***

## **Review of Expenditure & VAT**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;
- 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 coding and cost centre has been applied to invoices when processed; and
- VAT has been appropriately identified for periodic recovery.

We have, due to effectively undertaking this interim review "on-site", examined all payments for the year to 30<sup>th</sup> September 2023 recorded in the Alpha cashbook for compliance with the above criteria. We noted previously that the Clerk holds an HSBC company debit card with a pre-determined spending limit of £500 and have similarly verified those transactions during the year to date.

We are pleased to note the positive action taken to address our previous recommendation with councillors now evidencing their review of traders' and other invoices for payment duly initialling the certification stamp that has been applied to each payment docket.

We note that the recoverable VAT for 2022-23 has been reclaimed and repaid by HMRC in April 2023 noting, as last year, that the receipt has been coded to 515. As the Council's accounts are prepared on a receipts and payments basis, it should be coded to 115 – "VAT Receipts". Consequently, we urge that an appropriate correcting journal is raised as, with the current treatment, the risk exists that the 2023-24 VAT reclaim may be understated by the value of the 2022-23 recovered sum.

### ***Conclusions and recommendations***

***No issues arise currently in relation to the review and evidencing of that review by members. We will examine the remaining transactions for the year at our final review, also checking the***

***accuracy of the year's VAT reclaim taking account of the above identified posting error which requires amendment by journal.***

*R1. An appropriate journal should be raised correcting the mis-posting of the 2022-23 VAT reclaim recording it as a receipt at code 115 rather than as an offset to the 2023-24 expended VAT.*

## **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 note that the Council's comprehensive risk register has been reviewed, approved and re-adopted by the by Council at the April 2023 full Council meeting and considered the document appropriate for the Council's requirements.

We have examined the Council's insurance policy for 2023-24, cover being provided to 31<sup>st</sup> May 2024 through the BHIB Council's insurance scheme and consider that appropriate cover remains in place with Public and Employer's Liability standing at £10 million and Fidelity Guarantee at £250,000.

### ***Conclusions***

***We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation at present. We will continue to monitor the Council's approach to risk management at our final review reporting our conclusions accordingly.***

## **Budgetary Control and Reserves**

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 to be precepted on TMBC; 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. To meet this objective, we have: -

- Noted from our review of the minutes that members continue to be provided with regular management accounting information;
- Due the timing of this interim review, the 2023-24 budget and precept deliberations have not been finalised; and
- Reviewed the 2023-24 budget position as of 30<sup>th</sup> September 2023 with no significant variances existing warranting further comment or enquiry.

### ***Conclusions***

***No matters have been identified in this area warranting formal comment or recommendation at present. We shall ensure the formal determination and adoption of the 2023-24 budget and precept at our final review visit, also examining the year-end outturn and ensuring the ongoing***

*appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations the Council may hold.*

## **Review of Income**

The Council has very limited sources of income, primarily the annual precept, occasional CIL moneys and other grants, small amounts of bank interest and recoverable VAT. As indicated earlier in this report, we have checked and agreed the detail of such receipts during 2023-24 to date to the Council's bank statements and other supporting documentation, where available.

### **Conclusions**

*No issues arise in this area this year warranting formal comment or recommendation.*

## **Petty Cash Account**

*The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the clerk in connection with his work for the council being reimbursed with his monthly salary payment.*

## **Review of Staff Salaries**

In examining the Council's payroll function, we aim to verify that staff salaries are paid in accordance with their Contracts of Employment and that legislation is being appropriately observed as regards adherence to the requirements of HMRC with regard to the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures noting that the Clerk utilises HMRC's "PAYE Tools" software;
- Noted the appointment of a new clerk from 1<sup>st</sup> April 2022 following the retirement of the former clerk and have again ensured that her gross salary being paid in 2023-24 has been applied appropriately by reference to the 2022-23 payslip detail;
- Ensured that the PAYE deduction for that same month has been calculated accurately by reference to the HMRC PAYE Tools software; and
- Ensured that each month's deductions to September have been paid over to HMRC in a timely manner.

### **Conclusions**

*No issues have been identified in the management of the Council staff's pay for the year.*

## **Investments and Loans**

*The Council neither owns any investments, nor has any outstanding loans repayable either by or to it.*

Rec. No.	Recommendation	Response
<b>Review of Payments and VAT</b>		
R1	An appropriate journal should be raised correcting the mis-posting of the 2022-23 VAT reclaim recording it as a receipt at code 115 rather than as an offset to the 2023-24 expended VAT.	