

RLT AUDITING

Specialising in parish councils

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OSWESTRY RURAL PARISH COUNCIL

INTERNAL AUDIT REPORT FOR FINANCIAL YEAR 2023/4

INTRODUCTION

As the Council's internal auditor, I have independently carried out an examination of areas which meet the internal control objectives as listed on page 4, the Annual Internal Audit Report section, of the Annual Governance and Accounts Return (AGAR) for the year ended 31st March 2024.

I have been able to test the Council's compliance with the assertions on p.4 of the AGAR, referring to best practices as outlined in the JPAG Practitioners' Guide 2023, published March 2023.

I would like to thank Kathryn for her assistance.

Should you have any queries with this report please do not hesitate to get in touch.

OVERALL

The standard of administration and system of internal controls relating to the audit areas examined throughout the financial year were considered to be excellent. This is a medium, relatively complex parish council. The clerk/RFO and councillors are to be commended for the high quality of the accounting systems and controls in place. Whilst I have recommended some improvements, none of these affect my overall positive opinion.

Having completed a comprehensive examination of council records presented to me, I have completed the Annual Internal Audit Report on page 4.

DETAILED FINDINGS & RECOMMENDATIONS

This report takes each of the Internal Audit statements on p.4 of the AGAR in turn and assesses if the council has complied with it. The report outlines the areas covered during the internal audit which support the Annual Internal Audit Report section of the AGAR. Under each section, the report states if it is my opinion, as Internal Auditor, that the control has been met. Recommended areas for attention are highlighted.

A. Appropriate accounting records have been properly kept throughout the financial year?

The primary accounts record is in the form of an Excel Receipts and Payments cashbook. Accounting records were found to be accurate and provided an adequate audit trail. A sufficient analysis of accounting records existed within the cashbook, with items being categorised according to budget categories. Balances were carried forward from prior year correctly. The accounting statement provided as at 31/3/2024 corresponded with the cashbook.

Internal control objective met? YES

Recommendations: None.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for?

Standing Orders and Financial Regulations were reviewed in September 2023.

Payments were supported by invoices and there is a clear trail of who authorised the payments. The clerk's expenses are supported by itemised receipts and a work from home allowance is paid.

A VAT reclaim for 2022-3 has been made and paid and matches VAT incurred.

Following a street lighting survey, the Council sought three competitive quotes for the maintenance work. This was awarded in autumn 2023 and works are in progress. A grounds maintenance contract is in place and a 3-year contract was awarded in January 2024, following a tender process.

Council reviews DDs and SOs annually and council is notified of changes in year.

Payments for the year - £61,156.75

A sample of 34 payments were tested to the cashbook, supporting invoices, bank statements, payroll documentation and council minutes.

Payments are approved by the council authorising them and the clerk then actions the payment with the bank; payments are executed by electronic banking. There is a record of authorisation as invoices are signed. Payments are supported by invoices.

Internal control objective met: YES

Recommendations:

- **Consider reviewing Financial Regulations so they are based on the latest NALC model.**
- **It would help if the cashbook recorded the account which each payment / receipt relates to.**

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these?

The Risk Assessment is fit for purpose and adequate and was adopted in April 2024; this was minuted.

Internal control objective met: YES

Recommendations: Publish the latest version online.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate?

Budget and Precept 2024/5 - The council has followed an adequate budgetary process, which included consideration of reserves. The budget and precept for 2024/5 was first considered by Finance Committee and set by Full Council in January 2024, the precept being £39,600. The gross expenditure budget set was £176,045, with the majority of funding to be from reserves, some which are ringfenced. The council has budgeted to use £15,228 from unallocated reserves, the balance being a combination of allocated reserves, fees, interest and grants.

Reserves – the 2023/4 year-end balance shows that there was no draw on unallocated reserves in-year. The unallocated general reserve is £26,299 as at 31.3.24, with allocated reserves totalling £126,230 Neighbourhood Fund and a further £77,622 allocated for other purposes. The JPAG best practice guidance is to have 3 to 12 months' of net revenue expenditure in general reserve. The

unallocated general reserve is on the low side and the council is also drawing on a large portion of general reserve to balance budget for the forthcoming year, this needs to be carefully monitored.

Budget reports have been presented to the council throughout the year and their approval of them is confirmed in the minutes.

Internal control objective met? YES

Recommendations:

- **Closely monitor general reserve.**

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

Receipts for the year - £56,983.34

Receipts comprised of precept (£34,522.00), CIL NF (£5,447.94), Environmental Maintenance Grant (£1,500.00), VAT refund for 2022-3 correlating to spend in the relevant year (£3,916.32), Interest (£6,744.71) and Cemetery (£4,750.00), sales of King's Coronation coins (£63.00), donations (£50.00), other (£39.37).

The cemetery fee schedule was reviewed in January 2024. There is a check process in place as the clerk then confirms the fee due on another section of the form.

I have seen the precept request form and EMG request for 2023-4 and can confirm the requests match the amount paid, and the SC public record of precepts.

Internal control objective met? YES

Recommendations:

- **Consider also issuing invoices for cemetery fees as a further audit trail.**

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

No petty cash is held.

Internal control objective met? N/A

Recommendations: N/A

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 current clerk's contracted hours are 20 hours per week. Until September her salary point was SCP25 and from September it is SCP27, £18.58 per hour/£35,745 per annum FTE; this was confirmed in the minutes. Pay calculations are correct and pay award and salary point increase was approved by council.

PAYE and RTI returns have been completed using HMRC RTI software. Deductions of PAYE and NI have been made correctly.

The council is currently considering pension options for the clerk.

Internal control objective met: YES

Recommendations: None.

H. Asset and investments registers were complete and accurate and properly maintained.

The Council's fixed asset register/inventory was examined, total asset value being £59,211.17. The register has been updated in-year.

The Council's insurance policy, provided by Zurich, on a 3-year LTA, commenced on 1st June 2023, cover having been continuously in place prior. The policy expires on 31st May 2024. The level of cover appears to be adequate for the value of the assets on the register.

I note the council did a check of assets in-year.

Internal control objective met: YES

Recommendations: None.

I. Periodic and year-end bank account reconciliations were properly carried out.

The presented year-end bank reconciliation has been independently agreed by me, the reconciled balance being £230,151.73 as at 31.3.2024. Throughout the year, bank reconciliations have been reported to the council monthly.

Internal control objective met? YES

Recommendations: None.

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 AGAR, Statement of Accounts has been correctly compiled on a receipts and payments basis based on the cashbook, supported by underlying records such as invoices and remittance advice slips.

Internal control objective met? YES

Recommendations: None.

K. If the authority certified itself as exempt from a limited assurance review in 2022/3, it met the exemption criteria and correctly declared itself exempt?

Not applicable, as receipts and payments both exceeded £25,000.

Internal control objective met? N/A

Recommendations: N/A

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 Transparency Code for Smaller Authorities is not a legal requirement for this authority as its receipts and payments both exceed £25,000.

Internal control objective met: N/A

Recommendations: N/A

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?

The authority did prepare a notice of exercise of public rights and published it online. I did note that the start date was 2022 but it did still include the full range of required dates.

Internal control objective met: YES

Recommendations: None

N. The authority has complied with the publication requirements for the 2022/3 AGAR?

The following documents were published online:

- Certificate of Exemption
- Annual Internal Audit Report
- Section 1 AGAR – Annual Governance Statement
- Section 2 AGAR – Accounts Statement
- A declaration that the accounts are as yet unaudited;
- Details of the arrangements for the exercise of public rights;
- The name and address of the External Auditor
- Variances Explanation
- Bank Reconciliation
- External Audit Report
- Notice of conclusion of audit

For reference, the following requirements need to be met:

Before 1st July, publish:

- The Annual Internal Audit Report (recommended but not mandatory);
- The Annual Governance Statement;
- The Accounting Statements;
- A declaration that the accounts are as yet unaudited;
- Details of the arrangements for the exercise of public rights;
- The name and address of the External Auditor

Before 1st October, publish:

- Notice of the conclusion of the audit;
- The Annual Governance Statement (including any amendments as a result of the limited assurance review);
- The Accounting Statements (including any amendments as a result of the limited assurance review);
- The External Auditor Report and Certificate

Internal control objective met: YES

Recommendations: None.

O. Trust funds (including charitable) – The council met its responsibilities as a trustee?

To the best of my knowledge, the Council does not act as a sole trustee for managing a Trust fund or asset.