Benson Parish Council

Internal Audit Report: 2024-25 (Interim Report)

Prepared by Susan Cook

For and on behalf of
Auditing Solutions Ltd

Background and Scope

The Accounts and Audit Arrangements require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council has complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the function to the Council.

This report sets out those areas examined during the course of our interim review of the Council's financial administrative arrangements for 2024-25, which took place on 13th November 2024 together with our preparatory work. We wish to thank the Clerk and Responsible Finance Officer (RFO) for providing the information required to facilitate our work.

Internal Audit Approach

In commencing our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential miss-recording or misrepresentation in the year-end Statement of Accounts / Annual Governance and Accountability Return (AGAR). Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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 Report' in the Council's AGAR, which requires independent assurance over eleven internal control objectives.

Overall Conclusion

We are pleased to advise that, based on the work undertaken to date, the Clerk, Responsible Finance Officer and Council continue to maintain adequate and effective internal control arrangements with a few issues identified that require appropriate action: detail is set out in the following detailed report with resultant recommendations summarized further in the appended Action Plan for ease of reference and response.

We ask that the report be considered by members, as required by the Practitioner's Guide, with the "Response" section of the Action Plan duly completed and returned for our consideration.

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 cashbooks or financial ledgers. The Council currently uses the Sage accounting system to record its transactions, but is in the process of transferring its accounts across to Scribe Accounts. We have:

- Agreed the 2023-24 closing balances as recorded in the accounts and AGAR to the opening trial balance for 2024-25 in the Sage system;
- Obtained a trial balance report from the Sage system at the time of our review to confirm the Ledger is in overall balance;
- Confirmed arrangements for processing journals on the Ledger;
- Discussed arrangements for backing up the Council's IT systems, we understand they are synchronised continuously to Cloud;
- As a sample agreed the balance per the bank statement for the Unity Trust Account to Sage at 30th September 2024 and agreed the transactions between Sage and the bank statements for those months;
- Agreed the balances on the Nationwide Account, CCLA Accounts, Project Funds Accounts, Bloomfield Request at 30th September 2024; and
- Confirmed regular bank reconciliations are completed during the year and reported to Members.

Conclusions and recommendations

We were advised by the RFO at our previous visit that Nat West Bank has closed the Bloomfield Bequest Reserve account, without notice to the Parish Council, who are now in the process of liaising with solicitors to have the funds repaid to them, as none of the original bank signatories are still a part of the parish council. Currently the value of the bank account as at the time of the last bank statement is included within the bank reconciliation for September 2024, and whilst the Parish Council continues through the process of reclaiming the funds we are happy that the balance continues to be included.

Whilst the bank reconciliation for September has been completed, and approved by a checking councillor, the bank statements have not been initialled to confirm the information contained is correct.

To confirm the total of the cash book balances, a Sage report should be created to show the breakdown and total value of the cashbooks.

As mentioned above the Council is in the process of transferring its accounts to Scribe Accounts and is planning to use both systems side by side from January 2025, to ensure there are no anomalies in the new accounting system.

R1. The member of the Council signing off the bank reconciliations, should also initial the bank statements as evidence of verification. A copy of the unreconciled report and the cashflow *statement should be included as part of the bank reconciliation pack to confirm the figures reported on the reconciliation.*

R2. A report should be created in Sage to show the value of the cashbooks at month-end, to verify the balance recorded on the bank reconciliation.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Commenced our review of the minutes of the Full Council for the financial year as posted on the Council's website to identify whether or not any issues exist that may have an adverse effect on the Council's future financial stability, either in the short, medium, or longer term;
- Reviewed the issues raised by the external auditor for 2023-24;
- Noted that standing orders were reviewed and re-adopted at the Council meeting on 23rd May 2024, the financial regulations were updated and approved at the meeting on 26th September 2024;
- Tested whether the Council is posting details of larger payments on to the website to comply with the Transparency Code; and
- Confirmed the Council advertised the audit of its 2023-24 accounts by posting the notice of public rights on its website, and that the correct dates were advertised.

Conclusions and recommendations

We are pleased to note the draft minutes were available on the website.

We note that the external auditor report was discussed at the Finance and Staffing Committee meeting on 17th September 2024 and reported on at the Council meeting on 26th September.

We will undertake further work in the area at our final review.

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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and

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

In order to gain assurance in this area we have examined a sample of payments during the year to 30th September 2024, selecting from the supplier invoices listing from Sage items over £2,000 and every 30th payment. Our sample comprised 17 payments and totalled £88,490, totalling 66% of all non-salary payments.

As part of our review, we also checked payments made using the Council credit card.

We confirmed from our review of Sage that the Council continues to submit quarterly VAT reclaims. We reviewed the VAT returns for the year to 30th September 2024 ensuring the receipt of these claims from HMRC to the Unity bank account, with no issues. The quarter 4 VAT claim was paid by HMRC on 25th April 2024

Conclusions and recommendations

We are pleased to note that invoices are now signed by the Clerk and Councillors.

We are concerned to note that there are a number of credit balances in the Aged creditors report, three of which have been outstanding for over 90 days. One of these is for utilities, one is due to be offset against the 2024-25 invoice and the other is to be offset against upcoming contract works. Invoices should be sought for all payments made, credit balances on supplier accounts both distorts the actual amount the council owes to creditors, but also underestimates the costs in the expenditure accounts.

We will undertake further work in the area at our final review.

R3. Invoices should be sought for all payments, and any overpayments made must be claimed from the payee.

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 note the Council last adopted its risk assessment in January 2024;
- We reviewed the Council's insurance policy provided by Zurich which runs to 30th September 2025, cover includes:
  - Buildings insurance
  - Business interruption insurance, loss of revenue up to £10,000
  - Public liability £12m
  - Hirer's liability £2m
  - Employer's liability £10m

- Fidelity guarantee £500k;

Conclusions and recommendation

The Council's bank balances now stand in total at over £2,500k, with over £2,250 with Unity Trust Bank. The Fidelity Guarantee cover is still only £500k, even though Council agreed to increase cover to £620k at renewal, leaving the Council seriously exposed in the unlikely event of the failure of the banks.

We will undertake further work in the area at our final review.

R4. The Fidelity Insurance should be increased to £620k as agreed by Council, and Council should continue to keep the figure insured under review and amend as needed.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise. We note that:

- Detailed quarterly budget monitor reports are prepared and key financial information including performance against the year-end budget is reported to Finance Committee;

Conclusions

Our review took place ahead of the annual budget and precept setting exercise, we will therefore undertake further work in this area at our final review.

Review of Income

In addition to the precept, the Council's principal sources of income arise from hall lettings and caretaker fees, together with Licence Applications, Allotment rentals, bank interest and sundry grants and donations. We have:

- As noted earlier in this report, verified one sample months' receipts from bank statements to the Accounts and reviewed the VAT reclaims;
- Checked a sample of 17 hirers from the June lettings diary, checking the dates and charges to the table of fees and the diary dates. Also checking that the invoices had been paid. Hire of the hall is currently through the online system Hallmaster, the Council will be moving to Scribe Hall Bookings during 2025-26. Application forms are completed online, and initially received as a request, which is checked by office staff to ensure the booking complies with booking policy (online T&Cs, includes alcohol license) , it then becomes a provisional booking, and is only confirmed once

the booking fee has been paid. The Council has the option to request deposits but does not do so as a matter of course.

Conclusions and recommendations

Whilst individual lettings require payment to be made before events may take place, some longer term hirers are not paying their invoices prior to hire, and at the time of our visit some were outstanding more than 3 months after the lettings had been completed.

Currently the aged debtors report shows that £9,149.22 is due to the council of which £3553.86 is showing as due for over 120 days. Some of these debts were carried forward from the previous version of Sage and so therefore may be erroneous. The council should decide if any of these items should be 'written off' before the accounts are fully transferred to Scribe.

We will undertake further work in this area at our final meeting including checking that the full value of the precept for 2024-25 has been received.

R5. The reconciliation of the Aged Debtors report should be completed, with approval sought from Council for 'write offs' of the outstanding items for companies that have gone out of business and for the allotment tenants that are no longer using their plots.

Petty Cash Account

We are required to review petty cash as it is one of the control areas in the AGAR, we are required to give assurance on.

We are pleased to note that the Council has closed its petty cash account and is now no longer receiving cash as payment for services.

Review of 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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme in relation to salary bandings.

We note the Council uses SAGE software to process its payroll with the total pay costs each month reported to Members and two members signing the hard copy summary of individual payments. To meet our audit objectives, we tested the payroll costs for September 2024. Specifically, we:

- Agreed the payroll report to the main Sage Ledger, ensuring the correct payment had been made to staff;
- Checked gross pay to the pay point recorded on the employee contracts by reference to the national published scales for all staff;
- Test checked the calculation of tax and national insurance; and

- Test checked the calculation of pension contributions.

Conclusion

We are pleased to note there are no issues requiring formal recommendation in this area of our review.

Fixed Asset Register

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned.

We note the Council's Asset Register analyses assets by category. The amount included in the AGAR is the cost of the asset except for land and buildings where, due to their long-term nature, a valuation amount was agreed and fixed in 2003.

Conclusion

We will check and agree the total at the year-end on the Council's Asset Register to the amount recorded in the AGAR Section 2 Statement of Accounts, box 9.

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 the Council are transacted in accordance with appropriate loan agreements. We:

- Note the Council holds funds in various banks. We have tested the reconciliations as noted in the section headed 'Maintenance of Accounting Records & Bank Reconciliations';
- Have reviewed the receipt of interest for the year to date as reported in the accounts; and
- Confirmed the Council has no loans by reference to the Government's Debt Management Office website.

Conclusions and recommendations

On our previous report we noted that the finance committee has commented on the lack of adequate returns and the management of some of the accounts at its meeting in February, with a recommendation that an account is opened with CCLA and suitable alternative arrangement made for the money currently with the Co-op. We understand that the process of opening an account with CCLA is currently underway and that the Council is due to meet with fund managers in regard to Investment of its surplus funds.

We will undertake further work in tis area at our final visit.

Rec. No.	Recommendations made during the Interim Audit	Response
Maintenance of Accounting Records & Bank Reconciliations		
R1	The member of the Council signing off the bank reconciliations, should also initial the bank statements as evidence of verification. A copy of the unreconciled report and the cashflow statement should be included as part of the bank reconciliation pack to confirm the figures reported on the reconciliation.	
R2	A report should be created in Sage to show the value of the cashbooks at month-end, to verify the balance recorded on the bank reconciliation.	
Review of Expenditure		
R3	Invoices should be sought for all payments, and any overpayments made must be claimed from the payee.	
Assessment and Management of Risk		
R4	The Fidelity Insurance should be increased to £620k as agreed by Council, and Council should continue to keep the figure insured under review and amend as needed.	
Review of Income		
R5	The reconciliation of the Aged Debtors report should be completed, with approval sought from Council for ‘write offs’ of the outstanding items for companies that have gone out of business and for the allotment tenants that are no longer using their plots.	