

John P Watson & Co

Noak Bridge Parish Council

Internal Audit Report 2023-24

**86 Southchurch Boulevard
Southend on Sea
Essex, SS2 4UZ**

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Introduction

Legislation introduced from 1st April 2001, requires all Town and Parish Councils to implement an independent internal audit examination of their accounts and accounting processes annually. The following report complies with these requirements.

This report sets out the work undertaken in relation to the 2023-24 financial year, during the course of the audit, which took place on 4th June 2024.

Internal Audit Approach

The basis of the review is that regard should be given to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. The 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 control 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 assist the completion of the 'Internal Audit Report' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

Overall Conclusion

The excellent quality of the records maintained by the Acting Clerk/RFO is acknowledged and she is thanked for her assistance during this internal audit review of the 2023-24 financial year, which has ensured the smooth progress of the work undertaken.

The 'Annual Internal Audit Report' in the year's AGAR has been signed and dated having concluded that, in all significant respects, the Internal Control Objectives set out in that report were being achieved throughout the financial year to a standard more than adequate to meet the needs of the Council.

1 Accounting Records & Bank Reconciliations

a) Objective

To ensure that the accounting records are being maintained accurately and currently and that no incorrect or inexplicable entries appear in cashbooks or financial ledgers.

b) Detail

- i. There are two bank accounts in operation with Santander Bank being the Business Account and the Business Savings Account.
- ii. The Council maintains their accounting records by way of a detailed Excel spreadsheet which is more than adequate for a Council of this size.
- iii. The opening cashbook balance for 2023-24 has been reconciled to the 2022-23 closing Statement of Accounts and the certified AGAR detail.
- iv. VAT is identified separately in the spreadsheet.
- v. All transactions in the cashbooks of the two Santander Bank Accounts have been checked for the year. All were complete and accurate and had been prepared in a timely manner.
- vi. Bank Reconciliations were prepared on a regular basis. These have been checked and were complete and accurate.
- vii. All accounts remained “in balance” at the end of the period under review.
- viii. It is noted that the computers holding the Council records are backed up on a regular basis. It is suggested that, if not already done do, a backup also be made to the Cloud.

c) Conclusion

- i. It is suggested that a backup of the Council’s computer system be made to the Cloud.

2 Corporate Governance

a) Objective

To ensure that the Council has a robust regulatory framework in place, that Council meetings are conducted in accordance with the adopted Standing Orders and that, bearing in mind we do not attend Council or Committee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

b) Detail

- i. The Council Minutes have been reviewed for the year to date by reference to the Council’s website and in hard copy format, to identify whether any issues arise that may have an adverse effect on the Council’s future financial stability, either in the short, medium or longer term.
- ii. It is noted that neither Standing Orders nor Financial Regulations were reviewed by Council in the year. It is recommended that both

Standing Orders and Financial Regulations are reviewed on an annual basis in the Council year.

- iii. The Council has not adopted the General Power of Competence.
- iv. The 2024/2025 precept was agreed in the amount of £41,319.68 at the Council meeting held on 25th January 2024 (minute 06/2024 refers.).
- v. The Council provided for the proper opportunity for the exercise of public rights in respect of 2022/2023.

c) Conclusion

- i. It is recommended that both Standing Orders and Financial regulations are reviewed on an annual basis in the Council year.

3 Expenditure

a) Objective

To ensure that the Council follows good practice when making payments.

b) Detail

- i. All payments for the year to 31st March 2024 were checked with no issues arising.
- ii. All payments were supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due.
- iii. All payments were approved by Council members as required with all payments being recorded in the minutes.
- iv. All discounts due on goods and services were taken where appropriate.
- v. With one exception VAT has been appropriately identified for periodic recovery. This exception has been discussed with the Acting Clerk/RFO.
- vi. A VAT repayment claim in the amount of £5,542.65 has been submitted to HMRC in respect of the year ending 31st March 2023, payment being received in April 2023.
- vii. It is noted that the Council holds a Debit Card which is rarely used. Any expenditure on this card is authorised as part of the payment authorisation process.
- viii. It is noted that two Councillor have individual authority to submit online banking transactions but that these transactions are not verified by a separate Councillor. It is recommended that online banking transactions be verified by a second separate Councillor.

c) Conclusion

- i. It is recommended that online banking transactions be verified by a second separate Councillor

4 Risk

a) Objective

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.

b) Detail

- i. It is noted that Council reviewed their Risk Assessment at the Council meeting held on 24th May 2023 (minute 57/2023 refers).
- ii. Council's insurance is with BHIB for the year to 31st May 2024 with Employers and Public Liability being set at £10m and Fidelity Guarantee being set at £150k.

c) Conclusion

- i. There are no matters to be commented on in this area of the Report.

5 Precept Determination

a) Objective

To ensure that the Council has the appropriate procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council.

b) Detail

- i. Council discussed and agreed the detailed 2024/2025 budget at their meeting on 25th January 2024 (minute 06/2024 refers).
- ii. As mentioned previously in this Report, the 2024/2025 precept was agreed in the amount of £41,319.68 at the Council meeting held on 20th January 2024 (minute 06/2024 refers).

c) Conclusion

- i. There are no matters to be commented on in this area of the Report.

6 Budget Control

a) Objective

To ensure that Council has an effective reporting and monitoring process is in place and also 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.

b) Detail

- i. Council are regularly provided with monthly budget reports.
- ii. It is noted that Total Reserves as at 31st March 2024 are £186,795 of which £80,000 are Earmarked Reserves. The balance of General Reserves at £106,795 equates to over thirty eight months average revenue expenditure which is well above the generally accepted guidelines of between three and six months average revenue expenditure.

- iii. The year-end budget outturn has been reviewed for any significant unexplained variances with none in evidence.

c) Conclusion

- i. There are no matters to be commented on in this area of the Report.

7 Income

a) Objective

To ensure that Council has appropriate procedures in place to ensure that all income due is identified, invoiced (if necessary), recovered and banked in a timely manner.

b) Detail

- i. The sources of income available to the Council are the precept, VAT repayments, bank interest and occasional grants and donations.
- ii. All income has been verified by reference to the cash book with no issues arising.

c) Conclusion

- i. There are no matters to be commented on in this area of the Report.

8 Petty Cash

a) Objective

To ensure that the Council follows good practice when making cash payments.

b) Detail

The Parish Council does not hold Petty Cash.

c) Conclusion

There are no matters to be commented on in this area of the Report.

9 Salaries

a) Objectives

To confirm that current Employment Law is being appropriately observed together with 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 revised local government pension scheme, to which employees contribute.

b) Detail.

- i. The Council did not employ a paid Clerk/RFO during the year under review.
- ii. It is noted that, although the appointment of an RFO had previously been rejected by Council, they agreed to the appointment of a

Clerk/RFO at their meeting on 25th January 2024 (minute 10/2024 refers). As of 31st March 2024 the position had not been filled.

- iii. Council's attention is drawn to the External Auditor's Report in respect of the year to 31st March 2023 which stated "The AGAR has not been signed in accordance with the Accounts and Audit Regulations 2015: • Section 2 was signed by the Chair of the Council as both Responsible Financial Officer and Chair. It has come to our attention that the Chair has temporarily been acting as RFO. Please ensure that an RFO is appointed in line with section 151 of the Local Government Act 1972 as soon as possible." It is understood that the Council is currently advertising to fill the position.

c) Conclusion

- i. There are no matters to be commented on in this area of the Report.

10 Asset Register

a) Objective

To ensure that the Council develops and maintains a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council as required by the Governance and Accountability Manual.

b) Detail

- i. The Council maintains a detailed formal Asset Register which has been prepared using purchase cost uplifted or decreased to reflect the acquisition or disposal of any assets (where applicable) during the financial year.
- ii. It is understood that, currently, a photographic record of the Council's Assets is not retained. Should the need arise to make an insurance claim relating to an Asset, being able to produce a photographic record of that asset will be useful in progressing any such claim and it is suggested that a photographic record of Assets be maintained.
- iii. It was noted that the current Asset Register as at 31st March 2024 has not been formally approved by Council. It is recommended that Council formally minute the approval the Asset Register annually in each Council Year.
- iv. It is confirmed that the correct Asset value has been reflected in the 2024 AGAR.

c) Conclusion

- i. It is suggested that a photographic record of Assets be maintained.
- ii. It is recommended that Council formally minute the approval of the Asset Register annually in each Council year.

11 Investments and Loans

a) Objective

To ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; 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.

b) Detail

- i. Council holds no long-term investments, an interest bearing account being held at the Santander Bank.
- ii. It is drawn to Council’s attention that when investments, which includes cash at the bank, are held in excess of £100,000 a formal investment policy must be in place. It is recommended that Council prepare and formally approve an Investment Policy each year.
- iii. It is recommended that Council take note of the government’s Financial Services Compensation Scheme which gives a maximum level of protection of £85,000 invested in one institution and they investigate opening a second bank account with a bank other than Santander Bank to protect their funds.
- iv. Council does not have any loans with external bodies repayable by or to it.

c) Conclusion

- i. It is recommended that Council prepare and formally approve an Investment Policy each year.
- ii. It is recommended that Council take note of the government’s Financial Services Compensation Scheme which gives a maximum level of protection of £85,000 invested in one institution and they investigate opening a second bank account with a bank other than Santander Bank to protect their funds.

12 Statement of Account and AGAR

a) Objective

To ensure Council meets the requirements of the 1996 Accounts and Audit Regulations in that they must prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

b) Detail

- i. The accuracy of detail contained in the above documentation has been verified.
- ii. The reports have been checked against prime documentation, and it is confirmed that the Council’s accounting reports accurately records the 2023-24 financial year’s transactions.
- iii. Council are reminded that AGAR Sections 1, 2 and 3 should be retained on their website for five years.

c) Conclusion

- i. There are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of the review for the year, the Internal Audit Certificate in the Annual Return has been completed and signed assigning positive assurances in all areas.

5th June 2024