

## **Poringland Parish Council**

*Internal Audit 2023-24 (Interim Report)*

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## **Background and Scope**

There is a statutory requirement for all town and parish councils to make arrangements, each year, for an independent internal audit examination of their accounting records and system of internal control, and for the conclusions to be reported in the Annual Governance and Accountability Return (AGAR). Auditing Solutions Ltd was appointed to provide this service to Poringland Parish Council for the 2023-24 financial year.

This report sets out the results of our interim audit in relation to 2023-24, which was undertaken on 25<sup>th</sup> January 2024. We wish to thank Council staff for providing the information and explanations required to enable us to complete our work.

## **Internal Audit Approach**

In carrying out our internal audit work, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts, employing a mix of 100% substantive testing and selected sampling techniques where applicable.

Our audit programme is designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner which ensures effective probity of transactions, and also afford a reasonable probability of identifying 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 'Annual Internal Audit Report' in the AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

On the basis of the programme of work we have undertaken for the year to date, we have concluded that the Council continues to maintain an adequate and effective system of internal control. The records held in support of the accounting transactions are of a high standard and provide an effective audit trail, with clear cross-referencing of all relevant documentation.

In the sections below, we explain the objectives of each area of our audit, summarising the work undertaken and our findings. We are pleased to confirm that there are no matters arising that require a formal recommendation. We ask that Members consider the content of this report.

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# Detailed Report

## Accounting and banking arrangements

Our objective is to confirm that the accounting records are being maintained accurately and kept up to date, that no anomalous entries appear in cashbooks or financial ledgers and that appropriate banking arrangements are in place.

During 2023-24, the Council has continued to use the Rialtas ‘Omega’ accounting package to maintain its accounting records, with the Rialtas ‘Facilities Booking Management’ software used to manage Community Centre bookings.

Day-to-day banking services are provided by Unity Trust Bank, with whom the Council has a current and deposit account. The Council has significant reserves and balances not required for immediate use and these are held in a range of savings accounts and fixed-term deposits.

During the course of our audit work, we have:

- Confirmed that the opening balances recorded on the Omega system for 2023-24 agreed to those in the certified AGAR for 2022-23;
- Verified that the accounting records remained “in balance” as at 31<sup>st</sup> December 2023 (the latest completed month’s accounts as at the time of our interim audit);
- Confirmed that, as was planned in the previous year, significant changes have been made to the coding structure for 2023-24, which enables more effective budget monitoring of financial performance to be undertaken;
- Checked and agreed the detail of the accounting entries in the Omega cash books for two sample months (June and November 2023) to the supporting bank statements, also verifying inter-account transfers;
- Checked and agreed the bank reconciliations as at 31<sup>st</sup> December 2023, on all accounts, including the term and other deposits, to the latest available bank statements;
- Confirmed that a quarterly reconciliation of the bank accounts is undertaken by a nominated Councillor at the end of each quarter and at the year-end;
- Noted that a bank reconciliation schedule produced from the Omega system continues to be reported to each monthly Council meeting, and
- Confirmed that appropriate arrangements remain in place to safeguard the IT systems, through a contract with Microshade, whereby all of the files are held on a remote server and accessed via Citrix, and

We also noted that the external auditors completed their audit of the 2022-23 AGAR on 21<sup>st</sup> September 2023. In doing so, they confirmed that, in their opinion, the information in Sections 1 and 2 was in accordance with Proper Practices and no other matters had come to their attention giving cause for concern that relevant legislation and regulatory requirements had not been met.

### ***Conclusion***

***The controls in this area were found to be adequate and to be operating effectively.***

***The one matter we would highlight is that, at present, it is not possible to obtain regular confirmation of the up-to-date balances on several of the Council's longer-term investments throughout the course of the year. We noted that this had also caused some difficulty at the year end, with the external auditors mentioning in their report that year-end balances were not available for two of the accounts. During our audit, we discussed this matter with the Parish Clerk and the nominated Councillor, and action is now being taken to update the bank mandates and to request more regular access to information on account balances.***

## **Review of Corporate Governance**

Our objective is to confirm that the Council has robust corporate governance arrangements in place and that, as far as we may reasonably be expected to ascertain (as we do not attend Council meetings), all meetings are conducted in an appropriate manner and no actions of a potentially unlawful nature have been, or are being, considered for implementation.

During the course of our audit work, we confirmed the following:

- Our review of the minutes of the Council meetings for the year to date did not identify any issues that we consider might have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- The Financial Regulations and Standing Orders continue to be kept under regular review. Both documents were considered by the Council at its meeting on 13<sup>th</sup> December 2023, when a number of amendments were agreed to the Financial Regulations and the Standing Orders readopted without any changes;
- A range of other policies and procedures remain in place, which are also subject to regular review, and
- At its meeting on 6<sup>th</sup> May 2023, the Council confirmed that it remained eligible for, and would continue to exercise, the General Power of Competence.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Expenditure and VAT**

Our objective here is to ensure that:

- Council resources are released in accordance with the 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;

- Any discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- Correct nominal codes have been applied in entering detail in the cashbooks, and
- VAT has been appropriately identified and been the subject of periodic recovery.

We have commenced our review of the procedures in place in this area, selecting a sample of non-pay related payments across the first nine months of the financial year to check compliance with the above criteria. Our test sample included all payments in excess of £2,000, together with a more random selection of every 25<sup>th</sup> payment as recorded in the Omega accounts. The total value of the payments in our sample was £71,472, which equated to approximately 36% of total non-pay expenditure in the year to date. There were no matters arising.

The Council holds a Unity Trust ‘Corporate MultiPay card’, which is used mainly for internet purchases, with settlement made in full by monthly direct debit. During our expenditure testing, we reviewed the payments included on statements for June and November 2023, verifying that there was adequate supporting documentation for payments made and that the goods and services purchased were relevant to the Council’s activities.

We confirmed that VAT returns continue to be completed and submitted electronically to HMRC on a quarterly basis and reconcile fully to the Omega accounts.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Assessment and Management of Risk**

Our objective is to confirm that the Council has put in place appropriate arrangements to identify potential areas of risk of both a financial and health & safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified, in order to minimise them.

There is a regulatory requirement for the Council to formally review its risk management arrangements at least once within each financial year. We confirmed that this requirement has been met, with the overall financial and management risk assessment, together with assessments of health & safety and operational risks in relation to Council buildings, being approved at the meeting on 10<sup>th</sup> January 2024.

The Council’s insurance cover is with Zurich Municipal, under a 3-year contract ending on 24<sup>th</sup> March 2025. The policy schedule for the current year includes Public Liability of £12 million, Employer’s Liability of £10 million and Fidelity Guarantee of £1 million, which is a reasonable level of cover for the size of the Council and the range of activities it undertakes.

The Council continues to pay close attention to its health & safety responsibilities. Annual inspections of the playgrounds are undertaken by the Play Inspection Company to ensure that all equipment used meets the requirements of the relevant national standards. The annual inspections for six of the sites were completed in July 2023 and subsequently considered by the Amenities Advisory Group. An action plan outlining the

work to be undertaken on the playgrounds was agreed at the Council meeting on 12<sup>th</sup> July 2023. We confirmed that there were no significant matters arising from the inspections. The remainder of the sites are due to be inspected in February 2024.

We have confirmed that weekly visual inspections and monthly operational inspections of playgrounds continue to be undertaken by an appropriately trained member of staff, with monthly reports being forwarded to the Amenities Advisory Group.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Budget Setting, Budgetary Control and Reserves**

Our objectives are to confirm that the Council has robust procedures in place for identifying and approving its future budgetary requirements and the level of Precept to be drawn down from the District Council, and also that an effective reporting and monitoring process is in place. We also consider whether the Council is retaining adequate funds in its earmarked and general reserves, both to finance its ongoing spending plans and to cover for any unplanned expenditure that might arise.

We are pleased to note that, throughout the year, the Council continues to receive regular updates on its overall bank balances, together with details of receipts and payments. Quarterly reports on performance against the current year's budget are considered in detail by the F&G Advisory Group and subsequently included on the agenda for the next full council meeting, where the Chair of the Advisory Group reports on the key issues arising.

The budget requirements for 2024-25 were determined by the Council following detailed consideration by the F&G Advisory Group. The budget and Precept were agreed at the Council meeting on 10<sup>th</sup> January 2024, with the Precept set at £239,286 (£214,567 in 2023-24), which is an increase of £9.67 per annum for a Band D property. As in previous years, the Clerk provided a detailed report to Members to inform the decision-making process. In determining the budget, the Council gave consideration to the level of earmarked and general reserves required.

We will consider the overall reserves position, together with the 2023-24 revenue outturn at our final audit.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Income**

Our objective is to confirm that appropriate arrangements are in place to identify all income due to the Council, to arrange for its collection by way of invoicing or direct settlement and for its prompt banking. We also aim to confirm that fees and charges are levied in accordance with the Council's approved scales, where appropriate. The main sources of income for the Council, other than the Precept, are from hire of the Community Centre and cemetery-related fees.

During the course of our audit, we undertook the following work:

- As noted earlier in the report, we checked and agreed two sample months' receipts in the Omega cashbooks to the bank statements;
- We confirmed that, in accordance with the Council's Financial Regulations, the scales of fees and charges applicable for activities such as Community Centre lettings, burials and other cemetery-related activities are considered annually. We understand the fees and charges for 2024-25 will be agreed at the Council meeting in February 2024;
- We tested income from Community Centre lettings by reference to the Rialtas bookings diary for a sample week (commencing 18<sup>th</sup> September 2023), confirming that bookings records reconciled to the sales invoices raised and that the correct hire fees had been charged;
- We examined the cemetery-related activities for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2023, by reference to the register of interments maintained by the Council and the Omega financial system. We confirmed that all entries on the register are supported by appropriate applications and that the correct fees have been invoiced, with payments received and banked in a timely manner, and
- We reviewed the aged debtors' position as at the end of December 2023, confirming that the amount of outstanding debt remains very low and that effective debt management arrangements are in place.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Salaries and Wages**

In examining the Council's payroll function, our objective is to confirm that extant employment legislation is being adhered to, that the requirements of HM Revenue and Customs (HMRC) legislation are satisfied regarding the deduction and payment over of income tax and NI contributions and that the pension fund requirements are met.

The Council continues to operate a formal PAYE scheme "in house", utilising HMRC's "Basic PAYE Tools" software for this purpose. By reference to the December 2023 payroll, we have:

- Confirmed that the Council approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checked to ensure that, where applicable, variable hours and expenses have been applied in accordance with approved timesheets and claim forms;
- Confirmed that appropriate tax codes and national insurance table rates have been applied and deductions computed accurately;
- Checked that the correct employee and employer pension contribution rates are being applied, where appropriate (either the Norfolk Pension Scheme, or the Government workplace pension scheme, 'NEST');
- Confirmed that the net payments recorded on employees' payslips agree to the

electronic payments identified in the cashbook and relevant bank statement, and

- Verified that the monthly settlements of liabilities for PAYE and the pension funds have been paid over in a timely manner.

In addition, we reviewed the contracts of employment for two members of staff recruited in the year, confirming that these were in accordance with model guidance and that signed contracts are held on file.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Petty Cash**

We are required, as part of the internal audit review and the reporting requirements in the AGAR, to assess the effectiveness of controls in place over any petty cash account in use.

We have confirmed that the Council has not operated a petty cash account during the 2023-24 financial year.

## **Asset & Investment Register**

The reporting arrangements for assets in the AGAR require councils to report the value of each asset at purchase cost or at a suitable proxy where that value is not known, and for community assets to be valued at a nominal £1. The value of individual assets should not change from one year to another, with the only changes being the inclusion of new assets purchased or removal of assets disposed of.

An Asset & Investment Register is maintained, using a spreadsheet, which is updated on a regular basis for purchases and disposals. During our audit work, we confirmed that the Register had been updated to include an investment of £20,000 in a two-year business bond with Hampshire Bank, which was made in July 2023.

We will review the purchases and disposals of assets in the year at our final audit and confirm that the total value of assets and long-term investments held at the year-end is reported correctly in Section 2, Line 9 of the 2023-24 AGAR.

### **Conclusion**

***There are no matters arising that require a formal comment or recommendation.***

## **Investments and Loans**

Our objectives are to confirm 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, and that interest earned is brought to account correctly and appropriately in the accounting records.



In line with the 'Statutory guidance on local government investments', there is an approved investment strategy in place. This was most recently updated and re-adopted by the Council on 27<sup>th</sup> January 2021.

For the past few years, the Council has held a proportion of its funds in long-term investments (i.e., either fixed term investments of over one-year, or in stocks and shares). The long-term investments currently held are a 3-year bond of £110,000 with the Hampshire Trust Bank, together with the 2-year bond of £20,000 referred to in the previous section, both of which will mature in July 2025, and shares held in the Fidelity Index UK Fund, with a purchase cost of £30,000.

The Council has one outstanding PWLB loan in place, which relates to the construction of the Community Centre. At our interim audit, we checked and agreed the two instalment repayments of capital and interest made in the year to the PWLB third party demand notices. At our final audit, we will confirm that the total payments in the year and the outstanding balance at the year-end have both been reported correctly in the 2023-24 AGAR (Section 2, Lines 5 and 10 respectively).

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***