



Elton Parish Council

Internal Audit 2023/24

JDH BUSINESS SERVICES LTD

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

INTERNAL AUDIT REPORT

The internal audit of Elton Parish Council is carried out by undertaking the following tests as specified in the AGAR Annual Return for Local Councils in England:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Review of year-end financial statements
- The authority has complied with the publication requirements for the prior year AGAR.
- The authority correctly provided for a period for the exercise of public rights for the prior year AGAR
- The authority published required information on a website up to date at the time of the internal audit in accordance with relevant legislation.

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of **internal controls NOT is in place**, adequate for the purpose intended and effective. The recommendations reported in the action plan overleaf must be implemented promptly. As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

JDH Business Services Limited

INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
2023/24 Internal Audit			
1	<p>The fixed asset register is in draft form as the clerk has only been able to identify approximately £95k out of the total asset value of £153k presented in the 2022/23 asset register. Therefore, the council has still not identified a complete and accurate list and valuation of fixed assets that it owns. Therefore, the council is unable to ensure that all the assets it owns have been appropriate values and notified to the insurance company. Therefore, there is a risk that some assets are not insured and other are under insured.</p>	<p><i>The council must prioritise the completion of the fixed asset register with appropriate valuations included for all assets. The insurance company must be notified of all assets owned to ensure that all assets are adequately insured.</i></p>	<p>This continues to be worked on, with many historic documents stored at the Community Centre still to be sorted and investigated for evidence of assets.</p>
2	<p>The council banking provider is Unity Trust, however, the council have still not enabled the dual party councillor authorisation function. Therefore, during 2023/24 the clerk and the Chair had access to Unity Trust to authorise payments without any restriction, as dual councillor authorisation had not been set up.</p>	<p><i>The council need to urgently implement effective authorisation controls over online banking payments, that ensure two councillors authorise payments before they are made after agreeing invoice details.</i></p>	<p>This continues to be worked on, with photo ID documents requested but outstanding for two councillors.</p>

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3	<p>Expenditure issues:</p> <ul style="list-style-type: none"> - Expenditure sample testing – a PAYPAL payment of £59.99 for software was not supported by an invoice. - No vouchers were held to support the following payments from the early part of the financial year: <ul style="list-style-type: none"> • Andy Eardley £756.00 • Reimburse Cllr. Expenses (PO'R) £175.50 • Hammer and Tongs £15.71 • Elton Junior Football Club £409.64 • Peninsula £110.66 • Pauline Laxton (reimbursement) £134.99 	<p><i>All expenditure vouchers must be retained by the council to enable them to be provided for review or audit purposes and to ensure VAT can be reclaimed.</i></p> <p><i>Vouchers must be retained to evidence all employee expense claims.</i></p>	<p>Since July 2023 all vouchers have been properly filed.</p> <p>A robust Expenses Policy for councillors and employees is now in place.</p>
4	<p>General reserves have halved over the prior year to £10178 from £20762 and at the year-end were 21.6% of the precept level. Sector guidance is that councils should aim for a general reserve level of between 25% and 100% of the precept or net operating expenditure. The Practitioners Guide also notes this recommended level of reserves.</p>	<p><i>The council must review the level of general reserves during the next budget setting process with reference to sector guidance.</i></p> <p><i>The council must ensure sufficient general reserves are carried forward from year to year. (NB The 2024/25 precept was increased to increase the level of General Reserves held). NB The 2024.25 precept was</i></p>	<p>The 2024.25 precept was increased to increase the level of General Reserves held. Monthly budget monitoring will assist councillors in spending decisions, especially in the final quarter of the financial year.</p>

INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
		increased to increase the level of General Reserves held	
5	<p>No budgetary control statements were provided to council for review for the financial year. No evidence to support the annual budget underlying the precept request has been provided.</p> <p>The 2024/25 budget assumed a carried forward balance from 2023/24 of £19,200, however, the final outturn showed only £10,278 was carried forward. The 2023/24 budget set a targeted surplus of £2,596, however, a deficit £10,584 was incurred.</p>	<p><i>Regular budgetary control information must be provided to the council in accordance with adopted Financial Regulations, including the explanation of material variances.</i></p> <p><i>Effective budgetary control must be applied throughout the financial year to ensure the budget is not overspent and an adequate level of reserves is maintained.</i></p>	<p>A new cashbook has been created which will make monthly monitoring easier and councillors will be presented with a monitoring report each month for the period for the previous month.</p>
6	<p>The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2022/23 accounts. The public notice did not cover the first 10 working days of July 2023.</p>	<p><i>The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.</i></p>	<p>The council's accounts were not examined by the Internal Auditor until October 2023. The council are on course to meet the requirements of the exercise of public rights this year.</p>
7	<p>Payroll issues:</p> <ul style="list-style-type: none"> - The contract of employment has not been located for one of the Streetscene staff 	<p><i>Standardised model contracts of employment must be established for all current and new employees.</i></p>	<p>One outstanding contract of employment has been requested (two of the three current employees have a sighted contract in place) and if no contract is made available then all staff will be consulted and issued with the new NALC Model Contract, so that all</p>

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	<ul style="list-style-type: none"> - In May 2023 the payslips were not available and payments to two staff were based on the previous month's hours worked. A reconciliation in October 2023 identified that an underpayment had actually occurred which was then paid to staff. - There is still an ongoing review as to whether a HMRC payment due is still outstanding. 	<p><i>The council must ensure that payroll payments are accurately calculated and paid and that all HMRC payroll taxes due and accurately calculated and remitted to HMRC.</i></p>	<p>employees are working from the same contract. If the third contract is retrieved then all employees will remain on their current contracts.</p> <p>All employee payments since July 2023 have been correct and all payments to employees and HMRC made on time.</p> <p>Access to the HMRC Employers Account has now been established following codes being delivered to the former locum clerk's personal address. The contact details for the council and not the personal details of the clerk have now been logged with HMRC. The HMRC system is currently showing no unpaid bills, but this may change when the Payroll provider files the end of year submissions.</p>
8	No VAT reclaims were received in the financial year.	<p><i>The previous VAT returns must be obtained and VAT fully reconciled so a complete and accurate up to date reclaim can be submitted for all outstanding VAT refunds due. Expenditure vouchers must be sourced for all expenditure with a VAT element to enable the VAT to be reclaimed.</i></p>	<p>A VAT reclaim for all VAT receipts in the clerk's possession for FY 23.24 has been made via post, as the details for accessing the account online are not available – the Unique Reference Number is not known.</p>

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9	The format of the bank reconciliation did not comply with best practice.	<p><i>In future, the bank reconciliation format should be presented as per the template below and that will easily demonstrate how the cumulative reconciled bank balances for the full financial year equate to Box 8 in the AGAR:</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2"><u>Cash Book</u></td> </tr> <tr> <td style="padding-left: 20px;"><i>Balance b/f</i></td> <td style="text-align: right; padding-right: 20px;">£x</td> </tr> <tr> <td style="padding-left: 20px;"><i>Receipts</i></td> <td style="text-align: right; padding-right: 20px;">£x</td> </tr> <tr> <td style="padding-left: 20px;"><i>Payments</i></td> <td style="text-align: right; padding-right: 20px;">£x</td> </tr> <tr> <td style="padding-left: 20px;"><i>Balance c/f</i></td> <td style="text-align: right; padding-right: 20px; border-top: 1px solid black;">£x</td> </tr> <tr> <td colspan="2"> <u>Bank</u></td> </tr> <tr> <td style="padding-left: 20px;"><i>Current acc</i></td> <td style="text-align: right; padding-right: 20px;">£x</td> </tr> <tr> <td style="padding-left: 20px;"><i>Deposit Acc</i></td> <td style="text-align: right; padding-right: 20px;">£x</td> </tr> <tr> <td style="padding-left: 20px;"><i>Less u/p cheques</i></td> <td style="text-align: right; padding-right: 20px;">£x</td> </tr> <tr> <td style="padding-left: 20px;"><i>Add unrepresented lodgements</i></td> <td style="text-align: right; padding-right: 20px;">£x</td> </tr> <tr> <td style="padding-left: 20px;"><i>Balance as at 31/3</i></td> <td style="text-align: right; padding-right: 20px; border-top: 1px solid black;">£x</td> </tr> </table>	<u>Cash Book</u>		<i>Balance b/f</i>	£x	<i>Receipts</i>	£x	<i>Payments</i>	£x	<i>Balance c/f</i>	£x	 <u>Bank</u>		<i>Current acc</i>	£x	<i>Deposit Acc</i>	£x	<i>Less u/p cheques</i>	£x	<i>Add unrepresented lodgements</i>	£x	<i>Balance as at 31/3</i>	£x	The template will be followed as adjustments to the cashbook for FY 24.25 will facilitate this.
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2022/23 Internal Audit																									

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1	There are no published Financial Regulations and the council have been unable to provide a copy of any Financial Regulations that were in place during the financial year.	<i>The council must urgently adopt Financial regulations. NALC publish model Financial Regulations for parish councils and these should be used by the council as a template.</i>	Implemented
2	<p>AGAR accounts</p> <p>There is a £6 difference between the AGAR and the spreadsheet accounts as the AGAR accounts cast to £20760, however, £20766 has been recorded in the AGAR box 7 (and 8). The spreadsheet cashbook closing balance is £20766. The year end bank statement balance is £27262.63</p> <p>The total cash book payments are recorded as £97422.18 but total payments per the AGAR accounts are £97428, therefore, the £6 error lies in payments and specifically in staff costs as total staff costs per the spreadsheet cashbook are £23892.20 and £23898 per AGAR.</p>	<i>The imbalance between the spreadsheet cashbook and accounts, and the AGAR accounts and bank reconciliation should be resolved and amended.</i>	Implemented
3	Due to absence of staff, for a significant period of the financial year the Chair of the council had to access the bank account and make payments. The council banking provider is Unity Trust but the council	<i>The council need to urgently implement effective authorisation controls over online banking payments, that ensure two councillors authorise payments before they are made after agreeing invoice details.</i>	Recommendation Outstanding

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>have not enabled the dual party authorisation function.</p> <p>The council had difficulty in sourcing the expenditure vouchers in support of our sample and no evidence was provided of market testing of any of the significant contracts in the year.</p>	<p><i>When Financial Regulations are adopted these must include the contract procurement requirements to be applied to significant expenditure.</i></p> <p><i>All expenditure vouchers should be retained by the council to enable them to be provided for review or audit purposes and to ensure VAT can be reclaimed.</i></p>	<p>Implemented</p> <p>Recommendation Outstanding for initial part of 2023/24 financial year – see 2023/24 issues</p>
4	<p>A full set of minutes was not available as only the April to July 2022 minutes were published, and the council were unable to locate copies of the other minutes.</p>	<p><i>A complete record of the minutes evidencing the meetings of the council must be maintained and published.</i></p>	<p>Recommendation Outstanding –minutes published for 2023/24 up to December 2023 only.</p>
5	<p>No regular monthly bank reconciliations were produced and reported to council during the financial year.</p>	<p><i>Complete and accurate bank reconciliations must be completed and presented to council on a timely basis throughout the financial year.</i></p>	<p>Implemented</p>
6	<p>No budgetary control statements were provided to council for review for the financial year. No evidence to support the annual budget underlying the precept request has been provided. The</p>	<p><i>Regular budgetary control information must be provided to the council in accordance with adopted Financial Regulations, including the explanation of material variances.</i></p>	<p>Recommendation Outstanding</p>

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	<p>requirements for budgetary control should be set out in adopted Financial Regulations.</p> <p>The £amount of the precept request for 2023/24 is not recorded in the full council minutes which is a requirement of the Local Government Act 1992.</p>	<p><i>Comprehensive budget information should underpin the annual precept request.</i></p> <p><i>The amount of precept requested must be stated in the council resolution of the minutes where the precept was decided.</i></p>	
7	<p>The council did not review, update and approve a risk assessment during the financial year. Therefore, none of the council operational, financial, strategic and governance risks were reviewed in the financial year.</p>	<p><i>A comprehensive risk assessment document must be reviewed, updated and approved by full council each financial year.</i></p>	Implemented
8	<p>A comprehensive asset register is a key management tool for managing fixed assets effectively, however, no fixed asset register was provided in support of the fixed asset figures included in the AGAR accounts.</p>	<p><i>The council must establish a fixed asset register that includes the following key information:</i></p> <ul style="list-style-type: none"> • <i>Valuation for AGAR disclosure purposes</i> • <i>Insurance value</i> • <i>Dates of acquisition, upgrade and disposal (it is useful to keep a record of disposed assets as an asset management tool)</i> • <i>Costs of acquisition and any expenditure which increases the life of the asset</i> 	Recommendation Outstanding – draft asset register in place – see 2023/24 issues

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		<ul style="list-style-type: none"> • <i>If proxy cost is used for first valuation, a note of the method used for valuation and details of any professional advice received</i> • <i>Useful life estimate</i> • <i>Location</i> • <i>Responsibility/custodian)</i> • <i>Any available indications of asset condition</i> • <i>Evidence assets have been matched with the insurance schedule to ensure all assets are appropriately insured</i> 	
9	<p>The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2021/22 accounts. No public notice was published on the council website.</p>	<p><i>The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.</i></p>	<p>Implemented , however, see 2023/24 issue re public notice period</p>
10	<p>Publication Requirements: The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of September 30th 2022.</p>	<p><i>The council must comply with the publication requirements of relevant legislation including the Accounts and Audit Regulations 2015.</i></p>	<p>Recommendation Outstanding</p>

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	<p>The council website does not comply with publishing requirements for other aspects such as the requirement for a full complement of minutes and 5 years of AGAR accounts to be published on the website.</p> <p>Therefore, we have concluded that the council did not comply with the publication requirements for the 2021/22 AGAR audit as required by the Accounts and Audit Regulations 2015.</p>		
11	<p>No contracts of employments were provided for any of the five staff listed as employed during the financial year. Therefore, we were unable to verify whether the correct rates of pay as per the staff contracts were being applied.</p> <p>As a full set of minutes was not available for the financial year we could not evidence that payroll payments were approved by council for the entire financial year. No vouchers were provided to support employee expenses claims.</p>	<p><i>Standardised model contracts of employment should be established for all current and new employees.</i></p> <p><i>All payroll payments must be approved by council and evidenced in the minutes.</i></p> <p><i>Vouchers should be retained to evidence all employee expense claims.</i></p>	<p>Recommendation Outstanding</p> <p>Implemented</p> <p>Recommendation Outstanding for initial part of 2023/24 financial year – see 2023/24 issues</p>
12	<p>A VAT reclaim amount is included in the income ledger, however, no VAT returns could be located to enable council to apply</p>	<p><i>The previous VAT returns must be obtained and VAT fully reconciled so a complete and accurate reclaim can be</i></p>	<p>Recommendation Outstanding – no VAT reclaims were received in 2023/24</p>

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	the correct VAT cut-off to the next VAT reclaim.	<i>submitted for all outstanding VAT refunds due. Expenditure vouchers must be sourced for all expenditure with a VAT element to enable the VAT to be reclaimed.</i>	
13	Income - We were informed by the clerk that only one voucher could be sourced to substantiate the income transactions which was the precept request to the principal council..	<i>Income vouchers must be retained for all income transactions.</i>	Implemented
14	The contract or SLA with Countrywide for the provision of grounds maintenance services could not be located to support the ongoing contract.	<i>Signed SLAs/contracts should be established for all ongoing contracts</i>	Implemented
15	No s.137 column has been maintained in the cashbook and no calculation of the annual limit of s. 137 for 2022/23 was provided.	<i>A record of s.137 expenditure should be maintained as well as the annual limit calculation to evidence this was not exceeded in the financial year.</i>	Implemented