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# John P Watson & Co

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# Stambridge Parish Council

## Internal Audit Report 2023-24

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

## 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 interim audit, which was finalised on 3rd May 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

On the basis of the programme of work undertaken during the audit, it can be reported that the Council maintains adequate and effective internal control arrangements. The Clerk is thanked for his assistance during the course of this audit.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR, 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 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 continue to be three bank accounts in operation, two with the Metro Bank and one with NS&I.
ii. The Council maintains their accounting records by way of an Excel Spreadsheeet which is adequate for a Council of this size. The spreadsheet currently in use is very basic and it is again suggested that it should be expanded to take into account different expenditure headings.
iii. The opening Excel Spreadsheet 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 Excel Spreadsheet.
v. All transactions in the cashbooks for Metro Bank Accounts have been checked for the year to 31st March 2024. All were complete and accurate and had been prepared in a timely manner.
vi. It is noted that the Council continues to claim VAT refunds on behalf of the Stambridge Community Centre Trust, any payments received then being paid to the Trust. It is appreciated that the Trust is not able to register to submit VAT 126 claims and it is recommended that the Trust be requested to register for VAT so that they are able to submit their own VAT claims. This would ensure that any such claims for monies due are paid direct to the Trust
vii. Bank Reconciliations were prepared on a regular basis. These have been checked and were complete and accurate.
viii. All accounts remained "in balance" at the end of the period under review.
ix. It is noted that a back-up is currently only done to Dropbox. It is again suggested that, to protect the integrity of the records, s separate back-up should be made to another medium.

c) **Conclusion**

i. It is suggested that the expenditure headings on the Excel Spreadsheet be expanded to take into account different expenditure headings.
ii. It is recommended that the Trust be requested to register for VAT so that they are able to submit their own VAT claims.
iii. It is suggested that, to protect the integrity of the records, a separate back-up should be made to another medium.

# 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 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. Standing Orders and Financial Regulations were last reviewed and agreed at the Council meeting on 29th June 2023 (minutes 46.23-24 and 47.23-24 refer). It is noted that these documents were unchanged from the previous year. It is again suggested that the Clerk checks these documents against the current NALC model documents any amendments being made as required.

iii. The 2023/2024 precept was agreed in the amount of £32,000 at the Council meeting held on 18th January 2024 (minute 137 iii.23-24 refers).

iv. It is noted that the Council has re-adopted the General Power of Competence at their meeting on 25th May 2023 (minute 7 refers)

v. The Council has correctly provided the proper opportunity for the exercise of public rights following the audit for 2022-23.

**c) Conclusion**

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

# 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.

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 in that the Chair co-signs the monthly agreed Financial Report appearing under Finance on the Agenda. This is done when the balances are corroborated by two councillors comparing the monthly Balances of the Financial Statements and the up to date Bank Statements.

iv. All discounts due on goods and services were taken where appropriate.

v. VAT has been appropriately identified for periodic recovery although it was noted that, in some instances, VAT had been recorded incorrectly. This has been brought to the attention of the Clerk and has been rectified.

vi. The Council does not hold any Debit or Credit cards.

vii. The full details of each months' payments have been presented to Members at Council meetings and minuted accordingly.

viii. It is noted that a VAT reclaim was made in respect of the two years to 31st March 2023 the sum of £2,780.44 being received in August 2024.

ix. It is noted that the Clerk has been given authority to do online banking transfers with the Metro Bank but that this facility will only be used in an emergency.

**c) Conclusion**

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

# 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. Council completed their Risk Assessment Review at the Council meeting held on 29th June 2023 (minute 48.23-.24 refers).

ii. Council's insurance is with Hiscox Underwriting Ltd through Gallagher Insurance Brokers Ltd as part of a three year contract. The current policy expires on 31st May 2024 with Employers and Public Liability being set at £10m and Fidelity Guarantee being set at £500k.

iii. The Council does not have any assets requiring a RoSPA Health & Safety Inspection

**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 were presented with a budget prepared on an Excel Spreadsheet for 2024/2025 at their meeting on 18th January 2024 (minute 137 iii.23-24.refers).

ii. As detailed earlier in the Report, the precept for 2023-2024 in the amount of £32,000 was agreed at the Council meeting held on 18th January 2024 (minute 137 iii.23-.24.refers).

c) **Conclusion**
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 detail of monthly receipts and payments.
ii. As previously mentioned in this Report, it is noted that the detailed 2024/2025 budget was agreed by Council at their meeting on 18th January 2024 (minute 137 iii.23-24 refers).
iii. It is noted that General Reserves at the year end were £19,001 which equates to between four and five months average revenue expenditure which is within the current guidelines of between three and six months average revenue expenditure.

c) **Conclusion**
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, Allotment Income, VAT recovery, bank interest and occasional grants and donations.
ii. It is noted that revised allotment fees in respect of the year to 30th September 2024 were agreed at the Council meeting held on 21st July 2022 (minute 65.22-23 xviii refers)
iii. The income from the allotments has been verified with no issues arising.
iv. It is noted that Council have received the signed documents relating to a five year lease with Little Hall Farm Ltd in respect of the allotments site commencing on 1st January 2023

c) **Conclusion**
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 Clerk's salary has been approved by Council at their meeting held on 13th April 2023 (minute 251.5.22-23 refers) and at their meeting on 29th November 2023 (minute 116.19.23-24 refers).
ii. Council approved the increase and back pay in respect of the NJC pay award for 2022-23 at these meetings.
iii. It is noted that the Clerk is paid by bank standing order, any adjustment being carried out in month 12.
iv. The payroll has been processed by the Clerk using HMRC PAYE Tools.
v. It is noted, however that the Clerk does not present the PAYE Tools calculations to Council for the salary payments to be approved. It is recommended that this be done in future.
vi. The payroll has been checked for the months of April 2023 and February 2024 with no issues arising
vii. All required payments have been made to HMRC in respect of PAYE/NI deductions. It is noted that an overpayment was notified to the Parish Council by HMRC in July 2023. This overpayment has been rectified.

c) **Conclusion**
It is recommended that appropriate paperwork is presented to Council to confirm salary payments.

## 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 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 noted that the Asset Register as at 31st March 2022 did not specify individual values against each asset. It is further noted that the Clerk has identified separately an addition to the Asset Register in the year to 31st March 2023. There were no additions to the Asset Register in the year to 31st March 2024.
iii. The Asset Register was approved by Council at their meeting on 29th June 2023 (minute 48.23-24 refers).
iv. The Council does not currently maintain a photographic record of its assets. It is understood that the Clerk will undertake this exercise as and when time permits. It is again suggested that this be done. 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.

**c) Conclusion**

It is suggested that a photographic record be made of all Parish Council Assets.

# 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.
ii. Council does not have any loans with external bodies repayable by or to it.
iii. It is understood that the Clerk will endeavour to close the NS & I account and it is recommended that this be done without delay

**c) Conclusion**

i. It is recommended that the Clerk close the NS&I account without delay.

# 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, with some adjustments, the Council's accounting reports accurately records the 2023-24 financial year's transactions.

c) **Conclusion**
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 our review for the year, the Internal Audit Certificate in the Annual Return has been completed and signed assigning positive assurances in all areas.

**3rd May 2024**