

Internal Audit Report

Wormegay Parish Council

Financial Year 23 / 24

Prepared by:

Di Dann, CiLCA, FiLCA

I have completed an internal audit of the accounts for Wormegay Parish Council for the year ending 31st March 2024.

My findings are detailed below using the tests provided in the Governance and Accountability (England) March 2023.

I would like to thank Cllr Chopping for providing information as was available to him. There were several documents missing including: Invoices, HMRC documentation, Clerk's Contract of Employment, Insurance documents, Fixed Asset Register, VAT Returns, Explanations of Variations AGAR (+ / - 20%), CIL Report for 23/24.

I have recorded "NO" Boxes on the Internal Auditor Report (Page 4 of AGAR) for Control Objectives A, B, C, D, G, H, I, J, L, N. The reasons for the "NO" Boxes are detailed at the end of this report together with my recommendations for the financial governance of the Council.

PLEASE note, this Report

1. Must be considered by the Parish Council and minuted
2. Must be sent in full to PKF Littlejohn, External Auditor
3. Must be uploaded onto the Council's website

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes – refer report
	Is the cashbook arithmetically correct?	Yes – refer report
	Is the cashbook regularly balanced?	No – refer report
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes – refer report
	Date Standing Orders last reviewed	May 2023 – refer report
	Date Financial Regulations last reviewed	As above
	Has a Responsible Financial Officer been appointed with specific duties?	No RFO – refer report
	Have items or services above the de minimus amount been competitively purchased?	Yes
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	No – refer report
	Has VAT on payments been identified, recorded and reclaimed?	No – refer report
	Has s137 expenditure been approved and separately recorded and within statutory limits? (where applicable)	No – refer report
	Are Financial Regulations followed?	No – refer report. Current Regulations are against not in accordance with law. e.g. Reg 4.2

Internal control	Test	Observations
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme?	Yes – May 2023 Refer report
	Is insurance cover appropriate and adequate?	This document was not available The provider is unknown
	Are internal financial controls documented and regularly reviewed?	No - refer report
Budgetary controls	Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?	Budget and precept minuted as approved 30 th Jan 2024
	Has the precept been calculated from the budget and been approved?	Unknown – refer report
	Does the budget include an actual completed year?	Unknown – refer report
	Is actual expenditure against budget regularly reported to the council?	No – refer report
	Are there any significant unexplained variances from budget?	Unknown
Income controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
	Are security controls over cash and near-cash adequate and effective?	No Cash

Internal control	Test	Observations
Petty cash procedures	Is all petty cash spent recorded / reported and supported by VAT invoices/receipts? Is it reimbursed regularly?	No Petty Cash
Cards	Does the Council have a Debit / Credit card?	Unknown
	If Yes – is this detailed in Financial Regulations?	No detail in Financial Regulations
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	Not seen
	Do salaries paid agree with those approved by the council?	No – no minute of approval
	Are salaries above the National Living Wage/Minimum Wage?	No
	Are other payments to employees reasonable and approved by the council?	Unknown
	Have PAYE/NIC been properly operated by the council as an employer?	Unknown – refer report
Asset controls	Does the council maintain a register of all material assets owned or in its care?	Unknown – refer report
	Are the assets and Investments registers up to date? When were these last reviewed?	Unknown. Asset Register unavailable. Advice given in report
	Do asset insurance valuations agree with those in the asset register?	See above

Internal control	Test	Observations
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	Only one account held. No bank reconciliations reported. – refer report
	Is a bank reconciliation carried out regularly and in a timely fashion?	No – refer report
	Are there any unexplained balancing entries in any reconciliation?	Refer report
	Is the value of investments held summarised on the reconciliation?	Y/E balance noted. Refer report.
Year-end procedures	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	R and P
	Has a year-end bank reconciliation been undertaken?	Adjustments needed.
	Are Variances adequately explained?	No – refer report
	Where appropriate, have debtors and creditors been properly recorded?	N/A
	Have Reserve Funds been detailed?	No – refer report
Procedural	Have points raised on the last Internal Audit report been considered by council and actioned?	No report given to Council In May 2024 – refer report
	Policy documents routinely updated?	No -refer report
Transparency: For smaller councils with	Minutes for whole year on website?	No - refer report
	Agendas for whole year on website?	Yes

Internal control	Test	Observations
turnover under £25,000 (best practice for Councils up to £200,000.)	Payments over £100 detailed on website?	No – refer report
	Electors' rights advertised on website?	23/24 Dates should be recorded in the minutes.
	Councillors' responsibilities detailed on website?	Yes
	Last financial year's AGAR on website?	No – refer report
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	No – refer report
Data Protection	Has the Council put in place a DP Policy?	No – refer report
FOI Publication Scheme	Has the Council put in place an FOI Scheme?	No – refer report

Summary of my recommendations:

Box A The Cash Book of the Council should be written in columns – payments recorded net and also gross. Payments should be numbered and the appropriate invoices numbered similarly. There should be a S137 column in the Cash Book.

Action: The Cash Book should be divided into columns for both receipts and payments. Payments should be recorded Net and Gross. S137 payments should be a separate column in the payments of the Cash Book.

Box B The Financial Regulations of the Council are out of date and should be based on the model documents available for a small council. Model documents comply with the Accounts and Audit Regulations 2015. There were many invoices missing, and details of expenditure should be recorded in the minutes. There is no evidence of VAT claims being made.

Action: New Financial Regulations should be adopted by the Council. Invoices should be retained and cross referenced to the Cash Book. Cheque stubs should be initialed by two councillors.

VAT claims should be submitted – 23/24 and the two previous years. This should be undertaken as a matter of urgency.

Box C There is a Risk Management Policy which is incomplete.

Action: This should be rewritten to include all risks which should be calculated against the Risk Matrix. Internal Controls should be identified and added to the Register. This should be undertaken before March 31st 2025.

Box D There was no budget available for 2024/25, although recorded as approved in the Minutes of the January 2024 meeting. There was no Budget report given to Council. Reserves are high. Their purpose should be detailed in Earmarked Reserves. No separate CIL Reserve was detailed in the year end accounts.

Action: A budget should be drawn up using comparative figures, for agreement in January 2025. Comparative figures will be the actuals predicted for 24/25, and the previous year's figures. The purpose of all Reserves must be identified.

Box G There were no HMRC RTI pay slips available. Salaries should be agreed by Council and should be based on the NJC recommended pay scales and above the minimum wage.

Action: Undertake payroll through HMRC RTI (this can be done by the Clerk or a payroll provider). Seek advice from NPTS on appropriate salary scales. Council to note that they are an employer and as such, are responsible for the ITX and NIC.

Box H Council should ensure its Asset Register is up to date. It is usual to apply values at purchase price or insurance valuation.

Action: Compile Asset Register before 31st March 2025.

Box I Council should receive regular Bank Reconciliations (regularity should be detailed in Financial Regulations) which should be noted in the minutes under "Financial Items".

Action: Undertake Bank Reconciliations and report to Council, at least at half year point and year end.

Box J There was no audit trail.

Action: Retain invoices cross reference to the Cash Book

Box L and N AGAR should be published, completed and signed. (Exemption Certificate, Pages 1 and 2 and Internal Auditors Report). Other information which should be published: payments over £100.

Action: Undertake this for both 2023/24 and for 2022/23.

Other Matters:

The Council paid money to an individual during the Financial Year 2023/24. This was a payment made as a grant. Council should note that they have no legal power to pay individuals. The Grants Policy of the Council should be reviewed to ensure that applicants represent properly constituted organisations.

The Council should adopt a Data Protection Policy and add this to their website. This should be reviewed as the law requires.

The Council should adopt a Freedom of Information Publication Scheme which should be added to the website. This should be reviewed annually.

The law requires that a Council must appoint a Responsible Financial Officer (RFO) and this must be minuted.

The Council should invest reserves in an interest paying account.

Although not a mandatory requirement, the Council should appoint one councillor to act as an Internal Control Officer. The ICO to undertake twice yearly inspections of various aspects of the finances.

The Council through the Clerk should ensure that copies of signed minutes are retained in order, and safely. Once signed these become legal documents.

Overall Recommendation

The above comments largely relate to “best practices” as detailed in “Governance and Accountability”. This follows legislation. The tasks involved are challenging.

The Council should consider engaging a Locum Clerk, to ensure that the Financial Year 2024/25 is correctly undertaken and, as well, assist the Council in its recruitment process for a new Clerk. NPTS can provide contact details for a qualified Locum Clerk.

I would like to thank Cllr Chopping, once again, for his efforts with the financial year 2023/24.

Di Dann, Internal Auditor 23/24

T 01328 878196 didann@outlook.com