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## **Fernhurst Parish Council**

***Internal Audit Report 2023-24 (Final-update)***

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***Consultant Auditor***

***For and on behalf of***  
***Auditing Solutions Ltd***

## **Background**

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return.

This report sets out the work undertaken in relation to the Internal Audit process for the 2023-24 financial year; the Interim review which took place remotely between the 29<sup>th</sup> of October and the 9<sup>th</sup> of November 2023 and the final-update review which took place remotely on the 15<sup>th</sup> of June 2024.

## **Internal Audit Approach**

In commencing our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that operate in a manner to ensure effective probity 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 facilitate our completion of the 'Internal Audit Report' as part of the Council's Annual Governance and Accountability Return process, which requires independent assurance over a number of fifteen internal control objectives.

We have followed up the recommendations made in our 2022-23 reports and the 2023-24 interim internal audit report and acknowledge that the Clerk/RFO and members have noted and considered these in their deliberations. We note that the Council make good progress in implementing internal control, business process and performance improvements throughout the financial year to the 31st March 2024, including the publication of a fully functional website. We report that, on the basis of the work undertaken to date, the Council continues to operate adequate and effective internal controls in all areas examined.

We have made only two recommendations for Best Practice improvement as a result of this report which is detailed in the main body of the report and the appended Action Plan.

We commend the Clerk/RFO for his efforts and the exemplary manner in which the documents were presented for final-update audit process.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

# Detailed Report

## Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers to date. The Council currently operates three accounts with the National Westminster Bank: a current, reserve and second reserve (with notice) account. The Council's account at National Savings & Investments was closed during the 2023-24 financial year with the residual funds being transferred to the Council's second reserve National Westminster bank account. To meet this objective, we have: -

- Agreed the opening trial balance detail in the Alpha software for 2023-24 with that in the closing 2022-23 Statement of Accounts;
- Ensured that the ledger remains in balance at the 31<sup>st</sup> of March 2024;
- Ensured that an appropriate cost centre and accounting structure remains in place;
- Checked and agreed transactions (both receipts and payments) in the Council's combined bank account cashbooks to the relevant bank statements for the months of April, September & December 2023 and March 2024;
- Checked detail on the bank reconciliations of the 30<sup>th</sup> of April, 30<sup>th</sup> of September and 31<sup>st</sup> of December 2024; and,
- Noted that there were no out-of-date cheques recorded on the cashbook.

### Conclusions

*There are no matters arising in this area of review warranting formal comment or recommendation.*

## Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Noted that the Council received a qualified External Audit report for the 2022-23 financial year, The Council received a Qualified External Auditor's report due to the lack of an operational website upon which statutory and official documents are required to be published. It noted that the Council is technically in breach of Regulation 5(a) of the Accounts and Audit Regulations 2015;
- Noted that the Council correctly published the Notice of the Exercise of Public Rights for the 2022-23 financial year. The announcement was made on the 9<sup>th</sup> of June 2023, the period for the Exercise of Public Rights being from Monday 03<sup>rd</sup> of July 2023 to Friday the 11<sup>th</sup> of August 2023 inclusive. A period of exactly 30 days including the first 10 working days in July;
- Concluded the Review of Minutes for the Council and its Committees, excluding Planning, for the 2023-24 financial year noting that the Minutes are of a generally high

quality, and are published, along with the corresponding Agenda on the council's official website;

- Noted that the Council's Standing Orders were last revised and readopted, unamended, at the 20<sup>th</sup> of March 2024 meeting of the Full Parish Council under Minute Reference 43/24;
- Noted that the Council's Financial Regulations were last confirmed to have been revised and readopted at the 13<sup>th</sup> September 2023 meeting of the Full Parish Council under Minute Reference 147/23; and,
- Noted that the Council has published an official website at <https://fernhurst-pc.org> on a secure server. This website is fully functional, easy to use and complies, as far as can be ascertained with current Accessibility Legislation. The Council has published all prerequisite information, along with additional information pertaining to local resources. The Council holds a second domain: <https://www.fernhurst-pc.gov.uk> where the Council's official email addresses are hosted, however the website was not populated due to a dispute with the contractor.

### **Conclusion & recommendation**

***We take this opportunity to remind the Clerk/RFO and Members that it is not only considered Best Practice to record the value of both the Resolved Budget and Precept, it is a requirement to do so. We recognise that the Council undertook a robust budget setting and precept determination process and recorded that there was to be no increase in the precept for the 2024-25 financial year.***

*R1 The Clerk/RFO and Members are reminded that the values of the Resolved Budget and the Precept for the forthcoming financial year must always be recorded in the published Minutes of the Council.*

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and,
- VAT has been appropriately identified and coded to the control account for periodic recovery.

Due to the remote nature of the Interim and year-end audits, we have examined all transactions recorded in the Council's Rialtas Cashbooks for the months of April, September and December 2023 and March 2024 with no issues arising.

Additionally, we have checked and verified a sample of payments for the financial year to the 31<sup>st</sup> of March 2024, ensuring that these had been correctly entered onto the Rialtas cashbook,

VAT correctly recorded, and payment had been made within an appropriate period. The payment sample was conducted on the basis of every non-pay related payment in excess £750.00 and every 20<sup>th</sup> payment irrespective of value. A total of 33 payments were examined totalling £40,112.63 and representing approximately 43% of all non-pay related payments, with no issues arising.

We have noted that manual VAT recovery claims continue to be submitted annually. The VAT claim in respect of the 2022-23 financial year, in the amount of £4,906.11 was received to bank on the 14<sup>th</sup> of April 2023.

Finally, in this area of our review we noted that the 2023-24 financial year reclaim was submitted to HMRC on the 4<sup>th</sup> of April 2024, in the amount of £5,786.36.

### **Conclusions**

*There are no matters arising in this area of our review warranting formal comment or recommendation.*

## **Review of Assessment and Management of Risk**

Our aim here is 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 identified in order to minimise the opportunity for their coming to fruition.

We note that the Council has undertaken a detailed overhaul of its Risk Assessments during the 2023-24 financial year: During the 12<sup>th</sup> of July 2023 meeting of the Parish Council the Risk Assessments were formally reviewed, under Minute Reference FC/130/23. Subsequently, during the 13<sup>th</sup> of September 2023 meeting of the Parish Council the Risk Assessments were Approved and Adopted, under Minute Reference FC/148/23.

The Council's insurance schedule for the current year, Policy Number LCO01394 has been examined, with cover provided under the Local Councils Insurance Scheme, Arranged by BHiB Insurance Brokers and underwritten by Aviva Insurance Ltd. The policy runs from the 10<sup>th</sup> June 2023 to the 9<sup>th</sup> June 2024. We note that Employers' and Products & Public Liability are both in place at £10 million, Officials Indemnity at £500,000, Libel & Slander at £250,000, Legal Expenses at £250,000, Fidelity Guarantee cover at £150,000, This level of cover is considered appropriate for the Council's present needs.

Finally, in this area of our review we note that the Council's single playground continues to be inspected by the Village Handyman, or the Clerk in his absence. Both have received informal inspection training from a qualified Playground Inspector and the Village Handyman holds a RoSPA Playground Inspector certificate.

The Village Handyman is now responsible for conducting playground inspections on a weekly basis and submits inspection reports to the Clerk for his retention. The Annual Independent Playground Inspection is conducted by RoSPA.

We note from the Council's Minutes, that Health & Safety issues concerning the Council's playground are given appropriate consideration at each meeting of the Property Highways & Environment Committee, with remedial actions agreed under formal resolution.

## **Conclusion**

*There are no matters arising in this area of review warranting formal comment or recommendation.*

## **Review of Budgetary Control & Precept Determination**

We note that members continue to receive periodic finance reports including bank reconciliations and budgetary analysis.

We further note that the Budget setting and Precept determination process for the 2024-25 financial year is again to be undertaken at the Finance Committee. The Draft budget Endorsed at the Finance Committee was subsequently Approved during the 07<sup>th</sup> of January 2024 meeting of the Parish Council with the Precept being Established 'with no increase' (£76,250.00 prior year) under Minute reference FC/07/24.

We note that the Council has one formally established earmarked reserve EMR 322 - Asset Replacement Reserve. EMR 323 - Community Infrastructure Levy has been completely depleted during the 2024-25 financial year with the funds spent on capital projects. The Opening Balance for these EMRs as at the 1<sup>st</sup> of April 2023 was £57,484.93 with £4,132.93 in-year Net Transfers resulting in a Closing Balance as of the 31<sup>st</sup> March 2024 of £53,325.00.

The Council's total managed funds at the 31<sup>st</sup> of March 2024 stood at £131,008 (£130,556 prior year), with earmarked reserves totalling £53,325 (£57,485 prior year) and £34,165 in Accruals and Creditors.

Finally, in this area of our review, we have noted that the residual General Reserve balance of approximately £43,491 (£64,770 prior year) equates to approximately four-and-a-half months' revenue spending at average prior year levels. This level of retained General Reserve sits comfortably within the current range recommended by the Chartered Institute of Public Financial Accountants (CIPFA) of between three and six months' revenue spending based on the average prior year level. We deem this appropriate for the Council's budgeted spending requirements or the 2024-25 financial year.

## **Conclusions**

*There are no matters arising in this area of review warranting formal comment or recommendation.*

## **Review of Income**

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure that all income due to the Council from its various sources is identified and invoiced in a timely manner and effective procedures are in place to pursue of any outstanding monies due to the Council. To meet this objective, we have:

- Noted that the Council's income is made up of the Precept, Interment and related fees, the New Homes Bonus, CIL monies, S.106 funding, Interest Received, Occasional Grants and VAT reclaims;
- Checked and agreed all transactions from cashbook receipts for the months of April, September and December 2023 and March 2024 to the current account bank statements and other supporting documentation as noted earlier in this report; and,

- Reviewed the income records relating to interments and memorials for the financial year to the 31<sup>st</sup> of March 2024 with no issues arising.

### **Conclusion**

*There are no matters arising in this area of our review warranting formal comment or recommendation.*

## **Review of Petty Cash Account**

The Council does not operate a petty cash account; any “out-of-pocket” expenses incurred being reimbursed by cheque payments authorised in the same manner as other supplier payments.

### **Conclusion**

*There are no matters arising in this area of our review warranting formal comment or recommendation.*

## **Review of Salaries and Wages**

In examining the Council’s payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions. To meet this objective, by reference to the month of September 2023 detail, we have:

- Ensured that the Council has approved staff pay rates for the financial year, where appropriate, and that these have been duly and accurately applied throughout the year;
- Checked the computation of staff member’s net pay and salary deductions, noting that the HMRC’s free software (PAYE Tools) is utilised “in house” for this purpose;
- Noted that the Council are making payments into the Clerk’s defined contribution pension scheme which is managed by Sippdeal Trustees;
- Checked to ensure that the appropriate tax code and NIC table has been applied with tax and NI deductions / Council contributions calculated correctly and paid over to HMRC in a timely manner;
- Noted that the Clerk/RFO is in receipt of a formal Pay advice slip; and,
- Noted that the Clerk’s remuneration is due to be reviewed at the December 2023 meeting of the HR Committee.

### **Conclusions**

*There are no matters arising in this area of review that warrant formal comment or recommendation.*

## **Review of Fixed Asset Registers**

The Governance and Accountability Manual (G&AM) requires all councils to develop and maintain a register of their asset stock. The Clerk has provided an electronic copy of the updated asset register which identifies the make-up of the value recorded in the Annual Return for our examination, which we have undertaken subsequent to our visit.

The Clerk maintains a detailed and robust Asset Register, recording assets at a consistent year on year level, as required by the Governance and Accountability Manual.

We have checked and verified the Council's Fixed Asset Register, having agreed the revised value in-line with the in-year acquisitions and disposals applied, in the amount of £213,861 (£189,404 prior year). We confirm that this value has been correctly recorded in the 2024-25 AGAR Section 2 – Accounting statements at Box 9: Total fixed assets plus long term investments and assets.

### **Conclusions**

*There are no matters in this area of review warranting formal comment or recommendation.*

## **Review Investments and Loans**

Our aim in this area of review is to ensure that the Council has appropriate investment and borrowing strategies in place and that the most advantageous interest rates are being obtained.

We note that Members originally resolved to adopt an Investment Strategy on the 10<sup>th</sup> of July 2019 in line with the Government guidance at that time. We further note that this strategy continues to be reviewed by the Clerk/RFO and Members, most recently in September 2023.

As at the 31<sup>st</sup> of March 2024, the Town Council held the public funds under its management as follows:

<b>Account</b>	<b>Cashbook Number</b>	<b>Reconciled Value as at 31.03.24</b>
NatWest Current Account	CB2	£7,977.71
NatWest Deposit Account	CB3	£20,519.87
NatWest 2 <sup>nd</sup> Deposit Account	CB4	£94,799.31
<b>Subtotal</b>		<b>£123,296.89</b>
<b>Financial Services Compensation Scheme</b>		<b>-£85,000.00</b>
<b>NatWest funds at risk</b>		<b>£38,296.89</b>
National Saving & Investment	CLOSED	£00.00
Total funds invested as at 31.03.24		<b>£123,296.89</b>

The Council holds its funds in a National Westminster Bank Current and Reserve Account and a National Savings & Investments Account, on which monthly interest is received: as indicated earlier in this report, we have checked and verified the closing balances, as at the 31<sup>st</sup> of March 2024, against the prime documentation, i.e. bank statements, cashbook entries and year-end Trial Balance report.

We note as a result of closing the National Saving & Investment Account that at the 31<sup>st</sup> of March 2024, the public funds under the Council's management which were not protected by the Government's Financial Services Compensation Scheme (FSCS) has risen to £38,296.89 (£8,871.00 at 30<sup>th</sup> of September 2024). The FSCS guarantee provides protection, for organisations with a turnover less than €500,000 protects investments in each institution to a maximum of £85,000.

Finally, in this area of review we note that the Council has no loans owed either by it, or to it.



### **Conclusion and recommendation**

*There are no matters arising in this area of our review warranting formal comment. However, we take this opportunity to make the following recommendation.*

- R2. *The Clerk/RFO and Members should ensure that reasonable and proportionate steps are taken to protect the public funds under its management whilst achieving a good rate of return on any investment.*

### **Statement of Accounts and Annual Return**

The Council's Rialtas Alpha accounting system automatically generates the Management Accounts, Balance Sheet, Trial Balance, Income & Expenditure Accounts and Reserves reports as part of the software's year-end closed down procedure.

We have checked and verified these reports, against prime documentation, and consider that the Council's Accounting reports accurately record the 2023-24 financial year's transactions. The software also generates the detail for inclusion in the year's Annual Return, which we have also verified as being consistent with the accounting and other relevant supporting records.

We have also reviewed the procedures in place for identifying year-end debtors, creditors and accruals and agreed the detailed values recorded in the year-end Balance Sheet to the underlying records with no long-standing unpaid accounts or other issues arising.

### **Conclusion**

*We are pleased to record that 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, we have "signed off" the Internal Audit Certificate in the Annual Return assigning positive assurances in all areas.*

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### **NOTE TO REPORT**

*We confirm that all confidential & sensitive information, supplied for the purposes of this audit including, Personnel Minutes, Payroll and Employment data have been permanently deleted from Auditing Solutions Ltd.'s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company's data and document retention policies and with the prevailing General Data Protection Legislation.*

Rec. No.	Recommendations	Response
<b>Review of Corporate Governance</b>		
R1	The Clerk/RFO and Members are reminded that the values of the Resolved Budget and the Precept for the forthcoming financial year must always be recorded in the published Minutes of the Council.	
<b>Review of Investments and loans</b>		
R1	The Clerk/RFO and Members should ensure that reasonable and proportionate steps are taken to protect the public funds under its management whilst achieving a good rate of return on any investment.	