

# *Public Sector Audit*

## Wrawby Parish Council

*Internal Audit Report for the year ended 31 March 2024*

*Public Sector Audit*

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## Wrawby Parish Council

### **Internal Audit Report for the year ended 31 March 2024**

#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2024. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The council's accounts are maintained on spreadsheets which record receipts and payments during the year.</p> <p>They are sufficiently analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>The cash book is balanced to the 31st March 2024 and monthly and a year-end bank reconciliation confirm that the cash book and bank balances are in agreement.</p> <p>Last year work was undertaken in relation to the council's accounting records and the treatment of VAT for WPFA Trust expenditure. The issue was clarified by ERNLLCA and it was confirmed that the council can record WPFA gross cutting costs as part of its normal expenditure and recover the VAT element of such expenditure.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b></p> <p>The council approved its Standing Orders at the council meeting held on the 22nd May 2023. The Standing Orders are the latest NALC Model and have been updated to reflect the latest procurement thresholds.</p> <p>Financial Regulations were reviewed and approved at the council meeting held on the 27th March 2024. They are also the latest NALC Model and include the latest procurement thresholds as amended on the 1st January 2024.</p>

3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested all payments to ensure that they are fully approved and authorised, the payments appear in the cash book and they have been reported to council. I have also reviewed for completeness, accuracy, correct year of account, classification in the council's accounts, compliance with Financial Regulations and the correct treatment of VAT.</p> <ul style="list-style-type: none"> <li>➤ It was noted that, for purchases of gifts from the Engravers Guild, the VAT element has not been included in the cash book for reclaim, when the council is in receipt of a VAT receipt.</li> </ul> <p>On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.</p> <ul style="list-style-type: none"> <li>➤ The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.</li> <li>➤ Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.</li> <li>➤ NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.</li> </ul>
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		<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council should always identify VAT in the cash book when it is in possession of an official VAT invoice.</li> <li>● The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.</li> </ul>
<p>4</p>	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council's General and Financial Risk Assessment, which now includes the play equipment, was approved on the 27th March 2023. The Clerk has confirmed that this will be re-reviewed at the Annual Parish Council Meeting in May 2024.</p> <p>The council's Health and Safety Policy was reviewed and approved at the meeting held on the 22nd January 2024.</p> <p>The Clerk has confirmed that PAT testing has been undertaken at the Village Hall during the year. The documentation in support of this was not included in the papers provided to audit, however.</p> <p>The council contracted with a RoSPA approved company to inspect the Playing Field during the year. The inspection was undertaken on the 6th September 2023 and the costs of remedial work have been agreed at council.</p> <p>The playing field and play equipment are also inspected regularly and a record of the inspections is kept. Inspection reports have been submitted to audit for each month from October 2023 to February 2024. The inspection sheets identify the equipment inspected, the date and person carrying out the inspection, the finding, any action found necessary and the date on which remedial action was completed.</p> <p>I have reviewed the council's insurance policy and the indemnity limits are adequate.</p>

		<p>The Clerk has confirmed that all electronic data is backed up approximately monthly, or as required, onto a memory stick which is kept in a secure location. The council's computer and memory stick are both password protected.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The PAT testing certificate should be forwarded to audit each year for review and verification and to facilitate the completion of the Internal Audit Certificate on the AGAR.</li> </ul>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>A detailed budget, which identified all income and expenditure, was prepared for 2023/24 and was approved by council on 28th November 2022. A Precept of £15,774 was agreed.</p> <p>Interim budget monitoring reports were presented to each council meeting during the year. They identify both monetary and percentage differences from the original budget.</p> <p>The council's balances at the 31st March 2024 totalled £5,964. This equates to 38% of the current year's Precept requirement. The level of balance is considered by the Government to be low for a council the size of Wrawby Parish Council but is considerably improved on the 2022/23 year-end position.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p><b>Findings</b></p> <p>Apart from the Annual Precept the council also received bank interest. It is not known whether a VAT Return has been submitted to HMRC in respect of 2023/24.</p> <p>Documentary evidence in respect of the income received during the year has been agreed to the cash book.</p>

		<p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should submit a VAT Return to HMRC in respect of the unclaimed months of 2023/24, if it has not already done so. Prior to its submission, an adjustment should be made to the reclaim in respect of the issue identified in section 3 of this report.</li> </ul>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p><b>Findings</b></p> <p>The council does not maintain a petty cash system.</p> <p>Any items purchased by Council Members or the Clerk have been reimbursed via the council's payments system.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The council's Clerk received a contract of employment which contains clear terms and conditions.</p> <p>I have agreed all gross pay during the year to the Clerk's terms and conditions in the contract of employment and the 2023/24 NJC pay award including back pay from the 1st April 2023.</p> <p>The Clerk is subject to PAYE and NI regulations and statutory deductions have been correctly paid to HMRC.</p>



9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p><b>Findings</b> The council maintains a formal Asset Register in the recommended format.</p> <p>New purchases during the year have been added to the register at the correct valuation excluding VAT and nominal values of £1.00 for gifted items.</p> <p>The revised total of the register as at the 31st March 2024 is £260,075 which agrees with declaration in box 9 on the AGAR.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b> A year-end and five interim bank reconciliations were prepared throughout the year and presented to each council meeting for review and approval.</p> <p>In accordance with best practice and as a key element of sound financial control, the Chair, when authorising the monthly bank reconciliations, also signs against the respective month-end bank balances on the bank statements to indicate that he/she has checked that both are in agreement.</p> <p>The reconciliations contained no unusual or balancing figures.</p> <p>The year-end reconciliation has been separately documented for External Audit purposes. I have agreed the reconciliation to the cash book, bank statements and the AGAR.</p>
11	Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b> The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p>

	<p>adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p>The statements agree with the cash book and there is an underlying audit trail from the cash book to the year-end statements.</p> <p>The total value of assets shown on the Asset Register agrees to the declaration in box 9, Fixed Assets, on the year-end Accounting Statement.</p> <p>It is noted that box 11.b on the year-end Accounting Statement has been incorrectly completed. Only the "N/A" box should be ticked.</p> <p>The 2022/23 Internal Audit Report was presented to council on the 22nd May 2023.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● Box 11.b on the year-end Accounting Statement should be amended, prior to submission to the External Auditor, to read only "Not Applicable."</li> </ul>
12	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u></p> <p><b>Findings</b></p> <p>Form 2, the Exemption Certificate part of the Annual Governance and Accounting Return, confirms that the council's gross income and gross annual expenditure for the year did not exceed £25,000. The council did, therefore, correctly complete an Exemption Certificate in respect of 2022/23.</p> <ul style="list-style-type: none"> <li>➤ The guidance notes on page 8 of the External Auditor's detailed instructions for 2022/23 confirm that: <i>"The exemption certificate included within the AGAR Form 2 and AGAR Form 2PM must be signed <b>after a resolution by the authority that it meets the criteria for 2022/23 and wishes to claim exemption for that year</b> (i.e. not subject to our limited assurance review)."</i></li> <li>➤ Minutes of the Annual Council's meeting held on the 22nd May 2023, however, confirm only that the "The Certificate of Exemption was approved for Audit."</li> </ul>

		<p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● In accordance with the External Auditor's instructions, the council should declare that it meets the criteria and wishes to claim exemption for that year (i.e. not subject to a limited assurance review), and formally record the decision in the minutes.</li> </ul>
13	Did the council publish information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities?	<p><u>Transparency Code</u></p> <p><b>Findings</b></p> <p>I have reviewed the Council's website and confirmed that all required information has been published in respect of 2022/23, in accordance with the Transparency Code.</p>
14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p><b>Findings</b></p> <p>I have confirmed by a review of the council's website that, during the summer of 2023, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>
15	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p><b>Findings</b></p> <p>I have reviewed the council's new website and confirmed that the council published the correct documents as required by the Accounts and Audit Regulations 2015.</p>
16	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed this to be the case.</p>

## Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations and advisory note will further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2024.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

28<sup>th</sup> April 2024

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