
Burnham Parish Council

Internal Audit Report: 2023-24 (Final)

Prepared by Susan Cook

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

Statute requires all Town and Parish Councils to implement an independent internal audit examination of their accounting records and systems of internal control and for the conclusion to be reported in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2023-24 financial year, during our visits to the Council, which took place on 15th November 2023 and 11th June 2024, along with the preparatory work completed at our offices. We wish to thank the Clerk and Responsible Finance Officer (RFO) for providing the information required to facilitate our work.

Internal Audit Approach

In commencing our review for 2023-24 and in accordance with the requirements of the IA Certificate in the AGAR and the latest 2023-24 edition of the Governance and Accountability Manual, we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council has robust control systems and that transactions are, as far as we are able to ascertain, processed in accordance with national and locally approved legislation and controls.

Overall Conclusion

Detail of the work undertaken on the Council's accounting and other records is set out in the following section of the report, together with a commentary on the effectiveness of the controls in place and recommendations for improvements where we consider them either essential or advisable.

We have duly signed off the Internal Audit Certificate in the year's AGAR assigning positive assurances in all areas apart from Assertion 'M' as detailed in the report.

We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website.

We ask that this report is presented to Councillors and that their comments are reported back to us.

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. The Council remains a full Sage software user, with the Current account now operated through Unity Bank in the nominal ledger records, the accounts with Barclays Bank closed in January 2024. There is also currently one supplementary CCLA public sector deposit fund with interest continuing to be “rolled over” on a monthly basis. Consequently: -

- We have again verified that an appropriate nominal ledger structure remains in place;
- Verified that Councillors are undertaking a periodic scrutiny of the bank reconciliations;
- Checked the opening balance to the reported AGAR;
- We have checked and agreed three sample months’ receipts and payments transactions (June 2023 and September 2023) from both the Current and Cash Handling account cashbooks to relevant bank statements and for March 2024 for the current account cashbook to the Unity bank account statement;
- We have also checked and agreed the CCLA bank statements to the cashbook for the year to March 2024; and
- Finally, in this area we have checked and agreed the software-based bank reconciliations as at 30th June 2023, 30th September 2023 and March 2024 to ensure that there are no long-standing, uncleared items or other another anomalous entries arising.

Conclusions and recommendations

We are pleased to note that the AGAR figures for 2022-23 have been correctly restated on the 2023-24 AGAR return.

At our previous visit we noted the check of the June Barclaycard statement revealed that a charge of £1,100.00 had been made to the card against which an invoice of £600.00 had been provided by an existing supplier, however the full amount of the charge was posted to the cashbook. The £500.00 difference was a deposit charge due to be refunded on the next statement, but not received until August. We recommended that a Credit Card usage policy be developed, but there is no note in the minutes of such a policy being adopted. We therefore have included this recommendation in our report again.

R1. There is no mention in the Financial Regulations regarding use of the Company Credit Card, we therefore recommend that a credit card usage policy is created, detailing who may use the card and what may be purchased. We do not recommend that existing suppliers are paid using the credit card, as typically a credit card should only be used for one-off purchases.

Review of Corporate Governance

Our objective in this area is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and Financial Regulations 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 note that the Council's extant corporate documentation such as Standing Orders, Financial Regulations & Members' Code of Conduct are subject to ongoing review, the Standing Orders were most recently considered fit for purpose in May 2023.
- We have completed our review of the Council's minutes for the financial year reading those for meetings held to 31st March 2024 to ensure that there are no significant issues arising that might give rise to ultra vires expenditure or other forms of potentially unlawful activity, also that the Council is continuing to manage its resources effectively and are pleased to record that no indications exist of potential problems with the Council's ongoing financial viability.
- We are pleased to note that the website is being updated with the latest Payment lists.
- We note that the external auditor has 'signed off' the 2022-23 audit, but that the comments raised do not appear to have been discussed by Council.

Conclusions and recommendations

We noted that the Council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as also confirmed by the External Auditor, as it failed to make proper provision during the year 2023/24 for the exercise of public rights, since the period for the exercise of public rights was only 25 days, not the 30 consecutive working days in length required under the Terms of the Regulations. As such we are unable to provide a positive assertion for Box 'M' of the Internal Control Objectives.

The external auditor also noted that; 'The smaller authority has confirmed that it has not complied with the governance Assertion in Section 1, Box 5, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified. This is consistent with the internal auditor's response to internal control objective C on the Annual Internal Audit Report.

The smaller authority has not provided:

- *an adequate explanation for the difference between Section 2, Boxes 7 and 8*
- *a year end bank statement as at 31 March 2023 for one of the bank accounts (bank statement provided as at 30 March 2023) to support the bank reconciliation to Section 2, Box 8. These were requested as part of our intermediate review procedures'.*

R2. *The Council must answer 'No' to Assertion 4 of the Annual Governance Statement for 2023/24 and ensure that it makes proper provision for the exercise of public rights during 2024/25.*

R3. *The PKF Littlejohn Website contains useful guidance to the completion of the AGAR along with details of the information that is required for them to complete the external audit,*

this combined with a review of the annually produced JPAG (Joint Panel on Accountability and Governance) Practitioners guide, will confirm the information that should be sent to the external auditor. We recommend these are consulted to ensure compliance for the external audit review.

Review of Expenditure

Our objective here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- An official order has been raised for supply of goods and services on each occasion where one would be anticipated;
- 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.

We selected a review of 72 payments processed to 31st March 2024 to check compliance with the above criteria, including all those individually in excess of £3,000 together with a further selection of every 30th cashbook transaction (irrespective of value) during the period. Our test sample totalled just over £476,189 and represented 70% of all non-pay expenditure incurred during the year to that date.

We also reviewed in full the Barclaycard statement for June 2023, September 2023 and March 2024, ensuring all entries were suitably supported and VAT allocated where applicable.

We have reviewed the Aged Creditors report as at the end of March 2024, and are pleased to note there does not appear to be any unallocated invoices.

We have reviewed and verified the accuracy of the VAT returns for the year to date noting that the VAT returns have been completed in a timely manner. All claims made during the year have been paid by HMRC, except for the final quarter return, the claim for which was made on 7th May 2024.

Conclusions

On our previous report we noted that whilst all invoices for payment on the payment list are approved by Councillors, invoices paid by standing order or direct debit are not signed in the same way, and these should also be signed. This item remains outstanding and is therefore our recommendation is again included.

R4. Invoices paid by Standing Order or Direct Debit should be approved by Councillors, along with the invoices included on the payment list.

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; to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

Whilst the Council has a Risk Assessment register, the register does not identify the impact of the risk, nor the likelihood of the risk, although the severity of the risk is recorded. The risk assessment was not reviewed during the 2022-23 financial year, we note that it was re-adopted in May 2023 and reviewed again in December 2023.

We have examined the current year's insurance schedule with cover again provided by Zurich noting that Employer's and Public Liability cover are in place at £10 million and £15 million respectively, together with Fidelity Guarantee cover at £1,000,000 and Loss of Revenue cover of £700,000 which we consider appropriate for the Council's present needs.

We have reviewed the annual RoSPA reports, dated 21st May 2024, noting the high risk item, for which repairs are due to be approved.

Conclusions and recommendations

We reiterate our comments from last year, that the risk assessment should be extended to identify the particular risks in each category, the impact of the risk on the council services and /or finances, along with the likelihood of the risk.

R5. The Council should review the risk assessment, identifying and extending the detail of the register to cover the particular risks to council services and / or finances.

Precept Determination and Budgetary Control

We aim in this review area to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the annual precept; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

The Council resolved to approve the precept at its meeting in January 2024, with both the budget and the precept set at a value of £673,203.

Whilst members continue to receive budget monitoring reports through the year, at our previous visit we noted that although there is an increase in income streams, as of the October meeting the accounts were in deficit, with reserves potentially needed to cover the deficit if there is no improvement. The final year-end overspend was £109,000, of which £92,000 was for repairs and maintenance and £30,000 utility costs.

We note the total reserves for 2023-24 are £425,789, of which earmarked reserves are £325,265, leaving a General Reserve balance of £100,524, which equates to approximately 1 months' revenue spending at the 2023-24 level which is considerably lower than the recommended three to six months guide for a Council of this size.

We are pleased to note that the Balance sheet was correct at the time of our final visit.

Conclusions and recommendations

We are pleased to the correct allocation of income and expenditure through the P&L account codes to correctly record all income and expenditure, with amendments to the earmarked reserves made through the General reserve to ensure the integrity of the Balance sheet and ensuring the AGAR Accounting Statement is correct.

The Council should keep under consideration the level of the general reserve, as per the recommendations in the Practitioners Guide (Joint Panel on Accountability and Governance), which recommends the general reserve should be in the region of three to six months revenue expenditure.

R6. The Council should keep the general reserve under review, increasing this to between 3 to 6 months revenue spending.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

- We note that the Park Management Committee recommended an increase in hire fees at its meeting in January 2024.
- We are pleased to note that the Aged debtors list has been cleared of some items and that the majority of the outstanding balance are less than one month old, however we note that there are still some balances outstanding for over three months, which require active management.
- As noted earlier in this report, we have checked receipt transactions from cashbooks to relevant bank statements for June 2023 and September 2023 and March 2024.

Conclusions and Recommendations

As part of our bank reconciliation work, we also reconciled the entries on the EPOS to the reconciling spreadsheet and thence to the cashbook and bank reconciliation with no issues found.

We note that whilst the Parks Committee made a recommendation for an increase in hire fees, this does not appear to have been agreed by Council.

R7. The Council should ensure there is active management of council debtors, especially for long-term hirers of council facilities.

R8. Council should ensure regular review of fees charged for its services and ratify the recommendations of the committees.

Petty Cash and Credit Card Usage

We are required, as part of the Internal Audit Certification process in the Annual Governance and Accountability Return to assess and give a view on the effectiveness of control over any petty cash account in use by the Council.

- We previously noted that the Sage Balance Sheet recorded cash floats of £1,150, split into a £600 change float held in the bar safe, floats of £150 each for the two bar tills and £100 for the reception till, the remaining £150 being used to fund petty cash expenditure, the account being operated on an “imprest” basis with periodic top-ups to replenish actual expenditure incurred. We note that the Trial Balance figure at 31st March 2024 was £1,106.48.
- A handwritten petty cash register is maintained recording detail of individual payments, together with the reducing balance and detail of reimbursements received.
- The tills are checked daily by the General manager, however no ad hoc checks had taken place since February 2024; and
- We also note that a corporate Barclaycard charge card is in place, with a monthly credit limit of £6,000 settled by automatic monthly direct debit. The card is retained in the possession of the administrative office and is used generally for emergency purposes or to take advantage of internet supplier deals. As previously mentioned, we have examined sample month’s transactions for June 2023, September 2023 and March 2024 to ensure that each was appropriate for the Council’s activities and properly supported by suppliers’ invoices / till receipts, our comments on this are noted above.

Conclusions and recommendations

We checked all petty cash and floats at this visit, all floats were correct and the reception till balance agreed to the balance at the time of our check. The petty cash in hand agreed to the balance in the record book. We note however that the balance on the petty cash book at 31st March 2024 did not agree to the balance on the Sage accounts. Having undertaken a brief reconciliation we noted that in some cases the full value of the receipt provided had been charged to the Sage cashbook, rather than the amount claimed, meaning that petty cash expenditure has been overstated in the Sage accounts and has not been reconciled to the petty cash record book.

We also noted that there had been no independent check by the office staff of the cash, bar and reception floats since February 2024.

R9. The office cash float should be reconciled monthly, both to the cash in hand and to the Sage accounts to confirm it is correct.

R10. An ad hoc check of the cash, bar and reception floats should be carried out on a regular basis to confirm they remain correct.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to 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 local government pension scheme, as regards employee contribution bandings. To meet this objective, we have: -

- Review the Parish's payroll preparation procedures, the service is outsourced;
- Checked and agreed detail of salaries, per reports provided, paid to staff members for March 2024;
- Ensured that tax and NI deductions / contributions have been made applying the appropriate tax code and NI Table to the test month's salaries; and
- Ensured that the appropriate employee and employer contributions to the pension scheme have been determined for payment over to the Pension Fund Administrators.
- Ensured that the appropriate month's deductions and contributions have been paid over to HMRC and the County Pension Fund in a timely manner.

Conclusions

We are pleased to note there are no matters arising in this area to warrant formal recommendation in this area of our review.

Asset Registers

The AGAR requires disclosure of the value of assets retained by the Council as at 31st March annually. The Practitioners Guide also require councils to develop and maintain a register of all assets.

We are pleased to note the existence of an appropriate register in spreadsheet format with the value of new additions as mentioned in the minutes included: the asset register being approved at the May 2023 meeting.

The information on the asset register is sparse noting only the location, general description of the item(s), cost and year of purchase. Ideally, in the fullness of time, it would be useful for the record to be extended to provide additional information such as serial numbers, insurance values and a photographic record of the assets.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently, however we will review this at our next visit, hoping to see additional information provided as detailed above.

Investments and Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made and that interest earned is brought to account correctly and appropriately in the accounting records.

We also aim to ensure that any loan repayments due to or payable by the Council are processed in accordance with the respective and relevant loan agreements.

- The Council has “invested” surplus funds in the CCLA Public Sector Deposit Fund with monthly dividends added to the account as advised to the Council routinely and we have verified the March 2024 balance sheet value to their third party statement.
- The Council has four loans in place repayable at half-yearly intervals to the PWLB and we have verified all payments made to March 2024 to their third party “demand” notices as part of our aforementioned payment testing with no issues identified; and
- The Council has an Investment Policy, which was updated during 2022-23, but which does not detail the length of investments, nor the value that should be invested.

Conclusions

We have confirmed the outstanding balance of the Council loans against that recorded on the Government Debt Agency website, and agreeing the correct outstanding balance has been recorded in Section 2, Box 10 of the 2023-24 AGAR.

Statement of Accounts & AGAR

We are required as part of the internal audit reporting process to provide assurance to the external auditor that the detail recorded in the financial records has been prepared on the correct accounting basis (i.e., Income and Expenditure in the case of the Parish Council) and agrees to the cashbook with an adequate audit trail, together with the existence of appropriate arrangements for the identification and reporting of any year-end debtors and creditors due to or payable by the Council.

As noted earlier in this report, the 2022-23 figures have been restated in the Section 2 Accounting Statement with a note that they are restated.

We have verified the detail in the 2023-24 year-end Sage Trial Balance to the detail in the Sage generated Profit and Loss Account and Balance Sheet for the financial year, ensuring the accurate transfer of detail to the year’s AGAR.

Conclusions

Based on the generally satisfactory conclusions drawn from completion of our review programme for 2023-24, we have signed off the IA Certificate in the year’s AGAR with positive assertions apart from box ‘M’ as previously mentioned.

Rec. No.	Recommendations	Response
Review of Accounting Arrangements & Bank Reconciliations		
R1	There is no mention in the Financial Regulations regarding use of the Company Credit Card, we therefore recommend that a credit card usage policy is created, detailing who may use the card and what may be purchased. We do not recommend that existing suppliers are paid using the credit card, as typically a credit card should only be used for one-off purchases.	
Review of Corporate Governance		
R2	The Council must answer 'No' to Assertion 4 of the Annual Governance Statement for 2023/24 and ensure that it makes proper provision for the exercise of public rights during 2024/25.	
R3	The PKF Littlejohn Website contains useful guidance to the completion of the AGAR along with details of the information that is required for them to complete the external audit, this combined with a review of the annually produced JPAG (Joint Panel on Accountability and Governance) Practitioners guide, will confirm the information that should be sent to the external auditor. We recommend these are consulted to ensure compliance for the external audit review.	
Review of Expenditure		
R4	Invoices paid by Standing Order or Direct Debit should be approved by Councillors, along with the invoices included on the payment list.	
Assessment and Management of Risk		
R5	The Council should review the risk assessment, identifying and extending the detail of the register to cover the particular risks to council services and / or finances.	
Precept Determination and Budgetary Control		
R6	The Council should keep the general reserve under review, increasing this to between 3 to 6 months revenue spending.	
Review of Income		
R7	The Council should ensure there is active management of council debtors, especially for long-term hirers of council facilities.	

R8 Council should ensure regular review of fees charged for its services and ratify the recommendations of the committees.

Petty Cash and Credit Card Usage

R9 The office cash float should be reconciled monthly, both to the cash in hand and to the Sage accounts to confirm it is correct.

R10 An ad hoc check of the cash, bar and reception floats should be carried out on a regular basis to confirm they remain correct.
