

Internal Audit Report

(To be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Aldbury Parish Council		
Name of Internal Auditor:	Nikki Bugden	Date of report:	3/5/2024
Year ending:	31 March 2024	Date audit carried out:	Initial visit 10/3/24

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the council through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

This report should be read in conjunction with the Annual Internal Audit Report and guidance laid out in The Practitioners' Guide 2022¹.

Section 1, 2 and 3 of the guide represents the proper accounting and governance practices ('proper practices') referred to in statute.

Section 4 of the guide sets out the non-statutory best practice guidance relating to internal audit which authorities are required to consider.

Section 5 of the guide provides supporting information and practical examples to assist smaller authority officers to manage their governance and financial affairs and is not mandatory.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chairman of the Council:

Firstly, I would like to thank the clerk for her hard work in supplying all required information to me in an efficient and timely manner.

I firstly examined the publicly available information displayed on the council's website including the council's policies, procedures, agendas, minutes, financial and other records. I sought evidence that the previous year's Internal Audit report had been properly reported to and actioned by the Council. I then examined the council's arrangements for the management and control of its business in the areas of bookkeeping, due process (i.e., compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations,

¹ [file \(nalc.gov.uk\)](https://www.nalc.gov.uk) (password, if required, available from HAPTC)

internal control, and year-end procedures. It should be noted that the scrutiny was of a sample number of documents and processes.

Where necessary, I requested and was provided with supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the Annual Internal Audit Report (AIAR) that forms part of the Annual Governance and Accountability Return (AGAR). This supplementary information was provided in the form of written and verbal answers to the questions raised together with scanned documents or sight of the original documents.

The clerk was very well organised and able to provide me with any additional documentation promptly.

General

The clerk has completed her CiLCA qualification, and this undertaking is apparent by the continued improvements to the availability of evidence available for scrutiny on the website. Unfortunately, APC are unable to adopt the General Power of Competence² as due to the number of elected councillors they cannot fully comply with all of the statutory criteria.

This is unfortunately outside of the control of APC and the clerk.

On that basis APC must ensure that they continue to evidence the correct use, reporting and accounting procedures of all statutory 'powers', including s.137³ when undertaking any actions or expenditure.

There are a good range of policies and procedures in place to ensure compliance with relevant statute and to mitigate risk. Council and the clerk should continue to embed the processes within these into their regular day to day practices.

I am pleased to confirm that Council have reviewed and reported on my recommendations from last year and, where appropriate, I will reference these under the headings below.

I have listed my additional observations and recommendations under the appropriate headings below.

A. Appropriate accounting records have been kept throughout the Year.	YES
--	------------

Rialtas accounting software is used, and budget position is reported to council regularly. Bank reconciliation is carried out and signed off by a councillor. There is also intermittent 'independent scrutiny' taking place by a councillor who is not a bank signatory.

² [general-power-competence--0ac.pdf \(local.gov.uk\)](#)

³ [Local Government Act 1972 \(legislation.gov.uk\)](#)

Recommendation: council to continue to evidence appropriate 'powers' to spend and separate accounting of s.137 expenditure.

B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	YES
--	------------

I am pleased to note that council have now adopted the NALC Model Standing Orders and most elements of the NALC Model Financial Regulations. The newly released 2024 Model Financial Regulations should be considered for adoption at the earliest opportunity as these reflect current, appropriate financial practices to safeguard APC.

In some instances, the clerk has not claimed VAT as the invoice was not correctly addressed to APC. This is correct process on these occasions; however, APC should be mindful that all invoices must be correctly addressed to APC to prevent this loss of VAT reclaim.

As evidence of good practice, the clerk undertook an early VAT reclaim to maximise the income benefits to the council due to an uncharacteristically large amount of expenditure.

There was a large, unexpected overspend for the pond works, however there is a clear audit trail of open and transparent decision making and reporting by APC to justify this overspend.

C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
---	------------

There are a full range of risk assessments in place to support the council in its duties. Insurance cover is held.

Whilst council complies 'in all significant respects' in this area it appears that council did not review the effectiveness of its internal controls during the current audit year. This is a statutory requirement under the Accounts and Audit Regulations 2015.⁴

I made a judgment that this was an administration oversight and marked this assertion as 'yes'. To justify this, I note that there is ongoing consideration of the internal controls of APC via a comprehensive internal control policy (adopted January 2023), a full financial and management risk assessment (reviewed February 2023) and there is a strong governance framework. This is all underpinned by scrutiny of my IA report from last year and a review of the effectiveness of Internal Audit.

My recommendation is that council review their policy for this year as soon as possible and ensure that a review of the effectiveness of its internal controls is an annual agenda item going forward. It may be helpful to adopt a year planner to ensure that all policies are

⁴ [The Accounts and Audit Regulations 2015 \(legislation.gov.uk\)](https://legislation.gov.uk)

reviewed on a rolling basis, particularly those that require statutory review during the council year.

D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.	YES
--	------------

Council have set their budget using the Rialtas accounting software. The budget position is monitored and reported to council regularly and the reserves are earmarked for future projects.

APC comply 'in all significant respects' however because of the use of the software shows the budget with a precept already calculated, it is unclear if the setting of the precept resulted from the statutory budgetary calculation as laid down in law. The legislation is reproduced below but, in simple terms, it amounts to the straightforward calculation as taught at CiLCA: **Expenditure-income-/+ use of reserves =precept**

Legislation

49A Calculation of council tax requirement by authorities in England

(1)In relation to each financial year a local precepting authority in England must make the calculations required by this section.

(2)The authority must calculate the aggregate of—

(a)the expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year in accordance with proper practices,

(b)such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices,

(c)the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure, and

(d)such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

(3)The authority must calculate the aggregate of—

(a)the income which it estimates will accrue to it in the year and which it will credit to a revenue account for the year in accordance with proper practices, other than income which it estimates will accrue to it in respect of any precept issued by it, and

(b)the amount of the financial reserves which the authority estimates that it will use in order to provide for the items mentioned in paragraphs (a) and (b) of subsection (2) above.

(4)If the aggregate calculated under subsection (2) above exceeds that calculated under subsection (3) above, the authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year.

(5)For the purposes of subsection (2)(c) above an authority's estimated future expenditure is—

(a)that which the authority estimates it will incur in the financial year following the year in question, will charge to a revenue account for the year in accordance with proper practices and will have to defray in the year before the following sums are sufficiently available, namely, sums—

(i)which will be payable to it for the year, and

(ii)in respect of which amounts will be credited to a revenue account for the year in accordance with proper practices, and

(b)that which the authority estimates it will incur in the financial year referred to in paragraph (a) above or any subsequent financial year in performing its functions and which will be charged to a revenue account for that or any other year in accordance with proper practices.

E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.

YES

Council seek advice regarding VAT on income, particularly with regards to any filming income.

Tenancy agreements are in place for the allotments.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

NA

There is no petty cash held.

G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.

YES

The payroll function is outsourced. The clerk reviews all documentation and ensures that the appropriate percentage deductions are being made for the local government pension scheme. An error in the calculations for HMRC deductions this year that was noticed by the clerk as part of her scrutiny and was amended accordingly.

It was not evident, at the time of my visit, that an addendum to the clerk's contract had been made as recommended last year.

The contractor agreement should be reviewed periodically to ensure that they continue to comply with the prevailing HMRC and PAYE regime.

It remains a recommendation that a HMRC gateway log in be obtained to enable scrutiny of the HMRC employers' account.

H. Asset and investment registers were complete and accurate and properly maintained.

YES

An asset register is maintained, along with a supporting document that evidences the physical condition of the assets. The insurance cover reflects the asset values.

I. Periodic bank reconciliations were carried out throughout the year.	YES
---	------------

There is evidence of independent scrutiny being undertaken (minutes October 2023)

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	YES
--	------------

K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	NA
--	-----------

Council is not an exempt authority therefore this does not apply.

L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	YES.ⁱ
--	-------------------------

APC comply 'in all significant respects.' Whilst APC are not governed by The Transparency Code for Smaller Authorities, they do follow advised 'best practice' and operate in an open and transparent manner publishing most of their documents on the website. There has been significant improvement throughout the year with the availability of the supporting papers for the agendas being uploaded to the website. Care should be taken to ensure that this is further expanded going forwards, with a full complement of supporting papers being available to underpin all agenda items. This will enable the public to easily follow business to be transacted.

In addition to the Transparency Code the 'relevant legislation' includes, but is not limited to, the Accounts and Audit Regulations 2015. It is noted that the wording of this section of the AGAR was recently changed and once this year's audit papers are uploaded council will comply with the Accounts and Audit Regulations 2015 by having 'not less than' 5 years of audit papers online.

M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit regulations.	YES
---	------------

I was pleased to note that the arrangements were made and that the dates were also included in the minutes as is prescribed 'best practice'

N. The authority complied with the publication requirements for the prior year AGAR.	YES
---	------------

All documents were displayed in accordance with proper practices.

O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee.	NA
---	-----------

This area was not covered as APC is not a trustee.

I am pleased to be able to report that having tested all the aspects of the council's internal controls that I am required to consider, based on the information made available to me I am satisfied that in all significant respects, the internal control objectives were achieved throughout the financial year to a standard adequate to meet the council's needs. Accordingly, I have completed and signed off the Annual Internal Audit Report as required.

Yours sincerely,

Nikki Bugden

**Nikki Bugden PSLCC
Internal Auditor to the Council
07931 444654
iasnikkibugden@hotmail.com**

The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2023	Year ending 31 March 2024
1. Balances brought forward	83118	75732
2. Annual precept	29000	31900
3. Total other receipts	15332	47841
4. Staff costs	15786	16822
5. Loan interest/capital repayments	0	0
6. Total other payments	35932	92678
7. Balances carried forward	75732	45973
8. Total cash and investments	75732	45973
9. Total fixed assets and long-term assets	51376	69288
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2023)*. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed.

ⁱ [SI/SR Template \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)