Heytesbury, Imber & Knook Parish Council

Internal Audit Report 2024-25

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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 AGAR.

This report sets out the work undertaken in relation to the 2024-25 financial year. We have again undertaken our review for the year remotely: we wish to thank the Locum Clerk for assisting the process, providing all necessary documentation in electronic and hard copy format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken a representative volume of transaction testing, to ascertain whether governance and financial controls remain effective.

Internal Audit Approach

In undertaking 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 (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our programme of work for the year, the Council continues to maintain adequate and effective internal control arrangements, although we have noted two areas of concern: the lack of an independent check of bank reconciliations as required by Financial Regulation 2.6; and a lack of documentation concerning the appointment of the Locum Clerk. We have also made a number of observations throughout the report on potential governance improvements that we would invite the Council to consider.

We have therefore, completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council, with the exception of Salaries and Wages.

Finally, we would note that this is the last audit that we will undertake for Heytesbury, Imber and Knook. It is hoped that Auditing Solutions will be shortly sold as a Going Concern, and that the Council will be able to continue with a new and preferred audit provider without interruption.

We express our gratitude to the Council, and the former and Locum Clerks, for the opportunity to have been of service over the years, and we wish the Council all future success.

Detailed Report

Maintenance of Accounting Records & Bank reconciliations

Our objective in this area is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the spreadsheet cashbook maintained by the Clerk. Two accounts are in operation with Lloyds Bank. We have undertaken the following checks:

- Verified all opening and closing balances between the cashbook and the Annual Return (AGAR);
- Ensured that appropriate analysis of receipts and payments exists to facilitate budget performance reporting and management throughout the year;
- Checked transactions between the Current and Deposit Accounts and the cashbook;
- Verified bank reconciliation detail on the Council's Current and Deposit accounts as at 31 March 2024;
- Ensured the accurate disclosure of the combined balances in the Annual Return for 2024-25.

Further to our observation in our 2023-24 report, we can see no evidence that the independent check of bank reconciliations, which lapsed in October 2023 and which is a requirement of Financial Regulation (FR) 2.6 (formerly FR.2) has been re-established. We regard this as an important control, which the Council should re-establish as a priority.

Conclusions and recommendation

R1 The FR2.6 independent check of bank reconciliations should be re-established as a priority (as previously observed in our 2023-24 report).

Review of Corporate Governance

We note that the Council last reviewed its Standing Orders (SO's) at its July 2022 Council Meeting, but can see no evidence in the Minutes that these have been reviewed since that time, although they do accord with the current Model Form. An annual review would be seen as Best Practice.

We note that the Financial Regulations (FR's) were reviewed several times during the year, and finally approved in January 2025.

We note that, when considering our 2023-24 report, the Council agreed to set the tendering levels in both of the above documents at £10,000, reflecting the expenditure level of the Council. While this is correctly shown in SO18a(v), the corresponding FR5.6 still shows the NALC default level of £30,000, which should be reduced to £10,000

We have reviewed the Council's Minutes for the financial year to determine whether or not any issues exist, or are developing, of a financial or legal nature that may impact on the audit opinion or the future financial stability of the Council. We have also ensured that, as far as we may reasonably be expected to ascertain, the Council has operated within its legal limitations.

The requirements of the Transparency Code became mandatory for smaller councils from 1st April 2015. We note that the Council continues to comply with the Code requirements for Smaller Authorities, although these need to be updated for 2024-25 at the end of this AGAR process..

We can confirm that the Exercise of Public Rights with regard to the 2023-24 Accounts was properly undertaken and publicised in accordance with the Accounts and Audit Regulations.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about annual review of the Council's Standing Orders, tendering levels in Financial Regulations, and updating Transparency Code records on the website.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and 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.

We have reviewed the procedures in place for receiving, checking for authenticity and accurate detail recording, processing by the Locum Clerk and formal approval for payment by Councillors. We note that electronic payments continue in use, with some use of an approved Debit Card.

We have confirmed the VAT transactions for the year, and the recovery of the 2023-24 balance. The balance for 2024-25, which is to be recovered during 2025-26, is £960.87.

Conclusions

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

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 to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's current year insurance policy with Zurich under a 3-year Long Term Agreement, and we consider cover appropriate for the Council's present requirements;
- Noted that a Risk Assessment has been drawn up which was approved at the June 2024 Council meeting, which meets the requirement of Financial Regulation 2.2 for at least an annual review;
- Noted that the Council's play grounds and recreational areas continue to be inspected on an annual basis by RoSPA. However, despite Council approval, we can see no evidence in the Minutes of regular condition inspections by designated Councillors, which is an increasing expectation of insurers as a defence against spurious claims.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than the need to formally minute and maintain records of regular playground inspections.

Budgetary Control and Reserves

We note that Members undertook a Budget Setting and Precept determination process which was formally approved by the Council at the January 2025 meeting, setting the 2025-26 Precept at £21,600.

We also note that members receive budget performance reports, including the level of bank balances, at each meeting.

We have examined the level of year-end reserves available to the Council. The Council has clearly reviewed its Earmarked Reserves throughout the year, to a level of £5,993 (over 6 headings) as at 31 March 2025.

Given the final cash balance of £15,928 at 31 March 2025, and deducting the above Earmarked Reserves, gives a General Reserve of £9,935, which is approximately 46% of the approved Precept against a Best Practice level of 50%. We would regard this level as a prudent reserve.

Conclusions

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

Review of Income

The Council receives income from relatively limited sources, including the annual precept, grants and awards, bank interest, and the annual VAT reclaim. We have tested the detail of income recorded in the cashbook to such supporting records as are available and to bank statements.

We note that the Council derives no income from the Knook Allotments, although maintenance costs are incurred.

Conclusions

There are no issues arising in this area this year warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account. Therefore there are no issues arising in this area of our review warranting formal comment or recommendation.

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, noting that the former Clerk did not contribute to a pension fund.

We have checked the salary payments in the year for the former Clerk to the NJC scales and number of hours previously agreed by the Council in July 2022 and April 2023, and appropriate HMRC deductions, with no issues arising.

We note that a Locum Clerk was engaged from October 2024 to cover for the Clerk's long-term sick leave. While we can confirm appropriate HMRC deductions, we have not been given any evidence of the appointed pay grade / level. Therefore we are unable to give any assurance in this area.

Conclusions

As we cannot confirm payments to the Locum Clerk to any agreed appointment level by the Council, we can give no assurance in this area.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned, which are valued at either original purchase cost or a notional value. We note compliance with this requirement with the Clerk maintaining an appropriate register.

We note that the Register was last approved by Council at its March 2024 meeting, and we can see no material capital transactions in the 2024-25 cashbook. Therefore we have agreed the valuation to Section 2, Box 9 of the 2024-25 AGAR.

Conclusions

There are no issues arising in this area this year warranting formal comment or recommendation.

Investments and Loans

The Council has no investments other than its bank accounts, nor any loan repayable either by it, or to it.

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

Raymond Trust

We have not seen any financial records relating to this Trust for 2024-25, either on the website or in the Council's Minutes or cashbook. However, given the small size of this Trust, we maintain our view that the level of annual transactions falls below the level where the Charity Commissioners require an independent audit to be conducted..

Statement of Accounts and Annual Governance and Accountability Return

The Accounts and Audit Regulations require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in Section 2 of the Return. We have agreed detail therein to Section 2 of the 2024-25 Annual Governance and Accountability Return, noting that the Council can again declare itself exempt from an External Audit review as neither income or expenditure during the year under review exceeds £25,000.

Conclusions

On the basis of the work undertaken during the course of our review for the year, we have signed off the Internal Audit Report in the year's Annual Governance and Accountability Return assigning appropriate assurances in all areas.

Rec. No.	Recommendation	Response
R1	The FR2.6 independent check of bank reconciliations should be re-established as a priority (as previously observed in our 2023-24 report)	