

Bickleigh Parish Council

Internal Audit Report 2024-25

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Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2024-25 financial year, which was undertaken at our offices on 15th April 2025. We wish to thank the Clerk in assisting the process, providing all necessary documentation to facilitate the conduct of our review for the year.

Internal Audit Approach

In undertaking our review, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems remain robust and 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 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusions

We are pleased to advise that, based on the work undertaken this year, the Clerk and Council maintain adequate and effective internal control arrangements with only a few issues identified that require appropriate action: any such items are set out in the following detailed report with resultant recommendations summarized further in the appended Action Plan for ease of reference and response.

We have duly signed the Internal Audit Section of the AGAR assigning positive assurance against the control objectives.

We remind the Clerk and Council of the need to ensure compliance with the website disclosure requirements as set out in the preface to the 2024-25 AGAR, also observing the timing requirements for posting the AGAR and Notice of Public Rights for 2024-25.

We ask that the report be considered by members, as required by the Practitioner's Guide, with the "Response" section of the Action Plan duly completed and returned for our consideration.

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in cashbooks or financial ledgers. The Council operates a Current bank account with the Unity Bank for its day-to-day transactions with surplus funds held in a Unity Bank Instant Savings Account which is used to provide “top-ups” to the Current account during the year. We have: -

- Ensured that an appropriate coding structure is in place in the RBS Rialtas Alpha accounting software;
- Ensured that the closing balances for 2023-24, as reported in the Statement of Accounts and AGAR for that year, have been correctly rolled forward as opening balances for 2024-25 in the Omega software;
- Checked and verified the full years’ transactions in the Current account cashbook by reference to the supporting bank statements;
- Verified transactions on the savings account accounts for the year to 31st March 2025 by reference to the supporting bank statements;
- Noted that payments are made exclusively online or by Standing Order / Direct Debit, with the resultant removal of risk that cheques remain unpaid for any significant time; and
- Reviewed and agreed detail of bank reconciliations on the Current Account as at 30th June 2024, 30th September 2024, 31st December 2024 and 31st March 2025, to the cashbooks and bank statements, noting that they reported to Council at each meeting, but are not signed.

Conclusions and recommendation

As per our prior year report, we note that there is no process in place for the review and signing of the bank reconciliations as required in the Financial Regulations (para. 2.2 refers) and therefore retain that as a recommendation in our report.

We have checked that the combined cash and bank balances are accurately disclosed in the year’s AGAR Section 1, Box 8.

R1. The Council should develop a process to ensure that on a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification.

Review of Corporate Governance

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

We have completed our examination of the minutes of the Full Council and Finance Committee meetings that have taken place during the course of the year to 31st March 2025 to ensure that no significant issues affecting the Council’s financial stability either in the short, medium or long term exist.

- We note that the Council's Standing Orders (SOs) and Financial Regulations (FRs) were adopted at the meeting at the May 2024 Annual Meeting.
- We note that the General Power of Competence was adopted by full council in May 2023.

We note that the external audit report for 2023-24 has been signed off with the following comment made, 'The AGAR was not accurately completed before submission for review. Section 2, Box 10 for the prior year is incorrect. This is due to a transcription error and should read £914 instead of £2,666.'

Conclusions and recommendations

Whilst the Council re-adopted the Financial Regulations in May 2024, these were not the latest NALC (National Association of Local Councils) model version.

We note that the Council has not prepared any financial procedures documentation. This represents best practice and provides a start point for new appointees in the event of long term absence of the clerk.

Whilst the minutes of 28th March 2024 (211) mention that it was agreed to go out to tender for PV array, roof cover and replacement windows and that Cllr Blight would forward information to the Clerk to enable the tenders to be placed on the government tender finder website, the minutes for 2024-25 do not provide sufficient detail to confirm compliance with financial regulations 11 or standing orders 18d. This is apart from the meeting in November 2024 when it was noted that the Council had twice gone out to tender for the upgrade of the building and mechanical services associated with the heating and ventilation system at the Woolwell Centre but receiving only one tender, agreed standing orders be suspended to enable one quotation to be received. The minutes provide insufficient detail regarding the number of tenders received, or the values for the contracts awarded, only noting that the recommendations of the working group were considered and the names of the contractors agreed.

R2. *The NALC Model Finance Regulations should be reviewed and adopted.*

R3. *The Council should ensure that it has financial procedures documentation in place, to allow the council to meet its financial obligations in the event of the long term absence of the Clerk.*

R4. *The Council should ensure that it's Standing Orders and Financial Regulations are fully observed when obtaining tenders and quotes for supply of goods and services, together with appropriate tender limits and advertising requirements [2015 EU legislation refers] and that these are adequately recorded in the minutes.*

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate controls are in place over the release of funds and that they accord with the adopted FRs;

- 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;
- An official order has been raised for all purchases and service delivery where one would be expected;
- 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 selected an extended sample of processed invoices including for the year to 31st March 2025 all payments individually in excess of £1,200, together with a more random selection of every 15th cashbook transaction, irrespective of value: our test sample comprises 21 individual non-pay related payments totalling £195,029 and equating to 95% by value of all non-pay related payments to the above date. All these payments were checked to the control account to ensure correct allocation, with one payment being incorrectly allocated, but later moved to the correct code.

We note that all invoices are sent electronically to Councillors for their review and are approved for payment at each council meeting, however none of the invoices have been initialled to confirm verification that each invoice has been examined and represents expenditure previously approved by the council.

We have reviewed the online payment processing arrangements included on the Statement of Internal Control noting the procedures in place, which we consider are appropriate for the Council's present requirements and to afford an appropriate level of financial control.

Finally, in this review area, we note receipt of the 2023-24 VAT return, and that a claim to 31st December has been made to and repaid by HMRC. £4,934 remains to be claimed for the final quarter for 2024-25.

Conclusions and recommendations

As per our prior year report, whilst Councillors are sent copies of invoices, which are approved at Council meetings, there is no evidence of the scrutiny of invoices, per Finance Regulations (paras 5.3 and 5.4 refer). We therefore repeat our recommendation from last year.

R5. To improve its internal controls, the Council should develop a process that confirms that evidence of the scrutiny of invoices has been completed. This could be in the form of a stamp, that is initialled by the RFO to confirm that Financial Regulations 5.3 and 5.4 have been complied with, and that an approving Councillor has provided an additional check.

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 members had received, considered, and adopted the Risk Management Register at the April 2024 meeting.

We have examined the year's insurance schedule with Ansvar, running until 5th June 2025, noting that Public & Employer's Liability stand at £10 million respectively, together with Fidelity Guarantee cover at £250,000, all of which we consider appropriate for the Council's present requirements.

Conclusions and recommendations

Whilst the Council has an adequate risk assessment register, the Council should review the best practice model provided by SLCC (Society of Local Council Clerks) as this also requires the council to consider not just the level of risk, but also the probability of risk, thus providing an enhanced review.

R6. The Council should review its risk assessment register against the best practice model provided by SLCC, to ensure it is considering the probability of risk as well as severity of risk.

Review of Precept Determination and Budget Control

We aim in this area of our work 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 amount to be precepted on the District Council; 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.

We are pleased to note that following due deliberation, the Council approved and adopted the 2025-26 budget and precept setting the latter at £113,220 at the November 2024 full Council meeting.

We have reviewed the final budget position (as at 31st March 2025), as set out in the detailed report generated by the Omega accounting software, noting the receipt of the PWLB loan at a value of £209,k and expenditure against the loan of £118,k We note that draw down of the loan, only took place once works had commenced, therefore the £27k budgeted for payment of the loan in year, was not required in full, the first loan repayment being made in January 2025.

We have reviewed the year-end reserves and General Fund balances to ensure that they are both appropriate and are likely to be utilised, noting that at the time of this review total reserves are £256,809 (2023-24 £111,715), made up of Earmarked reserves of £90,873 (2023-24 £12,773) and General reserves £165,936 (2023-24 £98,942) which equates to just over 9 months revenue expenditure at 2024-25 levels. This is somewhat over the rule of thumb that the General Reserve balance should be between three- and six-months revenue spending, however we note that the capital works to the Woolwell Centre are not yet completed and expect the general reserve figure will reduce further during 2025-26.

Conclusions

There are no issues arising in this area of our 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 the identification of all income due to the Council from its various sources, to ensure that invoices are prepared and issued 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, apart from the Precept and the PWLB loan, the Council receives little additional income apart from interest receipts and grant funding for grass cutting.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account.

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 Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the LGPS.

The Council outsources its monthly payroll. Consequently, we have examined the September 2024 and January 2025 payslip detail: -

- Ensuring that staff gross pay for the month has been paid in accordance with the scale point and basic weekly working hours;
- Ensuring that tax and NI deductions / contributions have been calculated appropriately by reference to the relevant tax and NI tables;
- Ensuring that the correct percentage superannuation deductions have been applied where appropriate;
- Checking to ensure that, where overtime payments have been made, they are supported by appropriately certified time records and been paid at the appropriate enhanced hourly rate; and
- Verifying that the net salary payments for September 2024 and January 2025 have been made appropriately and recorded accurately in the accounting records.

Conclusions and recommendations

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

Asset Registers / Inventories

The “Governance and Accountability Manual – The Practitioner’s Guide”, requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council’s documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

We have reviewed the asset register for the Council, noting it has very few assets, but that the value of the register is rather high for a Council of this size. The Clerk has confirmed that the value of the register currently is as ‘inherited’ by her, however it appears that the hall was revalued in 2021 and the asset register appreciated at the time.

We confirm the value of the asset register to Section 2 box 9 of the AGAR as £2,490,034.

Conclusions and recommendations

Ideally, the Council should also develop a photographic register of its stock of outside equipment, etc to assist any insurance reclaim or police enquiry in the event of vandalism and / or accidental damage to property / premises. Such a register may assist the smooth progression of any insurance claim, etc.

R7. *The Council should develop a photographic register of its assets.*

Review of 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; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

We note that the Council has no investments in place, but at 31st March 2025 held over £256,000 in Unity Bank.

We confirm from our review of the UK Debt Agency website, that the Council currently has total borrowings of £207,600, which is correctly recorded in Section 2, Box 10 of the 2024-25 AGAR (Annual Governance and Accountability Return).

Finally we note that the Council adopted an Investment Policy in March 2025.

Conclusions and recommendations

We are pleased to record that no issues have been identified in this area of our review process.

Statement of Accounts and AGAR

The Clerk has, prepared the necessary Annual Accounts and statutory AGAR detail from the Alpha accounting system: we have checked and agreed the detail therein to the underlying data in the software and other supporting documentation.

Conclusions and recommendations

We have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

As in the preface to this report, we take this opportunity to remind the Clerk and Council of the need to ensure compliance with the website disclosure requirements as set out in the preface to the 2024-25 AGAR, also observing the timing requirements for posting the AGAR and Notice of Public Rights for 2024-25.

Rec. No.	Recommendations	Response
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Review of Corporate Governance		
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R3	The Council should ensure that it has financial procedures documentation in place, to allow the council to meet its financial obligations in the event of the long term absence of the Clerk.	
R4	The Council should ensure that it's Standing Orders and Financial Regulations are fully observed when obtaining tenders and quotes for supply of goods and services, together with appropriate tender limits and advertising requirements [2015 EU legislation refers] and that these are adequately recorded in the minutes.	
Review of Expenditure & VAT		
R5	To improve its internal controls, the Council should develop a process that confirms that evidence of the scrutiny of invoices has been completed. This could be in the form of a stamp, that is initialled by the RFO to confirm that Financial Regulations 5.3 and 5.4 have been complied with, and that an approving Councillor has provided an additional check.	
Review of Assessment and Management of Risk		
R6	The Council should review its risk assessment register against the best practice model provided by SLCC, to ensure it is considering the probability of risk as well as severity of risk.	
Asset Registers / Inventories		
R4	The Council should develop a photographic register of its assets.	