

## Internal Audit Report

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

Name of council:	Thundridge Parish Council		
Name of Internal Auditor:	Monika Duong	Date of report:	27/5/2024
Year ending:	31 March 2024	Internal Audit completed on 24/05/24	Initial meeting 22/04/24

*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.*

***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:

This audit has been undertaken 'remotely' as agreed with the Clerk, Colin Marks. I have utilised the Council's website to view necessary information as well as posed a list of questions to the Clerk via email for completion pre-meeting. We held a Zoom meeting on 22 April 2024 after which I requested further documents required for the completion of the internal audit to be emailed.

### General

During the course of the audit, I examined the Council's arrangements for the management and control of its business in the areas of bookkeeping, due process (ie compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures. I also sought evidence that the previous year's reports from Internal and External Auditors had been properly reported to the Council.

<b>A. Appropriate accounting records have been kept throughout the Year.</b>	<b>YES</b>
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Accounting records have been maintained throughout the period of review, with appropriate cashbook entries being recorded on excel spreadsheets.

Multiples excel spreadsheets are being used for accounting records the Council should note that these are extremely sensitive to human errors. They also require time to be spent on producing manual reports.

**Recommendation to the Council**

To minimise the risk of human error in accounting records and to improve internal controls I suggest for the Council to reconsider moving its records to a sector specific computerised accounting system. This would also provide a better back up system. I understand that the Clerk would like to seek approval from full council for a transfer across to a sector specific accounting package. Further advice on what sector specific accounting packages are available for Parish Councils can be obtained from HAPTC/SLCC or fellow Clerks.

<b>B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.</b>	<b>YES</b>
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A sample of invoices was reviewed to ensure expenditure and VAT had been correctly accounted for, and that payment had been approved.

The list of payments is being authorised by the Council at their monthly meetings and all the authorised payments are listed as part of the minutes (with the exceptions of June-December when the Clerk was off sick – payments were approved but not detailed in the minutes). The Council reclaims its Vat using form VAT126.

I note that the Council has completed a significant capital project (pavilion improvement) during the financial year 2023/24. As VAT is one of the key factors that needs to be considered when delivering any large capital projects, the Council sought initial advice from HAPTC’s VAT advisor. Following the advice and before submitting its VAT126 claim the Council was able to establish under VAT Notice 749 (8.5) that it is entitled to reclaim the VAT.

<b>C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b>	<b>YES</b>
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The risk register is being maintained by the Clerk and it was last reviewed by the Council at its meeting on 23/05/2023

<b>D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.</b>	<b>YES</b>
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The Annual budget and precept for the coming year 2024/25 was approved by Council on 23 January 2024 , Minute Ref: 24.009.

Budget reports are produced on a regular basis and are reported to Council.

#### **Recommendation to the Council**

As part of the annual budget process the Council should consider the level of General Reserves it holds, and this should be reflected in the minutes. In setting the level of its General Reserve the Council should have regard to the recommendation set out in paragraphs 5.33 and 5.34 of The Practitioner's Guide 2023.

<b>E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.</b>	<b>YES</b>
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Income relates mostly to rental of rooms at the Pavilion and allotment rent. No abnormality has been observed.

**Recommendation to the Council** - fees are to be reviewed annually as part of the budget process setting and this is to be reflected in the minutes.

<b>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.</b>	<b>N/A</b>
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The reason for the Not Covered response for Objective F is that I understand that your Council does not maintain any Petty Cash

<b>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.</b>	<b>YES</b>
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The Clerk is a sole employee of the Council, and his salary is being administered by the external payroll provider.

<b>H. Asset and investment registers were complete and accurate and properly maintained.</b>	NO
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The Asset Register was obtained and reviewed. The following observations were made;

- The capital project to improve the pavilion was completed within the budget of £169,000, however the material enhancement value was not fully reflected in the asset register
- It was also brought to my attention that the pavilion was originally gifted in 1980 to the Council, however the purchase value in the asset register is recorded as £180,769 instead of £1 as per guidelines included in the Practitioner Guide
- I also note that the figure in Line 9 of the draft accounting statements does not reconcile with the asset register list as provided to me at the time of audit.

#### **Recommendation to the Council**

- The asset register to be reviewed as per my comments above and the value in Line 9 to be restated

It was also suggested last year for the Council to undertake a review of its asset register as it is not clear what method of valuation is being used. However, I understand that it was not possible due to the long term sickness of the Clerk.

The Council should have regard to the recommendations of the Practitioner Guide March 2023 paragraphs;

**5.61.** *Where an authority receives an asset as a gift at zero cost, for example by community asset transfer, it should be included with a nominal one-pound (£1) value as a proxy for the zero cost.*

**5.64.** *For authorities covered by this guide, the most appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that the recorded value of the asset will not change from year to year, unless it is materially enhanced. 5.65. Commercial concepts of depreciation, impairment adjustments, and revaluation are not required nor appropriate for this method of asset valuation.*

<b>I. Periodic bank reconciliations were carried out throughout the year.</b>	YES
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There was evidence of regular reconciliation to bank statements and the year-end bank reconciliation had been completed accurately.

<p><b>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.</b></p>	<p>YES</p>
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Year-end accounts had been prepared on a receipts and payments basis and were agreed with the cashbook and supporting bank statements and other records.

I note that the figure Line 9 in the draft accounting statements does not reconcile with the asset register list as provided to me at the time of audit.

<p><b>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.</b></p>	<p>N/A</p>
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The reason for the “Not Covered” response for Objective K is that it is not applicable to your Council as the Council did not certify itself exempt from limited assurance review in 2023/24.

<p><b>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</b></p>	<p>NO</p>
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In addition to the Transparency Code, which is not applicable to your Council as your ‘annual turnover’ exceeds £25,000 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 changed last year.

The requirements under 13(1)(a) of the above regulations remains unchanged therefore you must display the preceding years papers (2022/2023) on your website to be compliant.

I also refer the Council to paragraph 13(2) of these regulations. It specifies that documents identified in 13(1)(a) of the regulations must be ‘made available’ for a period of not less than five years.

I note that the Thundridge Parish Council does not fully comply with the above regulations as it appears that the AGAR 2022/23 Sections 1&”2 were published in unsigned format only. All other documents were published as required.

It has been asserted by the advisory group for internal auditors that ‘made available’ requires that the documents in question are published on the website. This is potentially open to an alternative interpretation, and as far as I am aware at the time of writing my report, the matter has still not been definitively resolved.

<p><b>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.</b></p> <p>The 30-working day period for the Exercise of Public Rights was set and minuted as Monday 3<sup>rd</sup> July to Friday 11<sup>th</sup> August.</p>	<p><b>YES</b></p>
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<p><b>N. The authority complied with the publication requirements for the prior year AGAR.</b></p>	<p><b>NO</b></p>
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Although the Council published the required information, it appears that the AGAR Sections 1&”2 where published in unsigned format only. My understanding is that at that time the Clerk was off sick and had very little access to the work related matters.

However, I am pleased to confirm the Clerk was able to prove by the evidence that both statements were signed and approved by the Council at its meeting on 20 June 2023. They were also uploaded to the website following the internal audit meeting.

<p><b>O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee.</b></p>	<p><b>N/A</b></p>
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The reason for the Not Covered response for Objective O is that I understand that the Council does not act as a trustee.

Having tested all of the objectives of internal control as set out in Internal Audit section of the AGAR, through the examination of the evidence and discussions with Mr Colin Marks, d I have signed off the AGAR as required.

I would like to thank the Clerk, Mr Colin Marks for his assistance during the course of audit.

Yours sincerely,

**Monika Duong**  
**Internal Auditor to the Council**  
**monikaduong0@gmail.com**