
Englishcombe Parish Council

Internal Audit Report 2024-25

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Background

The Accounts and Audit Regulations require all Town and Parish Councils to implement 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 during our 2024-25 review, which has been undertaken remotely during the year following the end of each quarter's data entry into the spreadsheet cashbook with our final review conducted, also remotely, in early April 2025 following closedown of the year's Accounts. We thank the Locum Clerk for providing all necessary documentation to facilitate the progress and completion of our review.

Internal Audit Approach

In conducting our review, we have, as previously, had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts as set out in Section 2 of the year's AGAR and summarised with total receipts and payments recorded in the Certificate of Exemption that needs completion and formal adoption by the Council prior to its submission to the external auditors. Our programme of cover is designed to afford appropriate assurance that the Council's financial and governance control systems are 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.

Overall Conclusion

We are pleased to acknowledge the significant improvement in the quality of financial record keeping during 2024-25 following the appointment of the Locum Clerk with no major concerns or issues arising in that area this year. There are, however, one or two previously reported issues that remain to be addressed fully, with detail recorded appropriately in the following detailed report with resultant recommendations restated so that they are not overlooked.

We have duly signed off the AGAR IA Certificate for the year assigning positive assurances in virtually all areas. As the Council's receipts and payments again separately total less than the £25,000 whereon an external audit would be required, a Part 2 AGAR form will need to be prepared together with a Certificate of Exemption, which will need to be submitted to the appointed external auditors.

We take this opportunity to remind the Locum Clerk and Council that the AGAR Sections 1 & 2, together with the Exemption Certificate, must be posted on the Council's website, together with the Notice of Public Rights in accordance with the information provided in the preface to the year's AGAR.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area of review is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We are pleased to note the continued use of the cashbook format we previously provided a former Clerk and to also record that no issues of concern arise in this area this year. We are also pleased to note that the cashbook and quarterly bank reconciliations have been subjected to independent scrutiny by a nominated councillor in accordance with the requirements of the adopted Financial Regulations (FRs): we have also verified the accuracy of each quarter-end bank reconciliation.

We also note that the Council's banking arrangements have been rationalised with only a single Unity account in operation at the financial year-end.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be expected to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation. We are also charged, as part of the IA Certificate, to determine whether the Council is compliant with the website disclosure requirements of The Accounts and Audit Regulations 2015 and, as a Council with an annual turnover below £25,000 of The Transparency Code for Smaller Authorities. We are pleased to record compliance with those disclosure requirements during 2024-25.

We have examined the Council's minutes for the financial year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to note that both SOs and Financial Regulations (FRs) are in place both being based on the latest available NALC model documents. In reviewing their content, we note that the FRs (Para 5.6) refer to a limit of £1,000 for formal tender action, whilst the SOs (Para 19.a.v) refer to a limit of £30,000 for such action. The value in both documents should be identical and, given the size of the Council and usual activity level, we would, as previously, suggest that a more reasonable value for formal tender action be set at between £3,000 and £5,000, which value should be recorded in both the SOs and FRs in the above referenced paragraphs.

The Council's receipts and payments for 2024-25 have again each fallen below the £25,000 threshold. Consequently, it will not require a full external audit for the year and may again claim exemption, completing the necessary AGAR Part 2 Exemption Certificate which should be adopted by the Council prior to 30th June 2025 and submitted to the external auditors in accordance with the instructions issued by them and set out in the preface to the year's AGAR.

Conclusions and recommendation

As indicated above and in prior year reports, a consistent value for formal tender action should be recorded in both the SOs and FRs, ideally in the range of £3,000 to £5,000 given the Council's usual spending / activity level.

RI. A consistent value for formal tender action should be recorded in both Standing Orders and Financial Regulations, ideally set at between £3,000 and £5,000.

Review of Expenditure and VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- All payments are subject to appropriate approval in accordance with the Council's approved procedures;
- 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; and
- VAT has been appropriately identified for periodic recovery.

We have been provided with soft copies of all invoices and other documentation supporting payments made during the financial year and have agreed detail to the spreadsheet cashbook and are pleased to record that no issues arise in that respect. We are pleased to note that the Locum Clerk has also prepared a set of detailed Financial Procedures, which were adopted by the Council in January 2025.

As reported last year, members should demonstrate the effective discharge of their fiduciary responsibilities signing / initialling and dating the invoices at the same time as they sign cheques and / or approve monthly standing order payments. We note that this recommendation has been adopted and is appropriately embodied in the recently adopted Financial Procedures, although none of the year's invoices provided electronically for our review provide any such evidence of member scrutiny although we acknowledge that the minutes of meetings provide clear detail of the payments approved and made during the year.

Whilst we are pleased to note that each payment recorded in the cashbook has been allocated a sequential number, those numbers have not been recorded on the invoices themselves to afford an effective means of cross referencing to the cashbook: this is particularly important where the same value payment is made each month to payees (e.g., A R Lye).

Most of our clients have acquired a suitably designed rubber certification stamp which is affixed to each invoice / payment document, recording the following information and we urge the acquisition of such a stamp to provide clear evidence of members involvement in the payment approval and release of funds processes: -

- Clerk's signature confirming receipt of goods and / or services, together with the arithmetic accuracy of the invoices;
- Invoice payment reference number and date of payment;
- Signatures / initials of two members on the invoice approving the payment and signing cheques / releasing online payments;
- Where payments are to be made to a bank signatory, the invoices should also be signed by another non-signatory approving the payment.

We are pleased to note that two VAT reclaims have now been prepared, the first covering payments in the year from 1st April 2021 to 30th September 2024 and the second for the remainder of 2024-25 to 31st March 2025. No significant concerns arise in this respect, although it appears that VAT of £20.33 may have been omitted from the latter reclaim (Payment ref. 09-24-001).

Conclusions and recommendations

As indicated above, improved controls and formal evidencing of members' involvement in the approval and physical release of expenditure should be implemented in line with best practice and the requirements set out in the recently adopted Financial Procedures.

The potential under reclaim of VAT covering the second half of 2024-25 should be examined and, if confirmed, the value be added to the next year's reclaim.

- R2. *As specified in the adopted Financial Procedures, all invoices and other payment supporting documentation should be signed / initialled and dated by the approving councillor(s), the documents also identifying the cashbook reference number.*
- R3. *As recommended last year, ideally a suitable certification stamp containing detail as indicated in the body of the report should be acquired and affixed to every invoice / payment document with the Clerk and payment approving members signing off / initialling the certificates appropriately.*
- R4. *The potential omission of VAT on the November 2024 invoice referred to in the body of the report should be reviewed and, if the omission is confirmed, it should be added to the next VAT reclaim.*

Assessment and Management of Risk

Local councils are required to put in place appropriate arrangements to assess and manage all potential risks, financial and other, to which they may be exposed, also ensuring that appropriate insurance cover is in place. The Governance and Accountability Manual (G&AM) – “The Practitioner’s Guide” requires all councils to develop an appropriate register of assessed risks and to formally review and adopt the register at least once annually.

We are pleased to note that, following our previous recommendation, the Council adopted, at the April 2024 meeting, a Risk Assessment document, which was further re-adopted at the September 2024 meeting together with a newly prepared Risk Management Policy. We have examined the resultant documents and consider the Policy appropriate for the Council’s ongoing requirements. Regarding the Risk Assessment document, we consider it very “thin” only providing detail of three or four potential risk areas that may face the Council. We do not consider the document wholly fit for purpose as it neither identifies all the potential individual risks that the Council may face or any assessment of the likelihood of their coming to fruition or the potential financial and / or political impact should that occur.

Given the absence of detail of the potential specific individual risks facing the Council and any assessment of the likelihood for their coming to fruition and the potential impact should that occur, we will again have to assign a negative response at Box C of the AGAR IA Certificate, as will the Council at Box 6 of the year’s Governance Statement.

We have previously provided the Chairman with a proforma risk register used by a number of our clients which covers a significant range of risks that might affect a Council the size of Englishcombe, suitably tailored to each Council’s own specific requirements. We have now provided the Locum Clerk

with a copy of the document and urge that it be used as a template for the development of a more comprehensive Risk Register for the Council.

We note that the Council is insured through Zurich as part of a 5-year agreement expiring in 2025 with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £25,000: we consider the level of cover appropriate for the Council's present requirements.

Conclusions and recommendation

Whilst we acknowledge the existence of a risk assessment document, as indicated above, it is very thin with no detail of all the specific potential risks to which the Council may be exposed.

R5. The Council should expand the existing Risk Assessment document to include detail of all potential risks to which it may be exposed together with an assessment of the potential likelihood for their materialising and the impact (financial and / or political) should any come to fruition.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from B&NES: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains sufficient funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate general reserves to cover any unplanned expenditure that might arise.

We are pleased to note that the Council has, following due deliberation, assessed its budgetary requirements for 2025-26, formally approving and adopting a precept of £12,510 for the year at the January 2025 Council meeting.

We note that members are provided with periodic detail of payments for approval and bank balances, which are duly minuted: understandably, due to the low volume and value of transactions, no formal budget reporting against the projected budget by heading occurs during the year.

The Council's total fund balance at 31st March 2025 has reduced to £10,550 which equates to almost 7 months' spending at the 2024-25 level and sits comfortably within the generally accepted range of between three and twelve months' revenue spending.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Review of Income

The Council receives income from limited sources primarily the annual precept, bank interest and recoverable VAT, detail of which we have agreed to the underlying supporting documentation, where available.

Conclusion

No additional issues arise in this area warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account. Any incidental expenses incurred by the Clerk or councillors are reclaimed and recovered through the normal trader payment process.

Review of Staff Salaries

We note the appointment of a Locum Clerk during the year who has undertaken a great degree of work to resolve previously reported issues. He has been reimbursed for his time on submission of an invoice for the financial year, which was duly paid in the final quarter of the financial year. Due to payment being made in this manner, no formal payroll process is in place.

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of its stock of owned assets. We have noted previously that the AGAR has recorded a value of £10,472 in the past couple of years, that value being based on the insured value of the council's assets rather than the purchase cost, net of VAT.

We are pleased to note that the Locum Clerk has updated that register appropriately basing values on the previously determined purchase cost of the assets. The resultant value is £14,190, which value should be reported in the year's AGAR Section 2, Box 9. The prior year value should also be recorded at that same value as no new assets have been acquired or disposed of during 2024-25 and annotated as "Restated".

Conclusions and recommendation

Whilst pleased to note the preparation of an updated / amended asset register for 2024-25 with the values recorded at original purchase cost, as recorded in prior years (pre-2023-24). As indicated above the AGAR Section 2, Box 9 values for both 2023-24 and 2024-25 should therefore be recorded as £14,193 with the prior year value (i.e. 2023-24) annotated as "Restated". That value should then be recorded in future years' AGARs only being adjusted by the cost (net of VAT) of any new acquisitions, less the register recorded value of any disposals.

R6. *The 2024-25 asset values at Section 2, Box 9 of the AGAR should be recorded as indicated in the body of the report with the prior year value recorded at that same value and annotated as "Restated".*

Investments and Loans

The Council has no long or short-term investments, nor does it have any loans in place repayable either by or to it.

Statement of Accounts and AGAR

Section 2 of the AGAR now forms the Council's formal Statement of Accounts. As neither the Council's receipts or payments exceed £25,000 the Council may, as indicated earlier in this report, claim exemption from the external audit review and certification process, but will need to prepare and submit an appropriate "Exemption Certificate" to the external auditors in accordance with the guidance notes set out in the Preface to a Part 2 AGAR.

We have provided the Chairman / Acting Clerk and Finance Assistant with detail of the values to be reported in the year's AGAR and on the Exemption Certificate.

Conclusions

Based on the conclusions drawn from our review process this year, we have duly signed off the IA Certificate in the AGAR assigning positive assurances in all areas apart from that relating to Risk management. The Council will similarly have to give a negative assurance in the Governance Statement in that respect.

Rec No.	Recommendation	Response
Review of Corporate Governance		
R1	A consistent value for formal tender action should be recorded in both Standing Orders and Financial Regulations, ideally set at between £3,000 and £5,000.	
Review of Expenditure and VAT		
R2	As specified in the adopted Financial Procedures, all invoices and other payment supporting documentation should be signed / initialled and dated by the approving councillor(s), the documents also identifying the cashbook reference number.	
R3	As recommended last year, ideally a suitable certification stamp containing detail as indicated in the body of the report should be acquired and affixed to every invoice / payment document with the Clerk and payment approving members signing off / initialling the certificates appropriately.	
R4	The potential omission of VAT on the November 2024 invoice referred to in the body of the report should be reviewed and, if the omission is confirmed, it should be added to the next VAT reclaim.	
Assessment and Management of Risk		
R5	The Council should expand the existing Risk Assessment document to include detail of all potential risks to which it may be exposed together with an assessment of the potential likelihood for their materialising and the impact (financial and / or political) should any come to fruition.	
Asset Registers / Inventories		
R6	The 2024-25 asset values at Section 2, Box 9 of the AGAR should be recorded as indicated in the body of the report with the prior year value recorded at that same value and annotated as "Restated".	