

Black Rose Solutions Ltd

Internal Audit - Report

Name of Council - **Hilderstone Parish Council**

Date of Audit - **20th April 2024**

Annual Return - Internal Control Objectives

A. Appropriate accounting records have been properly kept throughout the financial year.	YES
Is the cashbook maintained and up to date?	yes
Is the cashbook arithmetic correct?	yes
Is the cashbook regularly balanced?	yes
The council uses Excel for its cashbook - no issue noted.	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	YES
PG.B.4 ● Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments	**
Are payments supported by invoices?	yes
Is all expenditure approved?	yes
Is VAT appropriately accounted for?	yes
Does the Council hold Power of Competence?	yes
If not, does the council monitor s137 expenditure against limit?	n/a
Items for payment are presented to council for approval, and then online payment is made on the sole authority of the clerk. It is no longer a requirement to have dual approval as long as the council is aware of the risks and has robust control measures in place.	note

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
<ul style="list-style-type: none"> Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security 	ok*
Does a review of the minutes identify any unusual financial activity?	no
Do minutes record the council carrying out an annual risk assessment?	yes
Is Insurance cover appropriate and adequate?	yes
Are internal financial controls documented and regularly reviewed?	yes
	Review
Risk Assessment	24/05/2023
Financial Regulations	24/05/2023
Standing Orders	24/05/2023
The council may wish to consider whether insurance for business interruption and cyber security may be beneficial - perhaps as part of the annual risk assessment.	note

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
Has the council prepared an annual budget in support of its precept?	yes
Is actual expenditure against the budget regularly reported to the council?	yes
Are there any significant unexplained variances from budget?	no
Does the precept recorded agree to the Council Tax authority's notification?	yes
Are reserves appropriate?	no*
Earmarked Reserves	6,000
General Reserves	24,009
Months of Income	22
Months of expenditure	35
The council has year end balances of £30k, of which £6k is earmarked for elections. This leaves general reserves around £24k, which is 22 months of income. Guidelines state the councils should hold between 3 and 12 month of income/expenditure for cash flow and contingency purposes. (Further details in Practitioners Guide 5.32 - 5.38)	
PG 5.33. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.	REC
PG 5.31. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.	

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
Is income properly recorded and promptly banked?	yes
Are security controls over cash and near-cash adequate and effective?	yes
Is the council VAT registered?	no
Are returns submitted in a timely manner?	yes
Is VAT reclaimed on exempt business activities reviewed and considered insignificant?	n/a
Are receipts for business activities within the registration threshold?	n/a

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	N/a
The council holds no petty cash	

G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	YES
Do all employees have contracts or employment with clear terms and conditions?	yes
Do salaries paid agree with those approved by the council?	yes
Are other payments to employees reasonable and approved by the council?	yes
Have PAYE/NIC been properly operated by the council as an employer?	yes
Does line 4 include only Salary, NI & Pension	yes
Does the council monitor off payroll working (IR35)	n/a

H. Asset and investments registers were complete and accurate and properly maintained.	YES
PG.H.3 • Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement	ok
Does the council maintain a register of all material assets owned or in its care?	yes
Are the assets and investments registers up to date?	yes
Do asset insurance valuations agree with those in the asset register?	yes*
An donated item has been included in the asset register at its insurance value, rather than at £1 in line with guidance and other items.	
PG 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.	REC
It is useful to also record the insurance value (separately) to assist in risk management, but the value reported in the AGAR should be consistent, and it normally at purchase price.	

I. Periodic and year-end bank account reconciliations were properly carried out.	YES
Is there a bank reconciliation for each account?	yes
Is a bank reconciliation carried out regularly and in a timely fashion and approved by council?	yes
Are there any unexplained balancing entries in any reconciliation?	no
Is the value of investments held summarised on the reconciliation?	n/a

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	YES
Are year end accounts prepared on the correct accounting basis (receipts and payments or income and expenditure) ?	R&P
Are debtors and creditors properly recorded?	n/a
Do accounts agree with the cashbook?	yes
Is there an audit trail from underlying financial records to the accounts?	yes

K. If the authority certified itself as exempt from a limited assurance review in 22/23, it met the exemption criteria and correctly certified itself exempt	YES
Receipts < £25k	yes
Payment < £25k	yes
Required Documents Published (2023)	
Certificate of Exemption	yes
Annual Internal Audit Report	yes
Section 1 - Annual Governance Statement	yes
Section 2 - Accounting Statements	yes
Analysis of Variances	yes
Bank Reconciliation	yes
Notice period - exercise of public rights	yes

L. The authority publishes information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	YES
All councils - Accounts and Audit Regulations 2015	
Accounts remain published for 5 years	yes
Transparency Code for Smaller Councils (income/expenditure under £25k)	
All items of expenditure above £100	yes-
End of Year Accounts (5 years)	yes
Annual Governance Statement	yes
Internal Audit Report	yes
List of Councillor or member responsibilities	yes
Location of public land and building assets	n/a
Minutes, Agendas and papers of formal meetings	yes

M. The authority has demonstrated that during summer 2023 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations. (Evidenced by website or minutes)	YES
Approval Date (meeting)	26/04/2023
Publication Date (announcement date)	02/06/2023
Date from (commencement date)	05/06/2023
Date to	14/07/2023

N. The authority has complied with the publication requirements for 2022/23 AGAR.	YES
Notice of Period for Exercise of Electors Rights	yes
Section 1 Annual Governance Statement	yes
Section 2 Accounting Statements	yes
Internal Audit Report	yes

O. Trust funds (including charitable) – The council met its responsibilities as a trustee.	N/a
The council is not a trustee	