

Internal Audit Report

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

Name of council:	COSSINGTON PARISH COUNCIL		
Name of Internal Auditor:	STUART MCDONALD	Date of report:	1/5/24
Year ending:	31 March 2024	Date audit carried out:	30/4/24

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 proper practices referred to in Accounts and Audit Regulations are set out in JPAG Practitioners Guide. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed.

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 Chair of the Council:

I met with Emma Crowe to carry out the Internal Audit of the Council for the year just ended. I should like to thank her for her hospitality and for enabling me to see all the documents that I required.

I shall start with last year's Internal Audit recommendations:

1. Although open to interpretation, it is unclear as to whether a PC has the power to contribute towards the maintenance of an open churchyard. I understand that this is not a new issue, having been raised in 21/22. The Council resolved to continue this funding: £1712.50 in 23/24. I can only repeat my predecessor's recommendations to refer to NALC's advice on this issue.
2. Legal Power of Expenditure – it was recommended as good practice that the precise legal power is noted alongside each item of expenditure, so the Council is confident it is always acting legally. This has not been actioned. I have examined the cash book, and with the possible exception of item 1 above, am satisfied that the Council has acted within its powers. Nevertheless, I would recommend this is actioned – in discussion with the Clerk, it may be something that LRALC could address via its training, as it can be a complicated area. The NALC booklet "The Good Councillor's Guide" does give a list of "indicative" powers, but even this publication states that "no list can be totally comprehensive".
3. It was recommended that individual values be added to the Asset Register. This has been done.

4. It was recommended that the Risk register be extended to include financial risk e.g., business continuity. This has been underway during the year, and I have seen evidence thereof. I have some additional comments on this below.
5. It was recommended that the Council seek further advice before commencing expensive works to “the Driveway”, where no legal owner could be identified. These works have now been completed, and the Council did indeed make substantive enquiries of various parties – Land Registry, Church, and local stakeholders. I have no further recommendation.

The Council correctly exempted itself from External Audit. However, it will not be able to exempt itself for 23/24, as both income and expenditure are over £25,000. Please be aware that this brings a different set of reporting and publishing requirements, not least being the information required by the External Auditor, which are laid out clearly on Pages 1 and 2 of the AGAR Form 3 pack.

Now to this year

There are a number of matters to which I would draw your attention.

1. The budget process is key to maintaining financial control – it is the foundation for setting the precept, and it is also the way to control expenditure during the year. Although given the levels of expenditure involved, it is not difficult to informally ensure that actual expenditure does not exceed budgeted, I would recommend that this is a more formal exercise, and that the Clerk should present, at least quarterly, a document showing actual expenditure to date by budget category, compared to the annual budget for that category. The Council will then be able to see whether it needs to provide for extra resource in a particular area, or indeed whether there may be a potential surplus, which could be used elsewhere.

I would draw your attention to your Financial Regulations which state:

- “3.1. Expenditure on revenue items may be incurred up to the amounts included in the approved budget
3.2. No expenditure may be incurred which will exceed the amount provided in the revenue budget.
3.3 The RFO shall regularly provide the Council with a statement of receipts and payments to date.”

And your Standing Orders which state in 17c:

- “The Responsible Financial Officer shall supply to each councillor as soon as practicable after 30 June, 30 September and 31 December in each year a statement to summarise:
i. the Council’s receipts and payments (or income and expenditure) for each quarter;
ii. the Council’s aggregate receipts and payments (or income and expenditure) for the year to date;
iii. the balances held at the end of the quarter being reported and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.”

These checks should be minuted.

2. Risk assessment. A positive start has been made to implement last year’s recommendation to adopt a financial risk register. However, the document does need to specifically identify each risk as well as the remedy, and could be wider in scope e.g., one risk is that the PC is without its Clerk for a substantial period of time either through illness or resignation – how

would suppliers get paid, and how would the other ordinary business of the Council be transacted?

3. Bank reconciliations are regularly signed off by the Chair and noted in the minutes. Although neither your Financial Regulations nor Standing Orders specify who should do this, it is recognised best practice for a member who is a) not the Chair, and b) not a bank signatory, to perform this task, to maintain a separation of duties. The NALC model Financial Regulations contain this provision (although I am aware that it is solely the Council's prerogative to adopt whichever Financial Regulations it thinks fit).
4. Reserves – the Council had reserves of £18,478 as at the year-end. Of this, £17,887 (the difference being an earmarked £591 for the Driveway) is the Council's general reserve. The adopted reserves policy states in item 3, paragraph 3, that:

“The current level of General Reserves to be held by the Council is set at equal to between three and six months of predicted expenditure.”

Clearly the £17,887 is in excess of 3-6 months - it is in fact almost exactly 12 months. Your reserves policy quotes the guidance from the Practitioners Guide that general reserves should be between 3-12 months of predicted expenditure. It is of course for the Council to set its reserve policy, but I recommend that it either changes the policy or strives to reduce its general reserve in line with its policy.

5. The use of gov.uk domains. The 2024 Practitioners Guide (in Section 5.210 which is not mandatory) notes the importance of using gov.uk domains for both the Council's own website, which it does, but also for Councillors, which it does not at present. It is recommended that gov.uk email addresses are used by Councillors to conduct PC business. The Guide sets out the advantages of doing so in paras 5.213-5.219.

I am required to state why I have ticked “Not covered” in answer to objective F (Petty Cash) – it is, quite simply that the Council does not operate a Petty Cash system.

I note that last year's Annual Meeting of the Parish Council did not take place within the legally required time period after the election (14 days after the election), the Council being unable to meet quorate, and a further election required. The Council did eventually hold this meeting on June 26th.

Have comments from the internal audit 2022-2023 been addressed?

Recommendation 2022-2023	Comment
“Driveway” works on land not owned	Considered – works now complete
Legal Power re Churchyard maintenance	Considered but not actioned – see my comment above
Recording of legal powers against transactions	Not actioned – see my comment above
Asset Register – no individual values	Now rectified
Adoption of a Risk Register	Underway – see my comment above

Areas in the 2023-2024 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

NONE

	Reason
A	
B	
C	
D	
E	
F	
G	
H	
I	
J	
K	
L	
M	
N	
O	

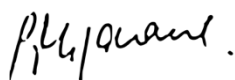
Recommendations for action 2023-2024

Areas for consideration or improvement	Recommendation
Ongoing financial control	Quarterly actual v budget comparisons
Financial Risk register	Improvements to the Financial Risk register
Review of Bank reconciliations and statements	Bank Recs to be signed off not by the Chair and not by signatories to the bank accounts
Reserves	Consistency with stated reserves policy
Email addresses for Councillors	Use of gov.uk addresses

CONCLUSION

By reviewing the hard evidence, discussing with the Clerk, and selectively testing a small number of transactions, I am satisfied that the Council is operating sound policies and procedures which enable it to deliver its services and fulfil its responsibilities effectively and efficiently. I have tested all the Internal Control Objectives I am required to consider, and in all significant respects, the objectives have been met.

Yours sincerely,



Stuart McDonald
 Internal Auditor to the Council
 sminternalaudit@yahoo.com

The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2023	Year ending 31 March 2024
1. Balances brought forward	30,748.54	28,860.31
2. Annual precept	15,225	16,400
3. Total other receipts	7,575.35	12,587.36
4. Staff costs	6,166.67	6,948.10
5. Loan interest/capital repayments	0	0
6. Total other payments	18,521.91	32,420.74
7. Balances carried forward	28,860.31	18,478.83
8. Total cash and investments	28,860.31	18,478.83
9. Total fixed assets and long-term assets	100,393.40	93,684
10. Total borrowings	0	0