Black Rose Solutions Ltd

Internal Audit - Report

Name of Council - **Quarnford Parish Council**
Date of Audit - **26th June 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?	no*
The new clerk has produced a cashbook, it is not clear what (whether) records had been completed "throughout" the year, and there is no evidence that any reports have been reviewed by council (spend to date, spend v budget or bank reconciliations).	REC

	B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	NO
PG.B.3	● Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation	**
PG.B.5	● Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements	n/a
	Are payments supported by invoices?	no
	Is all expenditure approved?	no
	Is VAT appropriately accounted for?	yes
	Does the Council hold Power of Competence?	no
	If not, does the council monitor s137 expenditure against limit?	no
	The new clerk has completed the cashbook, and annual return. It is not clear whether this has been kept up to date to enable periodic review and reconciliation to the bank.	REC
	Council approval of payments is evidenced by inclusion in the minutes, not all payments have been included in the minutes available for inspection (July, October & February)	REC
	The are no supporting invoices available for a number of payments made.	REC
	Salary payments made do not match the values on the payslips provided.	REC
	It was not clear which payments were made under s137 or what the council's limit would be.	REC

	C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	NO
	Authorities should refer to Para 5.89 to 5.102	
PG.C.1	● Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc	no
PG.C.2	● 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
PG.C.3	● Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation	n/a
	Does a review of the minutes identify any unusual financial activity?	no
	Do minutes record the council carrying out an annual risk assessment?	no
	Is Insurance cover appropriate and adequate?	yes*
	Are internal financial controls documented and regularly reviewed?	no
		Review
	Risk Assessment	no
	Financial Regulations	no
	Standing Orders	no
	There is no evidence that any risk policy or risk management documents are in place, or have been reviewed during the year.	REC
	The insurance policy lists some items which have not been included on an Asset Register (Defibrillator Box) , and some that may have been disposed of (laptop and printer)	REC
	The Financial Regulations are dated 2016 and the Standing Orders are dated 2015, so these have not been updated in line with the latest NALC templates (2018 & 19). There is a new template financial regulations now available (2024)	note

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	NO

Authorities should refer to Para 5.7 to 5.9

PG.D.1	● Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable	no
PG.D.2	● Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances	no
PG.D.3	● Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances	no
PG.D.4	● Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process	no
PG.D.5	● Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts	ok

Has the council prepared an annual budget in support of its precept?	no
Is actual expenditure against the budget regularly reported to the council?	no
Are there any significant unexplained variances from budget?	n/a
Does the precept recorded agree to the Council Tax authority's notification?	yes
Are reserves appropriate?	yes*
Earmarked Reserves	0
General Reserves	3,700
Months of Income	19
Months of expenditure	4
The Practitioners guide recommends that the council holds between 3 and 12 months of income/expenditure. The balance on general reserves currently held are 19 months of the precept, which is a little high, however as the precept is so low, the excess amount is not a high value.	note
The value of the precept appears to have been retrospectively reported to the council, and there is no evidence of the preparation or consideration of a budget.	REC

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?	no*
Is VAT reclaimed on exempt business activities reviewed and considered insignificant?	n/a
Are receipts for business activities within the registration threshold?	n/a
It is not clear when the last VAT return was submitted (there is a 4 year cut off for claims)	note

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

	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.	NO
	Authorities should refer to Para 5.48 to 5.54	
PG.G.1	● Ensure that, for all staff, a **formal employment contract** is in place together with a confirmatory letter setting out any changes to the contract	no
PG.G.3	● Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the **approved spinal point on the NJC scale** or hourly rate, if off-scale, and also with the contracted hours	??
PG.G.6	● For the test sample of employees, ensure that tax is calculated appropriately	no
PG.G.10	● Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.	no
	Do all employees have contracts or employment with clear terms and conditions?	no
	Do salaries paid agree with those approved by the council?	??
	Are other payments to employees reasonable and approved by the council?	n/a
	Have PAYE/NIC been properly operated by the council as an employer?	n/a
	Does line 4 include only Salary, NI & Pension	yes
	Does the council monitor off payroll working (IR35)	n/a
	No employment contracts were available for former clerks. (The new clerk started after the end of the year, so was not relevant to the 23/24 audit)	REC
	Salary payments made do not match the values on the payslips provided.	REC
	Had the correct payments been entered onto the payslips, at the tax code quoted - there would have been a PAYE liability. The council should arrange for the HMRC record to be corrected and make any payments due.	REC

	H. Asset and investments registers were complete and accurate and properly maintained.	NO
	Authorities should refer to Para 5.28 to 5.30	
	Authorities should refer to Para 5.57 to 5.63	
	Tangible Fixed Assets	
PG.H.1	● Ensure that the Authority is maintaining a **formal asset register** and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets	no
PG.H.6	● Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority	no
	Does the council maintain a register of all material assets owned or in its care?	no
	Are the assets and investments registers up to date?	no
	Do asset insurance valuations agree with those in the asset register?	no
	The council has no asset register and reports zero on Line 9 of the AGAR. The Insurance Schedule lists a few assets, which should be included on the Asset Register.	REC

	I. Periodic and year-end bank account reconciliations were properly carried out.	NO
	Authorities should refer to Para 5.10 to 5.27	
PG.I.1	● Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members	no
	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?	no
	Are there any unexplained balancing entries in any reconciliation?	no
	Is the value of investments held summarised on the reconciliation?	n/a
	A year end reconciliation has been performed. The balance of the reserve account has been reported at some meetings, but there is no evidence that this has been checked back to statements, or signed off by an independent person. There is no record of review of the current account balance.	REC

	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?	no*
	See note B - there is an audit trail from the cashbook to the bank statement, but not all invoices were available for inspection.	REC

	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	NO
	IAs should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000)	
PG.K.1	● the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline	no
PG.K.2	● that it has been published, together with all required information on the Authority's website and noticeboard	no
	Receipts < £25k	7003
	Payment < £25k	1419
	Required Documents Published (2023)	
	Certificate of Exemption	no
	Annual Internal Audit Report	no
	Section 1 - Annual Governance Statement	no
	Section 2 - Accounting Statements	no
	Analysis of Variances	no
	Bank Reconciliation	no
	Notice period - exercise of public rights	no
	None of the required documents have been published for 2022/23	REC

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.	NO

PG.L.1	This test applies only to those councils covered by the £25,000 External Audit exemption IAs should review the Authority's website ensuring that all required documentation is published in accordance with the Transparency Code	no
	All councils - Accounts and Audit Regulations 2015 **Accounts remain published for 5 years**	no
	Community Infrastructure Levy Return	n/a
	Transparency Code for Smaller Councils (income/expenditure under £25k)	
	All items of expenditure above £100	no
	End of Year Accounts (5 years)	no
	Annual Governance Statement	no
	Internal Audit Report	no
	List of Councillor or member responsibilities	no
	Location of public land and building assets	n/a
	Minutes, Agendas and papers of formal meetings	no
	The council has claimed exemption from External Audit so the Transparency Code for Smaller Authorities details what MUST be published	REC

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)	NO

PH.M.1	IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.	?
PH.M.2	IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR	no
	Approval Date (meeting)	18/07/2023
	Publication Date (announcement date)	?
	Date from (commencement date)	?
	Date to	?
	30 days?	?
	first 10 days of July?	no
	exactly 1 day before?	?
	as soon as practical?	?
	The AGAR was approved at a meeting on 18/7/23 so could not have been published in line with the requirements.	REC
	The notice is not published and was not available for inspection.	REC

N. The authority has complied with the publication requirements for 2022/23 AGAR.	NO
Notice of Period for Exercise of Electors Rights	no
Section 1 Annual Governance Statement	no
Section 2 Accounting Statements	no
Notice of Conclusion of Audit	n/a
Section 3 External Audit Report & Certificate	n/a
Internal Audit Report	no
There are no publications on the website for the 22/23 year.	REC

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