



Internal Audit Report – Introduction

Client: Morville Parish Council

Auditor: Mr Connor Furnival

Date completed: 02/06/2024

As the council's Internal Auditor, I have independently carried out an examination of areas which meet the internal control objectives as listed on the Annual Governance and Accounts Return's Annual Internal Audit Report (AGAR); and best practices as outlined in the JPAG Practitioners Guide 2023 for the year ended 31st March 2024.

The standard of administration and system of internal controls relating to the audit areas examined throughout the financial year were considered to be of an **adequate standard** and improvements are to be made. Some changes are needed in order to properly meet the needs of the council and practices as recommended in The Practitioners' Guide. I note the new Clerk is working with Councillors to address these issues and has made a fair amount of changes to the financial practices to improve the councils processes, namely the introduction of a bespoke financial package and enrollment with a reputable payroll system.

The council is exempt from external audit this year as neither annual gross receipts or payments exceed £25,000; the RFO as a result has prepared the relevant exemption certificate for submission to external audit.

A sample review of council meeting minutes was carried out which confirmed that the council was quorate when it met and that council decisions were clearly recorded. The council's website meets relevant legal requirements and was found to be both informative and easy to use.

Detailed Findings on pages 2-4 supports the above statement.

I would like to thank the Clerk/RFO, for her assistance during the audit. Should members of the council have any queries with this report please do not hesitate to get in touch with me.



Internal Audit Report – Detailed Findings

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Key Control Objective	Findings	The key control objective has been satisfactorily achieved?
<p>A. Appropriate accounting records have been properly kept throughout the financial year.</p>	<p>The primary accounts record examined 1-4-23 to 31-3-24; (i.e. paper copies of receipts and payments) was found to be accurate in terms of the manual records. Having tested the ledger against the invoices I am happy that the accounting records (ledger) are accurate.</p> <p>The opening balance was agreed to the previous year's AGAR closing bank balance.</p> <p>Recommendation: Include all the receipts/invoices for all payments made in the annual accounts folder as they are required to be kept as a paper copy for no less than 5 financial years.</p> <p>Recommendation: Avoid anyone other than the Clerk from purchasing goods for the council, try to keep all payments through the Clerk/RFO as all invoices can then be in the name of the RFO and liability on goods/services remains with the "corporate body" i.e the council. Ideally obtain a Business Debit Card through your Lloyds account to support this.</p>	<p>Yes</p>
<p>B. Council complied with its financial regulations, payments were supported by invoices/vouchers, all expenditure was approved and VAT was appropriately accounted for.</p>	<p>A sample of 10 payments were agreed between the payments ledger but not evidenced in minutes or signed as evidence of approval. All were then traced to supporting invoices/documentation. They were approved at Council meetings as per the brief description in the minutes. 4 Cllrs are set up as cheque signatories; 2 are required to sign cheques. It is noted the Council has had significant difficulty with the current bank account and are trying to move to a new bank and online banking and move away from cheques as this is more secure and reliable. As such there is no evidence for regular bank reconciliations.</p>	<p>No</p>

	<p>A payment was found to be inaccurate which prevented the year end balance from being accurate at the point of audit, this was to the value of £12.27, while small it would have prevented an accurate year end, however the Clerk was very supportive in identifying and rectifying this error.</p> <p>VAT was found to be appropriately accounted for within the payment ledger which is now recorded through Scribe.</p> <p>No evidence was sighted of quotes having been obtained for services (computing services, Freethought, RTS) as required by Financial Regulations 11.1.h</p> <p>Recommendation: Provide a list of payments for meetings (those made and those to be scheduled) and a bank reconciliation for every 2 months and allow 2 randomly selected Cllrs to sign individual invoices and statements before/during the meeting and publish this list of payments and the end balance of the bank reconciliation in the minutes. Perhaps take liberty of the “Payments awaiting authorization” report in Scribe, present one of these to council at each meeting, this would ensure that all payments throughout the financial year are signed off with ease.</p> <p>Recommendation: In payments ledger (Scribe), always insert selection for power used to make payments for goods and services.</p> <p>Recommendation: Raise the value of needing to obtain 3 quotes to £300 or £500 as more realistic, in Financial Regulations 11.1.h.</p>	
<p>C. Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>A framework of policies and procedures has been adopted by the Council and were provided during this audit. Standing Orders and Financial Regulations were readopted in May 23. The council’s detailed Risk Management Assessment was last reviewed in Sep 2023.</p> <p>The councils insurance cover is appropriate for its activities and due for renewal 1st Aug 24.</p> <p>Recommendation: Review the new Financial Regulations (2024 version from NALC) and raise the value of needing to obtain 3 quotes to £300 or £500 as more realistic, in Financial Regulations 11.1.h. Also include the procedure allowing cllrs to approve payments to be made by BACS in advance of online banking.</p>	<p>Yes</p>
<p>D. The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored by the Council; and reserves were appropriate.</p>	<p>The council approved a precept on 8th Jan 24, item 24.15 at £12,000. However, there was no budget appended to the minutes nor found on the public website.</p> <p>Reserves – The yearend balance of £26,470 is considered substantial for a council of this size. However, it is noted that the precept for 23/24 was dropped to £12,000 and the ambitious budget spending projected for 24/25 should bring this high reserve level down.</p> <p>Recommendation: It is advisable for a council to hold in its reserves a sum which equals to at least 6 months’ worth of projected cost for necessary services. It is not advisable for a council to have reserves higher than its precept at any time unless earmarked clearly in a budget report.</p>	<p>No</p>

	Recommendation: Present quarterly budget reports to Council. Which decreases risk and increases transparency.	
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked.	A precept receipt of £12,000, CIL funds totaling £1,654.31 and bank interest totaling £50.46 were agreed to supporting remittances and the bank statements. The precept was also agreed to previous year's Council's decision. 6 receipts in respect of bank interest were briefly examined agreed to sampled bank statements. Recommendation: There is evidence of VAT being paid, advise the Clerk to undertake a review of the VAT 126 claims made and claim back any unclaimed VAT as soon as possible. Facilities within Scribe state that £397.54 is due for 2023/24.	Yes
F. Petty Cash has been properly accounted for.	None held as per the Clerk/RFO and accounts.	Not applicable.
G. Payroll – Salaries to employees and allowances to members were paid in accordance with the authority's approvals and PAYE & NI requirements properly applied.	The previous locum Clerk was not on the payroll. The new Clerk is now using a SALC recommended payroll provider, evidence of payroll reports and supporting payslips where reviewed. It is noted that the Clerk had to undertake the task of registering the council with HMRC's Basic Tools software to register as a small body employer, it was not an easy task and I understand the Clerk dealt with this as a matter of priority.	Yes
H. Asset and investment registers were accurate and properly maintained.	The Asset Register as at 31/3/24 complies with the Practitioners' Guide and reports assets valued at £7,930. No investment register is required.	Yes
I. Periodic Bank Reconciliations were properly carried out during the year	No evidence is shown of bank reconciliations taking place periodically, except for the end of year reconciliation. Though bank balances are reported to Council periodically. Recommendation: Undertake to present a bank reconciliation to council at every meeting and conduct one at the end of every month through Scribe.	No
J. Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	Accounting statements examined and prepared during the year were prepared on a receipts and payments basis and produced manually. The AGAR Accounting Statement for the year 23/24 has been prepared accurately on a receipts and payments basis, agrees with the bank reconciliation and fixed asset register. Sample testing (above) supports that the audit trail to underlying records and council minutes are good.	Yes
K. The Council appropriately certified itself as exempt from a limited assurance review by external audit in 2022/23.	The Council certified itself as exempt from a limited assurance review by external audit in 22/23 at its 10 th Jul 23 meeting, item 23.38. As neither total receipts nor total payments exceeded £25,000. Note that this was submitted after the 1 st Jul deadline.	Yes
L. Council publishes information on a website/webpage which is up to date at the time of the internal audit, in accordance with legal requirements.	The Council's website was found to be both informative, up to date and met legal requirements. (Website examined, 21.05.24, 29/05/24 and 02/06/24.)	Yes
M. In 2023 Council correctly provided the proper	The Notice for the Exercise of Public Rights and 22/23 AGAR was published on the Council's website following the Council's	No

opportunity for the exercise of public rights relating to its 22/23 AGAR in accordance with Accounts and Audit Regulations.	Jul 23 meeting when the documentation was resolved as approved. The proper period of notice was not given in accordance with Accounts and Audit Regulations 2015 which requires the notice to include the first 10 working days of July to be included in the notice period. (Examined 29/05/24)	
N. The Council has complied with the publication requirements for the 22/23 AGAR	<p>The 22/23 AGAR and associated yearend paperwork was found on the Council's website at the time of the internal audit including the Certificate of Exemption from External Audit. (Examined 21/05/24). However, Sections 1, 2 and the Internal Auditors report were approved by Council and published on the councils website after the required publication date of 1st July 2023.</p> <p>Recommendation: Ensure council meets in late June to agree and publish the AGAR sections 1, 2 and the Internal Auditors Report in order to meet the publication dates as set by Regulation 15 (2).</p>	No
O. Trust funds – the Council has met its responsibilities as a trustee	The Clerk/RFO confirmed that the Council is not the sole trustee of such a fund.	Not applicable.
ACORD Services	Completed: 02/06/23	