



Kelbrook & Sough Parish Council

Internal Audit Report

Financial Year Ending 31st March 2024

Date of Internal Audit Visit: 19th April 2024
Prepared by: Internal Audit Yorkshire

Date Report Issued: 27th April 2024
Internal Auditor: Ms Safia Kauser

Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

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Statement of Responsibility

1.1 Background

The Accounts and Audit Regulations 2015; 5 (1) require a relevant authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.' The Governance and Accountability Practitioners Guide is regarded as the 'non-statutory' guidance referred to within the above act. A copy of the guide is available from the National Association of Local Councils website. Smaller authorities in England must complete an Annual Return and an Annual Governance Statement to the public. The Annual Return must be submitted to the external auditor within the statutory deadline of 30 June.

1.2 Purpose of Internal Audit

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditing tests the continuing existence and adequacy of the authority's internal controls. The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the authority. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

1.3 Responsibility

The internal audit work was undertaken in accordance with the agreed scope of assignment and in accordance with the letter of engagement. The council as a corporate body is responsible for ensuring that council business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. This report and findings are based on the information that was made available during the course of the audit. The matters raised in this report should not be read as a comprehensive statement of all the weaknesses identified or all improvements to be made. Internal Audit work should not be relied upon to identify all circumstances of fraud and irregularity, should there be any. Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

1.4 Our Objectives & Programme of Work

Our work during the audit has enabled us to reach the judgements on the internal control objectives in the Annual Internal Audit Report which forms part of the Councils Annual Governance and Accountability Return [AGAR] on whether, in all significant aspects, the control objectives were being achieved throughout the year to an adequate standard. Negative responses (if any) are supported by the findings in the internal audit report. Where the response is negative, the council is required to explain to the external auditor the corrective action being taken to address the weaknesses in the control identified. The Internal audit report should inform the authority's responses to Assertions 2 and 6 in the Annual Governance Statement that forms part of the Annual Governance and Accountability Return [AGAR]. This internal audit report should therefore be made available to support and inform members considering the authority's approval of the annual governance statement.

The Council

1.1 Kelbrook & Sough Parish Council

Kelbrook is a village in the civil parish of Kelbrook & Sough, Borough of Pendle, in Lancashire, England. It lies on the A56 road between Colne and Earby. It had a population of 1,026 recorded in the 2011 census and represents the first tier of local government. The second tier of local government is Pendle Borough Council and the third tier of local government is Lancashire County Council.

1.2 The Parish Councils core service areas, activities and responsibilities relate to:

- Maintenance and upkeep of Kelbrook Park which includes a play area (owned by the Parish Council).
- Maintenance costs towards Earby Memorial park in conjunction Earby Parish Council (ownership of the Park is with Pendle Borough Council, the location of the park falls within the boundary of Sough).
- Bus Shelters, Benches; Picnic Benches and Planters
- Upkeep of noticeboards
- Remembrance Day Event
- Christmas Lights
- Neighborhood Plan

1.3 The precept for the 2023/2024 financial year was £15,250.

1.4 During the 2023/2024 financial year, a new council was elected in May 2023. Several councillors resigned throughout the year and the vacancies were filled in by co-option. The council is made up of seven members which we are informed, are all inexperienced as they have not previously served on the Parish Council with the exception of two councillors who had previously been with the council for less than year. The role of the Clerk/RFO was temporarily undertaken by the Chair of the Council. A new Clerk/RFO was appointed in July 2023 and a Lengthsman who commenced their role on the 01st October 2023.

1.5 We are informed that the council has had a challenging year due to the excessive number of Freedom of Information requests received from a member of the public which have deemed to be vexatious. This has led to a decision notice issued by the Commissioners Office on the 27th March 2024 who has upheld the councils decision to rely on section (14) (1) (vexatious request) of FOIA to refuse to provide the requested information relating to information regarding councillor's email addresses used for Council business.

1.6 The council have appointed Internal Audit Yorkshire for the third consecutive financial year to undertake the internal audit. Overall we have found that the council has made good progress to address some areas of the weaknesses in the internal controls arising from the last two financial years.

Internal Audit Findings and Recommendations

Accounting Records

Internal Control Objective: Appropriate accounting records have been kept properly throughout the year.

Aim: To provide assurance that the books of account have been properly kept throughout the year and that data input controls are accurate.

Internal Audit Testing	Compliance	Comments / Recommendations
Has the council appointed a Responsible Financial Officer (RFO)?	Yes	The council are required to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. The role of Responsible Financial Officer is held by the Parish Clerk who holds a dual role. This was evidenced within the contract of employment.
Has the Responsible Financial Officer (RFO) determined a form of accounting and supporting records which have been maintained throughout the year?	Yes	The cash book is the main focus for the day-to-day accounting and balancing off and reconciliation to the bank statement, and remains the most important control over the accounting system. The accounts are maintained on an excel spreadsheet which records the day to day income and expenditure transactions with a VAT breakdown. The transactions record the transaction description, method of payment and allocation to the relevant budget lines. It is recommended that the cashbook introduces a column to identify a transaction reference to correspond to the paperwork on file and a column for payee. It is noted that the council is operating with one bank account with Santander.
Do the accounting records contain entries from day to day of all sums of money received and expended by the council? Is the arithmetic correct?	Yes	See findings above. A sample of payments were selected for audit to review the arithmetic accuracy against the original invoices and entries in the cashbook. No significant issues were identified. One payment entry for April relating to Easy websites did not include the VAT entry of £9.40. A VAT invoice was available on file with a breakdown of the annual schedule of payments.
Do the previous year's annual return figures agree with the current year's opening balances in the cash book?	Yes	Box 7 of the AGAR Accounting statements at the 31 st March 2023 was recorded as £37,885. This figure had been rolled over correctly (£37,885.10) in the cashbook as the councils opening cashbook balance (verified against the Santander bank statement).
Internal Audit Response	Yes	

Payment Controls [Standing Orders – Financial Regulations – Expenditure Testing & VAT]

Internal Control Objective : This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Aim: To provide assurance that Standing Orders, Financial Regulations and Appropriate payment controls (payments supported by invoices, expenditure is approved, VAT is correctly accounted for) are in place and are followed

Internal Audit Testing	Compliance	Comments / Recommendations
Has the Council adopted the Standing Orders and are these in accordance with the latest NALC model?	Yes	The Standing Orders remain unchanged since their adoption by council in February 2023. It is noted that a review of the Standing Orders is in progress.
Has the Council adopted Financial Regulations and are these up to date with the latest NALC Model? And tailored to the Council?	Yes	The Financial Regulations were reviewed and updated at the council meeting held in September 2023 with changes made to section 11 (H).
Are there procedures for formal tenders and quotes consistent with the Standing Orders and Financial Regulations?	Yes	<p>The values for formal tenders exceeding £25,000 was consistent in the Standing Orders and Financial Regulations however the value for formal tenders is out of date following the changes by central government to increase the value to £30,000 inclusive of VAT.</p> <div style="border: 1px solid black; padding: 5px;"> <p>RECOMMENDATION 1:</p> <p>That the Standing Orders and Financial Regulations relating to the Public Contracts Regulations be reviewed to update the value to ‘£30,000 (inclusive of VAT)’ to ensure consistency with the tender value for formal contracts following the amendment by Government on the 21 December 2022 (SI 2022/1390), see link: https://www.legislation.gov.uk/ukxi/2022/1390/made</p> </div>
Are all payments listed in the cashbook supported by invoices, authorised and minuted in accordance with the Financial Regs? Certification of an account stamp used?	Yes	<p><u>Purchasing Authority and Invoices Authorised for Payment</u></p> <p>The purchasing authority remains unchanged in the Financial Regulations. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget and the authority is to be determined by the council for all items.</p> <p>Financial Regulation 5.2 requires the RFO to prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to council. The council is required to review the schedule for compliance and,</p>

having satisfied itself shall authorise payment by a resolution of the council. The approved schedule shall be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

We found that five payments had been made for quarter 1 (April, May and June). A review of the minutes from March to June 2023 found that these payments had not formed part of a payments list authorised by council in compliance with the requirements of Financial Regulation 5.2. The other payments made in this period related to a council employee, HMRC and a direct debit to Easy Websites.

We tested the data in the payments schedule recorded against the cashbook transactions to verify that payments had been properly authorised by council. We have summarised our findings:

- Payments to employees were not reported on the payments schedule. Where the council have one employee the amount can be redacted, and where there is more than one employee the amount may be summarised for reporting purposes. The council may wish to seek their own independent advice on this matter having regards to GDPR.
- A payment of £315 for planter authorised at the July meeting could not be matched with a breakdown of the transactions in the cashbook. We found two separate payments totalling £357.36 with a description entered for plants.
- The invoice for the insurance renewal was not presented to council as part of the payments schedule and the insurance was renewed.
- The details on the payments schedule do not include the cheque numbers for audit purposes.
- Payments made on a direct debit arrangement are not reported to the council as part of the payments schedule. These payments should be reported in compliance with the requirements of FR 6.7
- There is no use of a certification stamp on the invoices to evidence the authorisation and payment control checks required in compliance with the Financial Regulations. It is noted that this is due to be actioned by the Clerk following our recommendation in the last financial year internal audit report.

RECOMMENDATION 2:

That the payments schedule presented to council members includes the payments made on a direct debit arrangement and bacs payments, details of the cheque number and transaction reference and the budget allocation.

<p>Has the council complied with the quotations procedures for obtaining quotations and formal tender requirements?</p>	<p>See findings</p>	<p>The procurement regulations in Financial Regulation 11 (H) effective from the start of the financial year to the 11th September 2023 required:</p> <ul style="list-style-type: none"> ➤ Three quotes for contracts less than £25,000 and above £3,001 ➤ Three estimates for contracts less £3,000 and above £100 <p>The councils Financial Regulation 11 (H) was updated from the 12th September 2023 which stated that:</p> <ul style="list-style-type: none"> ➤ <i>When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph the Clerk shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below [£3,000] and above [£250] the Clerk shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.</i> <p>Audit testing was carried out for two purchases for compliance with the quotations procedures above.</p> <ul style="list-style-type: none"> ➤ £3,815.00 + VAT totalling £4,578.00 – Purchase of x2 20ft Christmas Trees and Lights ➤ £2,582.60 + VAT totalling £3,099.13 – Purchase of x1 two bay 6 xA4 landscape noticeboard; x1 single bay 6 x A4 landscape noticeboard (includes engraving fixture and fittings) <p><u>Noticeboards</u></p> <ul style="list-style-type: none"> ➤ The council minutes dated 11th September 2023 minute resolution 13 refers to two quotations that had been received with a resolution confirming that ‘<i>Order 2 notice boards with Green Barnes for £1478</i>’ ➤ Although the council appear to have carried out a quotations process, they do not appear to be like for like quotes based on a priced description of the proposed supply. This would make is difficult for the council to demonstrate that they have secured the best value for money. A purchase order or letter based on an estimate or quote of the proposed supply would normally set out the purchase cost, quantity and delivery information which can be processed by the company and the sales invoice can be matched with the purchase order. In the absence of a formal purchase order or letter based on a quote/estimate, we found that the actual order processed by the supplier has differed significantly from the approved amount authorised at the council meeting. This can present difficulties as it commits the council into a contract that may not have been processed correctly and a financial commitment that may not have budgetary provision. ➤ It is noted that the council minutes dated 10th October 2023 minute reference 12 refers to the noticeboard referring to ‘<i>costs slightly more due to extras ordered (extra keys, gold writing etc)</i>’. Although this explanation is noted for audit purposes, it does not adequately explain the rational and price variance of £2,337 in excess of the authorised amount agreed by council.
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<p>Is there a segregation of duties between writing cheques and/or setting up online payments and physical release of payments? Do the instructions for the payment of invoices comply with the Financial Regulations?</p>	<p>Yes</p>	<p><u>Cheque Payments</u></p> <p>We are informed that the change of signatories with the bank mandate has been processed. We understand that the current signatories are the Chair and Vice-Chair of the Council. Cheques are signed by two councillors.</p> <p><u>BACS Payments</u></p> <p>Some suppliers for example Tax Assist and HMRC are paid via bacs. Bacs payments are authorised via a letter to the bank signed by two signatories. In discussion with the RFO it was suggested that the council consider moving banks which offer dual authorisation via online banking. This will assist in the efficiency of bacs payments.</p>

		<p>RECOMMENDATION 6:</p> <p>The consideration is given to moving to a banking provider that can offer dual or triple authorisation for online banking purposes. This will assist in the efficiency of payments made via bacs.</p>
Does the council have any direct debits or Standing Orders in place? Have these been reviewed in accordance with the Financial Regulations?	Yes	<p>The council has direct debits in place with some suppliers. A formal review of these had not been undertaken in accordance with the requirements of Financial Regulation 6.7.</p> <p>RECOMMENDATION 7:</p> <p>That a formal review of direct debit payments be undertaken in compliance with the requirements of Financial Regulation 6.7 and that payments under this arrangement be reported to the council.</p>
Is there an authorised list of continuing contracts and obligations?	No	<p>Financial Regulation 5.6 requires the RFO for each financial year to draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively) Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which council may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of council.</p> <p>A list of continuing contracts and obligations was not authorised for the 2023/2024 financial year. This was discussed with the RFO during the audit and RFO has confirmed that a list would be drawn up for the 2024/2025 financial year.</p> <p>RECOMMENDATION 8:</p> <p>That a list of continuing contracts and obligations be drawn up and approved by council in compliance with the requirements of Financial Regulation 5.6. This will authorise the RFO to make the payments subject to these being reported to the next appropriate meeting of the council.</p>
Is S137 separately recorded and within limits? Is S137 expenditure of direct benefit to electorate? Is S137 expenditure minuted?	Not applicable	The council have not made any payments using the power of S137.

Is VAT correctly recorded in the cashbook and linked to invoices?	Yes	The cashbook has a VAT column. Refer to our findings above. It is recommended that the VAT for easy Websites of £9.40 for the April 2023 period be submitted with the next VAT reclaim to HMRC.
VAT evidence, recording and reclaim?	Yes	The VAT reclaim of £3,087.31 was received from HMRC on 07/08/2023 covering the period from 07/10/2020 to 30/03/2023 following our recommendation from the last financial year audit. It is noted that a reclaim for the current financial year (01 st April 2023 to 31 st March 2024) has been submitted to HMRC.
Internal Audit Response:		Yes

Risk Management

Internal Control Objective C: This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Aim: To obtain assurance that risk management arrangements are adequate to manage all identified risks.

Internal Audit Testing	Compliance	Comments / Recommendations
<p>Has an annual risk assessment been carried out? Does this include all financial and non-financial risks? <i>*To be formally adopted at least annually</i></p>	No	<p>Risks are uncertain events or conditions (not just financial) that if they occur, they will affect the authority's ability to achieve its objectives. The council as a corporate body and members individually are responsible for risk management. Typical categories of risks include:</p> <ul style="list-style-type: none"> • financial – loss of money; • security – fraud, theft, embezzlement; • property – damage to property; • legal – breaking the law or being sued; • IT – failure of IT systems or misuse or data loss; and • reputational – actions taken could harm the authority's public reputation. <p>Risks are unavoidable, but they need to be managed either by mitigation or controls such that they are tolerated, treated, transferred or terminated.</p> <p>The RFO and the Chair of the council have acknowledged that the annual risk assessment is a requirement subject to annual review however due to the complexities of the challenges the council faced with the Freedom of Information requests, this had not been actioned during the financial year. We are informed that a draft risk assessment is in progress. The council will need to ensure that the risk assessment register is formally considered at a council meeting and that appropriate action is taken to manage the risks. As the council did not have this in place during the 2023/2024 financial year, the council must tick 'No' to the annual governance statement assertion five. An example risk register is available on page 65 of the Governance & Accountability Practitioners Guide, see link: file (nalc.gov.uk)</p>

		<p><u>Benches and Bus Shelters</u> A specific risk assessment is in place for the benches and the bus shelters. A copy was provided during the audit. We are informed that this document is in progress by the Lengths person. The council should ensure that this document is formally reviewed at a council meeting as part of the councils risk management responsibilities.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>RECOMMENDATION 9:</p> <p>That an annual risk assessment is prepared including all financial and reputational risks that the council may be exposed to. The risk assessment document to be formally reviewed and adopted at a council meeting. Further guidance on risk assessments are available on page 44, see link: file (nalc.gov.uk)</p> </div>
<p>Is there appropriate arrangements in place for the monitoring of play areas, open spaces and sports pitches.</p>	<p>See findings</p>	<p><u>Kelbrook Park</u> The council is responsible for Kelbrook Park which includes a play area. We are informed that this is under the ownership of Kelbrook and Sough Parish Council. Play inspections and the annual inspection by a qualified Play Inspector is outsourced to the principal authority, Pendle Borough Council.</p> <p>We were provided with an inspection document of other council community assets. It is noted that this is currently in progress.</p>
<p>Is there appropriate levels of cover in place for land, buildings, public, employers' and hirers (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security?</p>		<p>Insurance is a significant way of managing and reducing risks relating to property, cash and legal liability. The councils insurance policy with Zurich was renewed. The period of cover is 01/06/2023-31/05/2024. We were provided with the insurance documents which included the certificate for public liability and employers liability. A detailed copy of the insurance schedule was not available at the time the audit was undertaken. The council need to ensure that there is adequate cover in place for fidelity, legal expenses and assets.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>RECOMMENDATION 10:</p> <p>That the council carries out a formal review of their insurance policy to ensure that there is adequate cover in place for the main insurable risks including fidelity, legal expenses and assets.</p> </div>

<p>Has the council carried out a review of the effectiveness of internal controls?</p>	<p>No</p>	<p>Regulation 6 of the Accounts and Audit Regulations 2015 requires the council to conduct each financial year a review of the effectiveness of the system of internal control. The review assists the council to respond to the Annual Governance Statement, Assertion two. During our discussion with the RFO we understand that internal control checks are carried out by a member of the council, however these are not formally reported to council. It is recommended that the council considers developing a policy and checklist for a review of the effectiveness of internal controls as evidence of the checks undertaken and any proposed recommendations arising from the review which have been considered and agreed by council members at a council meeting.</p> <div data-bbox="842 411 2132 643" style="border: 1px solid black; padding: 5px;"> <p>RECOMMENDATION 11:</p> <p>That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two. The outcome of the review and any agreed actions should be formally documented and recorded in the council minutes.</p> </div>
<p>GDPR and back-up data? Is there a password list and business continuity plan?</p>	<p>No</p>	<p><u>GDPR Policies & Business Continuity Plan</u> The council have no specific GDPR related policies in place. The council do not have a specific business continuity plan for business continuity purposes. It is recommended that a plan be developed by the council.</p> <p><u>Back-Up data arrangements & Password list</u> The RFO confirmed that the council has back-up data arrangements in place which includes a back-up on the hard drive and data stored on the cloud. We are informed that there are no specific passwords required to access council records with the exception of the laptop. The council should ensure that the requirements for passwords as per Financial Regulation 6.11 are met.</p> <div data-bbox="842 1050 2132 1409" style="border: 1px solid black; padding: 5px;"> <p>RECOMMENDATION 12:</p> <p>That the councils adopts appropriate GDPR policies using the model template GDPR policies available from the Society of Local Council Clerks or the National Association of Local Council Clerks.</p> <p>RECOMMENDATION 13:</p> <p>That a business continuity plan be developed as it can assist the council for business continuity purposes in the event of loss of key staff or fire/flood in the building.</p> </div>

Internal Audit Response: No

Budgetary Controls And Financial Health

Internal Control Objective D: The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Aim: Verify the annual precept request is the result of a proper budget process, that budget progress has been regularly monitored and the Councils reserves are appropriate.

Internal Audit Testing	Compliance	Comments / Recommendations
Is there an annual budget to support precept? Has the budget been discussed and adopted by council?	Yes	The draft budget was considered at a council meeting held on the 14 th November (minute reference 8). The minutes detail the consideration of the budget requirements and reasoning for proposed increases against individual budget lines.
Is the precept demand correctly recorded in the minutes?	Yes	The precept request was agreed at the council meeting held on the 09 th January (minute reference 17). Following our recommendation in the last financial year internal audit, we note that the council have documented the precept amount in the minutes. This was agreed at £15,767. We would recommend that the budget document details the current year agreed budget and the projected year end position.
Is the budget against spend comparisons provided regularly to the Council? I.e. quarterly basis? Any unexpected significant variances?	Yes	We understand that due to the difficulties the council encountered during the earlier part of the financial year, budget monitoring reports were not presented to council. During the second period of the financial year, a budget monitoring report was provided and this was considered as part of the budget planning to assist with the precept setting for 2024-2025.
Level of reserves within Proper Practice? I.e. between 3 and 12 months running costs. Review earmarked reserves.	Yes	<p>The proper practices states that 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. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.</p> <p>The councils year-end balance was £26,537. A contribution of £13,000 will go towards the 2024/2025 budget (as per budget document). This leaves the council with a general reserve balance of £13,537. This was found to be within the recommended level.</p>

Internal Audit Response: Yes

Income Controls Including The Precept

Internal Control Objective E: Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for

Aim: Obtain assurance that income controls are in place and operating effectively.

Internal Audit Testing	Compliance	Comments / Recommendations
Does the precept approved agree to the Council Tax authority's notification and has this been received and banked?	Yes	The councils precept of £15,250 was received in four equal instalments for each quarter. This was reviewed against the actual bank statements.
Does the council receive any other income in addition to the precept? Is the income properly recorded and banked?	NA	Other income related to HMRC VAT refund and various grant awards.
Has the council correctly invoiced for any sales and is the correct rate of VAT applied? (if applicable)	NA	Not applicable.
Internal Audit Response		Yes

Petty Cash Procedures

Internal Control Objective F: Petty cash payments were properly supported by receipts; all petty cash expenditure was approved and VAT appropriately accounted for

Aim: Obtain assurance that petty cash controls are in place and operating effectively

Internal Audit Testing	Compliance	Comments / Recommendations
Does the Council manage petty cash and is it accounted for properly and included in the AGAR figures? Is all petty cash spent recorded and supported by VAT receipts?		This was not applicable to the council and this was reflected in Financial Regulation 6.1.
Internal Audit Response		Not applicable

Payroll Controls & Members Allowances

Internal Control Objective 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.

Aim: Obtain assurance that payroll costs are supported by employment contracts, expenditure is approved and PAYE/NIC is properly operated. Review Members Allowances to ensure PAYE and NI requirements are met.

Internal Audit Testing	Compliance	Comments / Recommendation
Is there a contract of employment for the Clerk/RFO and all employed staff? Has the Council approved the salaries paid? Do the salary records correspond with the pay points agreed by the Council? Is the Tax and NI contributions paid within the expected parameters to HMRC?	See findings	<p>The council have two part-time employees. Contracts of employment were provided during the audit. The payroll is outsourced to Tax Assist. Tax and NI contributions were deducted and HMRC payments are made. Payroll testing was carried out for the month of December to test that the agreed salary rates corresponded to the pay calculation.</p> <p>We found that the rates for one employee corresponded to the agreed rate as per contract of employment and based on the 2023/2024 NJC pay scales. However the pay calculations for the second employee was based on the old agreed rate for the NJC pay scales. The council need to ensure that any pay awards are back-dated to the 01st April.</p> <p>There are no controls in place set out in the Financial Regulations (section 7) for overtime arrangements. Adequate controls should be in place and time sheets completed for all employees retained on file.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>RECOMMENDATION 14:</p> <p>That adequate internal controls relating to overtime arrangements be incorporated within the payroll controls set out in Financial Regulation section 7.</p> </div>
Are pension obligations met as part of the auto-enrolment process? Criteria £10k salary p.a	NA	Not applicable to the council employees.
Are allowances paid to members and paid via the payroll and/or other arrangements?	No	The council does not pay its members allowances or a Chairmans allowance.
Internal Audit Response:		Yes

Asset And Investment Registers

Objective H : Asset and investments registers were complete and accurate and properly maintained

Aim: To provide assurance that all material assets are accounted for correctly

Internal Audit Testing	Compliance	Comments / Recommendations
<p>Does the council keep a register of all material assets owned? Is asset register up to date?</p>	<p>No</p>	<p>The external auditor has raised an ‘except for’ matter in the external audit certificate for the financial year ending 31st March 2023 in relation to asset management. In the external auditors comments it states that ‘<i>The internal auditor has confirmed that the recognition policy for fixed assets is to value them all at £Nil</i>’. For clarity and narrative purposes, this was not confirmed by the internal auditor in our last year internal audit report, where a copy is available on the parish council website, see link: 2022-23 - Internal Audit Report - Kelbrook Parish Council-FINAL.pdf (kelbrookandsoughparishcouncil.org.uk)</p> <p>We understand that although the council has encountered difficulties in compiling an asset register, this should be in place and the figures be reported in box 9 for the financial year ending 31st March 2024 and a value be entered for box 9 for the 31st March 2023 and restated for comparative purposes. The external auditor has stated that:</p> <ul style="list-style-type: none"> <i>The Practitioners’ Guide (the Guide) states that smaller authorities ‘need to apply a reasonable approach to asset valuation which is consistent from year to year’. Under this range of possible approaches, all assets are expected to carry some value, however small. In particular, the Guide states that where assets are gifted at zero cost to the authority, they should be recorded at a nominal value of £1. The smaller authority should therefore reconsider the valuation policy for all fixed assets and draw up a policy to be approved by the authority and recorded in both the authority’s minutes and in the asset register. When submitting the 2023/24 AGAR, the smaller authority should ensure that the 2022/23 comparative figure in Box 9 is restated for consistency and comparability.</i> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>RECOMMENDATION 15:</p> <p>That the recommendation from the external auditor be considered and addressed in relation to the asset values and that the AGAR accounting statement be updated.</p> </div>
<p>Internal Audit Response:</p>		<p>No</p>

Periodic Bank Reconciliations

Objective I : Periodic and year-end bank account reconciliations were properly carried out.

Aim: To provide assurance that bank reconciliations were carried out on a regular basis and reported to Council.

Internal Audit Testing	Compliance	Comments / Recommendations
Is there a bank reconciliation for each account? Reconciliation carried out on receipt of statement?	See findings	A reconciliation is carried out however in discussion with the RFO we have suggested that improvements are made to the bank reconciliation statement.
Are bank reconciliations reported to council and committee? Are these independently signed off by members and recorded in the minutes?	See findings	<p>Financial Regulation 2.2 states that on a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council.</p> <p>A review of the minutes confirmed that although a bank reconciliation report is provided to council members at a council meeting, there is no verification of the balances against the original bank statements in compliance with the requirements above.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>RECOMMENDATION 16:</p> <p>That the council complies with the requirements of the bank reconciliations controls set out in Financial Regulation 2.2 and that the minutes confirm that this activity has taken place.</p> </div>
Bank Reconciliation to the 31 March?	Yes	This had been provided by the RFO during the audit. The closing bank balance of £26,537.35 corresponded to the reconciliation statement.
Internal Audit Response		Yes

Accounting Statements

Internal Control Objective 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.

Aim: Obtain assurance that accounts prepared on correct statements (income and expenditure, debtors and creditors, over £200,000) or (summary receipts and payments, under £200,000) and that working papers can be followed through to final document

Internal Audit Testing	Compliance	Comments / Recommendations
Year-end accounts prepared on correct accounting basis?	Yes	The accounts were prepared on a receipts and payments basis.
Staff Costs [Box 4] Do payments relate to employment of staff including gross salary, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or terminations payments to employees?	Yes	The figures reported in the accounting statements were supported by an adequate audit trail which was reviewed against the cashbook data. The council will need to ensure that the recommendation in relation to asset management (box 9 figure) will need to be actioned prior to the submission of the accounting statements for external audit.
Do the Bank statements and ledger reconcile at 31 March?	Yes	See findings above.
Is there an underlying financial trail from records to presented accounts?	Yes	See findings above.
Is the explanation of significant variances from completed? Explanations are now required for all variances of £100,000 or more regardless of the % variance. All responses should comprise both narrative and numerical explanations.	No	This was not provided during the audit. This document is part of the submission requirements for external audit. The RFO has confirmed that this document is in progress. A copy of the pro-forma template is available to download via the external audit website, see link: https://www.pkf-l.com/wp-content/uploads/2024/03/21-Explanation-of-Variations-2023-24.xls
Internal Audit Response:	Yes – The council need to ensure that the values in box 9 are updated and restated for last year (refer to findings on asset management).	

Legislative Publication Requirements

Internal Control Objective L: The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

Aim: Obtain assurance that the council has complied with the publication of the AGAR for the last five years; compliance with the Local Government Data Transparency Code and Freedom of Information Act, Publication Scheme.

Note: The auditing requirements in the practitioners guide are not entirely clear that provide the guidance relating to objective L that has changed for the 2022-23 financial year. Therefore testing has been carried out to seek assurance on the publication requirements of the Accounts and Audit Regulations 2015 - Section 13 (2) (b) to ensure that Councils display the AGARs for the five years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 on their website and compliance with the Local Government Data Transparency Code (if applicable).

Internal Audit Testing	Compliance	Comments / Recommendations
Publication Requirements in accordance with the Local Government Data Transparency Code (This code has been issued in accordance with Local Government, Planning and Land Act 1980, Section 3) <ul style="list-style-type: none"> Transparency Code for smaller authorities ie: annual turnover not exceeding £25,000 	Not applicable	This does not apply to the parish council as the expenditure exceeded £25,000 during the 2023/2024 financial year.
Publication of the AGAR for the last five years in accordance with the Accounts and Audit Regulations 2015, section 13 (2)?	No	A review of the website finance page was carried out to support our findings in this area, see link: Finance Kelbrook & Sough Parish Council Parish Council Lancashire (kelbrookandsoughparishcouncil.org.uk) . 2018-19: No – copy of section 2 had been uploaded. No copies of the annual governance statement or external audit certificate had been published, see link: agar-annual-return-2018-19-2019.pdf (kelbrookandsoughparishcouncil.org.uk) 2019-20: No – sections 1 and 2 were published, but were unsigned see link: agar-2020.pdf (kelbrookandsoughparishcouncil.org.uk) ; the certificate of exemption was published but was unsigned, see link: agar-certificate-of-exemption-2019-20-2020.pdf (kelbrookandsoughparishcouncil.org.uk) 2020-21: No documents were found to be uploaded for the financial year ending 31 st March 2021.

		<p>2021-22: No, the external audit certificate was not published. Section 1 and 2 were published on the website, see links: 2021-22 - Section 1 Annual Governance Statement.pdf (kelbrookandsoughparishcouncil.org.uk); 2020-21 - Section 2 Accounting Statements.pdf (kelbrookandsoughparishcouncil.org.uk)</p> <p>2022-23: Yes – see links: agar3.jpg (1432×2048) (kelbrookandsoughparishcouncil.org.uk); agar f.jpg (1410×2048) (kelbrookandsoughparishcouncil.org.uk); LA0118 S3 (1).pdf (kelbrookandsoughparishcouncil.org.uk)</p>
Freedom of Information Act – Has the Council adopted a Publication Scheme?	Yes	<p>See link: https://www.kelbrookandsoughparishcouncil.org.uk/uploads/documents/files/KSPC%20Publication%20Scheme.docx</p>

Internal Audit Response: No – see findings relating to the publication of the AGAR

Publication Requirements – Exercise of Public Rights 2022/2023

Internal Control Objective M: In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (*during 2023/24 AGAR period, were public rights in relation to the 2022/23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set*).

Aim: Obtain assurance that the Council has advertised the dates for the inspection of public rights correctly.

Internal Audit Testing	Compliance	Comments / Recommendations
Do arrangements for public inspection of council's records exist? The inspection window must include a 30-working day period including the first 10 working days of July following the end of the financial year to which the accounts relate. Evidence of public inspection notice seen? And website address.	Yes	<p>See link to notice published on the website:</p> <p>https://www.kelbrookandsoughparishcouncil.org.uk/uploads/documents/files/Kelbrook%20exercise%20of%20public%20rights.docx</p>

Internal Audit Response: Yes

Publication Requirements for 2022/23 AGAR (previous year)

Internal Control Objective N: The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes).

Aim: Review evidence for publication (form 3) : AGAR to be approved and published by 01 July 2023 at the very latest. External Audit Certificate and Conclusion of Audit of Notice to be posted on the council website by 30 September 2023.

Internal Audit Testing	Compliance	Comments / Recommendations
Before 01 July 2022, the authority should have published: a) Notice of the period of exercise rights and a declaration that the accounting statements are as yet unaudited.	Yes	See link: https://www.kelbrookandsoughparishcouncil.org.uk/uploads/documents/files/Kelbrook%20exercise%20of%20public%20rights.docx
b) Section 1 the Annual Governance Statement approved and signed page 4	Yes	See link: agar3.jpg (1432x2048) (kelbrookandsoughparishcouncil.org.uk)
c) Section 2 the Accounting Statements approved and signed page 5	Yes	See link: agar f.jpg (1410x2048) (kelbrookandsoughparishcouncil.org.uk)
Not Later than the 30 September 2022: d) Notice of conclusion of audit	Yes	See link: notice of conclusion of audit 2023 Kelbrook.pdf (kelbrookandsoughparishcouncil.org.uk)
e) Section 3 – External Auditor Report and Certificate	Yes	See link: LA0118 S3 (1).pdf (kelbrookandsoughparishcouncil.org.uk)
f) Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review	NA	Not applicable
Internal Audit Response:		Yes

*Internal Control Objectives F, K & O were not applicable to the Parish Council.

Kelbrook and Sough Parish Council - Recommendations Action Plan

Internal Audit Year Ending 31st March 2024

No	Recommendation	Page Number	Responsibility	Timescale
1	That the Standing Orders and Financial Regulations relating to the Public Contracts Regulations be reviewed to update the value to '£30,000 (inclusive of VAT)' to ensure consistency with the tender value for formal contracts following the amendment by Government on the 21 December 2022 (SI 2022/1390), see link: https://www.legislation.gov.uk/ukSI/2022/1390/made	5		
2	That the payments schedule presented to council members includes the payments made on a direct debit arrangement and bacs payments, details of the cheque number and transaction reference and the budget allocation.	6		
3	That the council routinely approves the purchase of goods and services in accordance with the requirements set out in Financial Regulation 4.1 and that this is recorded as a council resolution in the minutes disclosing the purchase amount and the budget allocation.	8		
4	That the quotes and estimates are obtained in compliance with the requirements of the Financial Regulations.	8		
5	That formal purchase orders or letters are issued in accordance with the requirements of Financial Regulation 10.	8		
6	The consideration is given to moving to a banking provider that can offer dual or triple authorisation for online banking purposes. This will assist in the efficiency of payments made via bacs.	9		
7	That a formal review of direct debit payments be undertaken in compliance with the requirements of Financial Regulation 6.7 and that payments under this arrangement be reported to the council.	9		
8	That a list of continuing contracts and obligations be drawn up and approved by council in compliance with the requirements of Financial Regulation 5.6. This will authorise the RFO to make the payments subject to these being reported to the next appropriate meeting of the council.	9		

9	That an annual risk assessment is prepared including all financial and reputational risks that the council may be exposed to. The risk assessment document to be formally reviewed and adopted at a council meeting. Further guidance on risk assessments are available on page 44, see link: file (nalc.gov.uk)	11		
10	That the council carries out a formal review of their insurance policy to ensure that there is adequate cover in place for the main insurable risks including fidelity, legal expenses and assets.	11		
11	That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two. The outcome of the review and any agreed actions should be formally documented and recorded in the council minutes.	12		
12	That the councils adopts appropriate GDPR policies using the model template GDPR policies available from the Society of Local Council Clerks or the National Association of Local Council Clerks.	12		
13	That a business continuity plan be developed as it can assist the council for business continuity purposes in the event of loss of key staff or fire/flood in the building.	12		
14	That adequate internal controls relating to overtime arrangements be incorporated within the payroll controls set out in Financial Regulation section 7.	15		
15	That the recommendation from the external auditor be considered and addressed in relation to the asset values and that the AGAR accounting statement be updated.	16		
16	That the council complies with the requirements of the bank reconciliations controls set out in Financial Regulation 2.2 and that the minutes confirm that this activity has taken place.	17		

-----End of Report -----