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## **Whitehouse Community Council**

*Internal Audit Report 2023-2024*

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*Sally King*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and systems of internal control, and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

Auditing Solutions Ltd has been contracted to provide this service. This report sets out the work undertaken in relation to the 2023-24 financial year and took place on 22<sup>nd</sup> May 2024.

## **Internal Audit Approach**

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential mis recording or misrepresentation in the year-end Statement of Accounts/Annual Return (AGAR). Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's Annual Return (AGAR), which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the programme of work undertaken this year, the Community Council has adequate effective internal control arrangements.

We have completed and signed the "Annual Internal Audit Report" in the year's AGAR, having concluded that the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council has changed from an Excel spreadsheet to the Scribe accounting package to manage its accounts, reporting on a receipts and payments basis.

The Council operates two accounts with Lloyds Bank PLC.

We have: -

- Checked and agreed the opening trial balance detail with that in the 2022-23 Statement of Accounts.
- Checked that a full and effective cost centre and nominal account code structure is in place.
- Checked and agreed detail of all transactions in the software reports to bank statements for both Lloyds bank accounts for the month of March 2024.
- Checked that bank reconciliations are prepared on a regular basis.
- Verified the accuracy of detail in the bank reconciliation as of 31<sup>st</sup> March 2024 ensuring that no long-standing uncleared cheques or other anomalous entries exist.
- Ensured the accurate disclosure of the combined bank balances in the year's detailed Statement of Accounts and AGAR.
- Verbally confirmed the arrangements for the back-up and restoration of the accounting system.

### *Conclusions*

***We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; we have ensured the accuracy of the year-end balances reported in the detailed Statement of Accounts and AGAR.***

## Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that both Standing Orders and Financial Regulations have been reviewed and readopted at the Annual Council Meeting held on 18<sup>th</sup> May 2023 (minute refs. C010 & C011 respectively).

We have reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance.

We have reviewed minutes of Council meetings held during 2023-24 the principal aim being to consider whether any issues exist that may have an adverse effect on the Council's financial stability in the short, medium, or longer term, also that, as far as we may reasonably be expected to ensure no indication exists that the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred.

### ***Conclusion***

***We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.***

## **Review of Payments**

We have reviewed the procedures in place for receiving invoices, checking their authenticity, accurate detail recording, processing by the Clerk and formal approval for payment by Members. Our objective is to ensure that:

- Payments have been made in accordance with the Council's approved procedures and budget for the financial year.
- Payments are supported by a trade invoice or acknowledgement of receipt.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council has formally approved each payment.
- Payments have been correctly analysed in the cashbook and year-end Statement of Accounts prepared for members; and

As part of our payment review, we have examined a sample of cashbook transactions for the 2023-24 financial year. We note that reclaimable VAT has been identified and a claim will shortly be submitted.

### ***Conclusion***

***We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.***

## **Assessment and Management of Risk**

Our objective is to confirm that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and operational / health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition. We are pleased to note that:

- The Assessment and Management of Risk policy was reviewed and adopted at the Council meeting held on 18<sup>th</sup> May 2023 (minute ref. C020).
- The Council's insurance cover is provided by Zurich plc: we have examined the current policy schedule and consider that it meets the present needs of the

Council with Public and Employer's Liability at £12 million and £10 million respectively and Fidelity Guarantee cover of £250k.

### ***Conclusions***

***We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.***

## **Review of Income**

The Council receives income by way of the annual precept, grants, and recoverable VAT. The allotment site is due to open in June 2024, with tenants having paid 6 months' rent and a security deposit. We note that monies relating to the allotment site are being held separately in the second Lloyds bank account.

### ***Conclusion***

***We are pleased to report that no matters have arisen from this area of our review that require a formal comment or recommendation.***

## **Petty Cash**

The Council has now reinstated its petty cash account with a float balance of £200. A physical check of the cash held was undertaken at our visit on 22<sup>nd</sup> May 2024 with no issues arising.

Any out-of-pocket expenses incurred by the clerk reimbursed routinely throughout the year.

### ***Conclusion***

***We are pleased to report that no matters have arisen from this area of our review that require a formal comment or recommendation.***

## **Review of Staff Salaries**

In examining the Council's payroll function, our objective is to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and National Insurance Contributions (NIC).

The Clerk the only employee, payroll is outsourced to Top Source Global.

### ***Conclusion***

***We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.***

## Budgetary Control and Reserves

Our objective in this review area is to confirm that the Council has an appropriate process in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council; those effective arrangements are in place to monitor budgetary performance throughout the financial year, and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

Members continue to receive regular updates of the financial position at each council meeting, with details of the bank balances, income received and payments either made or due for approval.

Confirmed that the budget and precept deliberations for 2024-25 were completed, with a precept of £152,051 being approved by Council at its meeting on 14<sup>th</sup> December 2023 (minute ref. C175). This represents an increase of 43.1% on the 2023-24 level, bringing the annual cost for a Band D household to £80.00.

As of 31<sup>st</sup> March 2024, the Council's total reserves stood at £139,646, of which £105,400 is earmarked. This includes £60k for the opening of a community centre which will come onstream in the 2024-25 financial year.

### *Conclusions*

***We are pleased to report that no issues have been identified in this area warranting formal comment or recommendation.***

## Asset Registers

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture, and equipment owned by the Council.

We are pleased to note that the Clerk had prepared an asset register on an excel spreadsheet which has been updated in 2023-24 to include additions of dog bins, gazebos, office equipment and solar panels for a speed indicator device.

### *Conclusions*

***We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.***

## Investments and Loans

The Council has no loans repayable either to or by it, nor are any funds held in long-term investments.

We take this opportunity to draw the Council's attention to a current change in the requirement for production of a formal Investment Strategy: which becomes mandatory

for Councils with retained funds more than £100,000. The Council does not have a strategy in situ, the Clerk is fully aware this is a requirement, and we recommend that a policy is implemented as soon as possible.

### ***Conclusions and Recommendations***

***We recommend that the required Investment Strategy is implemented as soon as possible.***

## **Statement of Accounts and AGAR**

The Accounts and Audit Regulations 1996 (as amended periodically) required councils to prepare a formal Statement of Accounts and supplementary Supporting Notes. With effect from March 2011, the AGAR now forms the only statutory Accounts of the Council that are subject to external audit review and certification.

We have checked and agreed entries in the Statement of Accounts generated to the accounting software reports and other documentation provided. Similarly, we have checked and agreed the financial data reported to the AGAR.

### ***Conclusions***

***No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.***

***Based on our detailed work during the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances, in each relevant area.***