Annual Internal Audit Report 2023/24

LOGGERHEADS PARISH COUNCIL

https://loggerheads-pc.gov.uk/

During the financial year ended 31 March 2024, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2023/24 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✔		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.		✔*	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✔		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✔		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✔		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✔*
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.		✔*	
H. Asset and investments registers were complete and accurate and properly maintained.	✔		
I. Periodic bank account reconciliations were properly carried out during the year.	✔		
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.		✔*	
K. **If** the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")*			✔*
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.	✔		
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 the 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).*	✔		
N. The authority has complied with the publication requirements for 2022/23 AGAR *(see AGAR Page 1 Guidance Notes).*	✔		

O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✔*

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken *See Report Supplement

24/01/2024 17/05/2024 DD/MM/YYYY

Name of person who carried out the internal audit

MR LEWIS ANDERSON

Signature of person who carried out the internal audit

Date 17/05/2024

***If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).**

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

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Annual Internal Audit Report 2023/24

Loggerheads Parish Council

Supplementary Report to Page 3 of the Annual Governance and Accountability Return (AGAR) 2023/24

Prepared by Mr Lewis Anderson

Friday 17th May 2024

Please ensure that this Supplementary Report is read and published alongside Page 3 of the AGAR. Together, these form the Annual Internal Audit Report 2023/24, and as such, should be published on the website and submitted to the External Auditor together.

Introduction

As instructed, I confirm the conclusion of my Internal Audit Report for Loggerheads Parish Council's 2023/24 financial year. This report has been prepared in respect to the assertions as set out by Page 3 of the Annual Governance and Accountability Return, and with respect to the advice notes of the Practitioners' Guide 2024 and resources available through membership of the Internal Audit Forum. I note that all assertions, statements, and recommendations henceforth are on the basis of the information presented to me, and as such, is conditional with the accuracy of this.

Background & Overriding Issues

At the time of the Interim Audit in January 2024, Loggerheads Parish Council showed it has made good progress to resolving a number of the recommendations set out in the 2022/23 Internal Audit Report, and had provisional plans to address outstanding matters which has been encouraging to see. However, it is not clear than any further progress was made on these matters before the conclusion of the financial year.

Following the conclusion of the financial year, the Clerk/RFO left the Council, and owning to outstanding annual leave there was not time to make provision for the Internal Audit to be conducted before their immediate departure. The Council subsequently appointed a qualified Locum Clerk in post as a temporary measure, but a number of issues have evidently hampered their ability to perform some areas of the role, such as agreeing new access arrangements to the office in Loggerheads Fire Station since the former Clerk's departure.

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Throughout conducting the Internal Audit, there have been a number of documents that were previously evidenced in the previous financial year that the Locum Clerk has been unable to present to evidence the assertions for this Audit. Whilst it is possible that lack of access to the Fire Station has hampered access to records, this of course cannot be confirmed at this stage. Following a discussion with the Locum Clerk, it was agreed to proceed with the conclusion of the Internal Audit in May to both evidence the concerns around access to records, as well as to ensure there was an officer in place to assist with accessing the information available for the Internal Audit.

Should the Council be able to present evidence which at the time of the Internal Audit was not available, I would recommend that the Council publish a statement explaining its position and progress in relation to these issues.

Internal Control Objectives

The headings below mirror the internal control objectives answered as per AGAR Page 3. I have included a summary of my findings contributing to any return other than "Yes" on my Report.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.

1. There is evidence that the Council has made significant improvements to ensure compliance with its Financial Regulations since the last Internal Audit. This has involved a change of banks, the setup of dual authorisation and controls in place on the use of debit cards/ authorisations by officers.

2. However, I understand that the last VAT claim was made in the 2021/22 financial year, and as such, there has not been a claim for the last two financial years. Reassurance was given at the time of the 2022/23 Internal Audit that a claim would be submitted within by October 2023, but this did not occur, meaning there is now an urgent risk of outstanding reclaimable VAT becoming unrecoverable. As such, a "No" assertion has been logged due to this matter persisting despite explicit recommendations following the last Internal Audit.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

1. Not applicable.

G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.

1. Whilst evidence was seen during the last Internal Audit visit that the correct employment contract and payroll records were in place, the present Locum Clerk has been unable to locate these or subsequent records. As such, I have been unable to verify that the correct tax code and deductions have been applied to all employees. Whilst this may be a result of the situation described in the "Overriding Issues" paragraphs of this report, as evidence has not been able to be presented to ensure records are maintained, I have recorded a "No" entry.

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.

1. A random sample of receipts and payments transactions was picked in order to pair with the record of invoices. It is clear that, whilst there is a record of invoices, this record appears to be incomplete and disorganised, meaning that the evidence for these transactions was unable to be presented when requested. As such, I have recorded a "No" assertion.

K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.

1. Not applicable.

O. Trust funds (including charitable) - the Council met its responsibilities as a trustee.

1. Not applicable.

Recommendations

On the basis of the information above, I make the following recommendations for consideration by the Council. The Council should ensure that progress towards meeting these recommendations is logged, and decisions in relation to them are made and minuted at a Full Council Meeting. These actions are not exhaustive, and the Council should ensure it undertakes regular reviews to ensure the elimination of weaknesses in its financial and governance operations in a timely manner.

1. **To ensure the guidance for completing the Annual Governance & Accountability Return (AGAR) available in the Practitioners' Guide is followed to ensure the correct reporting of the Council's financial position in the Accounting Statements**

2. **To ensure suitable addendums are agreed and submitted as part of the 2022/23 AGAR Accounting Statements to qualify the figures of the previous year's AGAR when approving the AGAR, including an explanation of variances where possible and relevant.**

3. **To make a VAT return, once satisfied all the claimable transactions within the period being claimed have been considered.**

4. **To ensure concerns over missing records are addressed swiftly, noting publicly the progress to resolving this issue.**

5. **To regularly update and review the progress of the Council in implementing the recommendations noted in this and previous Internal Audit Reports.**