

INTERNAL AUDIT REPORT
1 April 2023 – 31 March 2024
ANNUAL : YEAR END

NEWPORT (ESSEX) PARISH COUNCIL

Introduction

In order to ensure compliance with proper practices, the internal audit follows the guidance in the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide March 2023. The internal audit was carried out from supplied documents and records, the Council's website and discussions with the RFO and Clerk.

The Council has a new website which does not appear to be fully functional and several documents have disappeared hampering not only the internal audit but any other users of the site. Council decided to delete the old website so there is no obvious archive and it is not clear how testing was carried out after installation – no project documentation was available at the time of audit.

Further time was allowed following the main audit for the Clerk to arrange checks and amendments to the website; more weeks have elapsed since the onsite internal audit and the internal audit has to be concluded.

There were no other major concerns. Queries and anomalies were fully discussed with the Clerk and RFO and were either resolved, are commented on or are recommendations within this report.

Minutes and Agendas

Minutes of Full Council and Committees are published on the website together with agendas for the audit year; minutes for January 2024 could not be found but there is an agenda for 8 January 2024. Signed minutes are retained in a folder and are to be archived to the Essex Records Office. The Council meets monthly. There are 2 committees: HR and Sports which meet as required.

Internal Control Objective A

Appropriate accounting records have been properly kept throughout the financial year.

Sample checking of financial transactions was carried out matched to cash book, invoices, vouchers, cheque book, paying in book and bank statements. Visual scan checks were carried out for the remaining transactions.

The Council has made changes to its banking arrangements during the year.

Accounts at the time of audit: NatWest Current Account, NatWest Reserve Account, NatWest Sport Current Account, Saffron Walden Building Society Corporate Account, Redwood Bank Business Savings 95 days' Notice account. Cash book and bank statements are regularly reconciled.

The Bank Mandates were agreed at Council on 6 November 2023: 3 councillors and the RFO for all accounts, 2 to authorise. Mandates either have been updated or are in the process of being updated.

The Council has approved an Investment and Borrowing Policy, due for review in May 2024. The requirement under this internal control objective is for an Investment Policy which may include borrowing. Reference is made to an 'appointed overseeing finance councillor', more relevant to a higher tier authority? If the Council had a Finance Committee this could equate to the Committee Chairman.



Internal Control Objective B

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

The Council complies with its financial regulations, on its website, last reviewed in June 2023. No further comments as new model financial regulations are imminent.

Standing Orders are on the Council's website, based on the current model and were reviewed in June 2023.

Sample checking of invoices was carried out as in internal control objective A. A payments listing, part of the minutes, is circulated to all councillors prior to Council meetings and published on the website. Payments are approved at the meeting having been checked and 'approved' by the Clerk before passing to the RFO for processing. Due to the limitations of the NatWest's online functionality, the RFO sets up the payments online and still acts as sole authoriser meaning that no councillor signatory sees or authorises the online payment. NatWest Bankline for Communities is currently unable to register any new customers for the particular service – email seen. As stated in last year's internal audit report this poses a risk to the Council, puts the RFO in a potentially vulnerable situation and does not fully comply with the Council's Financial Regulations. Noted that there was an attempt to open an account with Unity Trust Bank. **Recommended** that consideration is given to opening a current account with a bank that complies with financial regulations, and that until this is achieved payment approvals and checking of bank reconciliations and bank statements are explicitly evidenced by councillor signatures on all related documents as well as in minutes.

Section 137 is used and is stated.

Funding, progress, legals and Council approvals for the MUGA (Multi User Games Area), an inherited project, can be seen in Council minutes and financial documents.

There are no Debit or Credit cards. Consideration was given to the Clerk having a Debit card but there were setting up issues with the Bank so this is on hold.

VAT reclaims have been submitted quarterly during the year. The refund is awaited for the final quarter January to March 2024.

Contracts are in place for: grass cutting with NS Landscapes (annual), utilities and IT support.

Internal Control Objective C

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these

The Council has considered its risks which are recorded in council minutes for September 2023. The Risk Register was not carried over from the old website and is to be uploaded to the new website.

Recommended the Council's risks are reviewed and expanded in view of the significant additional physical assets and funds.

The Council's insurance is with AJG Community Schemes/Hiscox through Gallagher, renewal agreed at Council on 6 November 2023 running from 12 November 2023 to 11 November 2024; premium of £5026.55. Cover appears appropriate; fidelity guarantee should be kept under review in view of increased funds.

Council should check insurance for all contractors, companies and persons working for them.

Data Protection registration was renewed up to January 2025.

Data is saved to One Drive by the Clerk which includes the RFO's data.

Accounts system is backed up separately and a copy sent to the Clerk for safe keeping.



Professional memberships are maintained with EALC, NALC, UALC, SLCC and Essex Playing Fields.

An annual inspection of the Playground was carried out in May 2023 by RoSPA see minutes June 2023 and referral to Playground Working Group. A councillor carries out weekly inspections with a report; such reports should be held on file not least to protect the Council.

Amenities are overseen and inspected by a specified councillor, any repairs/maintenance required are reported to the Clerk who contacts the caretaker. A new MUGA (Multi Use Games Area) was installed; see Council minutes October 2023.

Several policies, some historical, are on the council's website including but not limited to Complaints Procedure, Safeguarding Policy, Civility & Respect Certificate, Councillors' Code of Conduct has not been carried forward from the old website and is to be uploaded to the new website.

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.

The Council's budget for 2023/24 of £152,600 was approved at Council in December 2022 and can viewed on the Council's website. The draft budget is usually produced by the Clerk and RFO working with councillors as appropriate. The Precept of £155,000 was approved at the January 2023 Council meeting: unusually more than the budget. The precept amount matches DLUHC documentation. For openness and transparency the budget and precept amounts together with Band D should be published in the minutes.

A verbal financial report is given at each council meeting. Periodic reports are provided. Accounts to 30 September 2023 are published on the website - note there is reference to 'profit' but this is a non-profit making tier of local government; balance at year end would be more appropriate.

The Council has a Reserves Policy on its website, approved July 2023 but references JPAG 2020; no doubt the relevant content will be updated at the May 2024 review. In July 2023 Council minutes, approval was given for a 'reserve to cover nine months expenditure i.e. £77,000 and approximately £115,000 should be allocated to green spaces'. Reserves details were provided to the External Auditor in September 2023. Further consideration is to be given to Reserves at Year End. **Recommended** that additional detail is provided on Ear Marked Reserves rather than a block amount for green spaces particularly as the cash balance at 2023/24 Year End is in excess of £500,000, an increase of nearly £200,000 on the previous year.

Internal Control Objective E

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Income was checked as for Internal Control Objective A. Majority of income is received by direct bank credit, Paying In book is used for allotment rents. Apart from the precept, income was mainly from grants, easement, fete income, allotments and bank interest. Significant grant income has been received for recreational projects eg £150,000 for LEAP. All income should be reported at council meetings.

There are 'sales' invoices raised by the RFO for allotment rents which are monitored for payment: all paid by year end.

There is a booking system online (Hallmaster) for use of the MUGA and Pavilion. Informed that £180.00 has been invoiced through Hallmaster £95.00 had been paid and £85.00 was outstanding at year end. Hallmaster will need to be positively included in next year's internal audit.



Payment for use of the facilities by existing local groups is monitored by the RFO with assistance from the Chairman of the Sports Committee in relation to outstanding fees.

The Council is not required to charge VAT.

Internal Control Objective F

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

Petty Cash is no longer used – see Council minutes June 2023.

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

There are four employees: Clerk, RFO, Caretaker and Assistant Caretaker.

The NJC Pay Award for 2023/24 was approved at the December 2023 Council meeting.

The payroll is managed by the RFO using SAGE Payroll. Payments to HMRC for PAYE and NIC are made quarterly. Such payments are on hold at present as the Council is in credit due to the Small Employer Allowance not being applied; contributions therefore go into reserves.

There are no Pension contributions as all employees have opted out.

Contracts were not available for checking and it is understood that an increase to working hours is to be considered for the Clerk and RFO. The Caretaker and Assistant are on variable hours. **Recommended** that the Clerk's and RFO's contracts are checked to ensure they comply with the current NALC/SLCC model contract.

There is no Members' Allowance. **Recommended** that consideration be given to a Chairman's Allowance, for example the occasional gift where there is no other power.

Internal Control Objective H

Asset and investments registers were complete and accurate and properly maintained.

The Asset Register is updated with new purchases and disposals when appropriate, copy supplied at audit. The insurance value is used on the AGAR Accounting Statement.

There are no long term investments; the aim is for monies to be spent.

There is no borrowing.

Internal Control Objective I

Periodic bank account reconciliations were properly carried out during the year.

Reports are produced each month from a SAGE 50 accounts system and matched to bank statements as per checking in internal control objective A.

These are reported to Council. There is a formal quarterly check of the system reports and bank statements by a specified councillor, not a bank signatory, who signs the documents.

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.

The Council operated an income and expenditure system which is entered and recorded on the SAGE 50 finance system, supported by underlying records as



detailed in control objectives A, B and E. Reports assist with monitoring which is carried by the RFO, Clerk and councillors.

The final accounts were checked against documents compiled by the RFO from the accounts system reports and bank statements.

Reporting and year end should be more straightforward in the future as the Council is to purchase the SCRIBE accounts system following a free marketing course. No other suppliers considered.

Internal Control Objective K

If the authority certified itself as exempt from a limited assurance review in 2022/2023, it met the exemption criteria and correctly declared itself exempt.

Not applicable

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.

At the time of internal audit only partial information was available on the website for previous year's AGARs going back to 2021/22 instead of 5 years to 2018/19. Some links were in error eg under Year End 31st March 2023 the link for Annual Governance Form and Notice of Public Rights goes to Notice and AGAR 2021/22. Freedom of Information Policy and Publication Scheme are in place. See opening paragraph in relation to the website situation. In the circumstances a 'No' will have to be entered for this internal control objective.

Recommended that the Council's website is brought up to date with the historical AGAR information and links to documents corrected as soon as possible.

Noted that the Council has a .gov domain used for its website and Council email addresses.

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 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).

Notice of exercise of public rights is on the Council's website; runs from 4 July to 14 August 2023 which does not include the first 10 working days of July and is an 'Exempt Authority' notice. In the circumstances a 'No' will have to be entered for this internal control objective. **Recommended** that in future the correct dates are entered for the period of exercise of public rights and the correct notice used.

Internal Control Objective N

The authority has complied with the publication requirements for 2022/23 AGAR

The only document relating to the 2022/23 AGAR is the Notice of exercise of public rights as stated in 'M'. The link for the Notice of Conclusion of Audit goes to the year ended 31 March 2022. The full AGAR including the External Auditor's Certificate is missing; the External Auditor's Certificate contained comments. See Introduction regarding website situation. In the circumstances a 'No' will have to be entered for this internal control objective.

Recommended that the Council's website is brought up to date with the missing AGAR 2022/23 information as soon as possible.

Internal Control Objective O

Trust funds (including charitable) – The Council met its responsibilities as a trustee.

Not applicable.



Recommendations Summary

1.	Consideration is given to opening a current account with a bank that complies with financial regulations, and that until this is achieved payment approvals and checking of bank reconciliations and bank statements are explicitly evidenced by councillor signatures on all related documents as well as in minutes. <i>Internal Control Objective B</i>
2.	The Council's risks are reviewed and expanded in view of the significant additional physical assets and funds. <i>Internal Control Objective C</i>
3.	Additional detail is provided on Ear Marked Reserves rather than a block amount for green spaces particularly as the cash balance at 2023/24 Year End is in excess of £500,000, an increase of nearly £200,000 on the previous year. <i>Internal Control Objective D</i>
4.	The Clerk' and RFO's contracts are checked to ensure they comply with the current NALC/SLCC model contract. <i>Internal Control Objective G</i>
5.	Consideration be given to a Chairman's Allowance, for example the occasional gift where there is no other power. <i>Internal Control Objective G</i>
6.	The Council's website is brought up to date with the historical AGAR information and links to documents corrected as soon as possible. <i>Internal Control Objective L</i>
7.	In future the correct dates are entered for the period of exercise of public rights and the correct notice used. <i>Internal Control Objective M</i>
8.	The Council's website is brought up to date with the missing AGAR 2022/23 information as soon as possible. <i>Internal Control Objective N</i>

Thanks go to the RFO and Clerk for their input and time afforded to me. Thanks also to the Council for the opportunity to carry out the Council's Internal Audit which I trust meets with your approval and requirements.

The Council's funds and assets have significantly increased and it appears will continue to do so causing increased workloads for Officers and Members. As a consequence there is an increase in the internal audit requirement and it may be sensible that the internal audit is carried out twice a year instead of once to ensure all internal controls are properly tested. The matter is for Council's consideration.

Should you need any further information or assistance please do not hesitate to contact me.

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