



# Killinghall Parish Council Internal Audit Report

Financial Year Ending 31st March 2024

Date of Internal Audit: 31<sup>st</sup> May 2024  
Prepared by: Internal Audit Yorkshire

Date Report Issued: 31<sup>st</sup> May 2024  
Internal Auditor: Ms Safia Kauser

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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 Killinghall Parish Council

The Parish Council the first tier of local government. The principal authority for the area is North Yorkshire Council. Councillors are elected on a four-year term and the recent elections were held in May 2022. The current council term has been extended by an additional year following the local government re-organisation which established North Yorkshire Council as a unitary authority which absorbed the activities of Harrogate Borough council and North Yorkshire County Council which ceased on 31<sup>st</sup> March 2023.

**1.2** The Parish Councils core service areas, activities and responsibilities relate to the ownership and maintenance of recreation area called The Glebe. This space is owned by the Parish Council and they deal with the maintenance of the grounds, upkeep and grass cutting contract. Other areas of responsibilities include maintenance and upkeep of Parish Council owned benches and notice-boards. The precept for the 2023/2024 financial year was £30,000.

**1.3** Internal Control objectives F, K and O were not applicable to the Parish Council.

**1.4** We would like to thank the incumbent Parish Clerk and RFO Rob Bareham for all his help and assistance with the audit.

## Internal Audit Findings and Recommendations

### Accounting Records

**Internal Control Objective A:** 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
<p>Has the council appointed a Responsible Financial Officer (RFO)?</p>	<p>See comments</p>	<p>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. We understand that the role of the Responsible Financial Officer is held by the Parish Clerk who held a dual role.</p> <p>We note the external auditors comments arising from the 2022/2023 financial year external audit certificate in relation to the role of RFO, which stated the following:</p> <ul style="list-style-type: none"> <li>• <i>It has come to our attention that the Chair has temporarily been acting as RFO. Please ensure that an RFO is appointed in line with section 151 of the Local Government Act 1972 as soon as possible.</i></li> </ul> <p>A review of the minutes found that the council experienced large periods of absence of the Parish Clerk/RFO and at various points during the year, temporary appointments for the role were considered by the full council. We have summarised our findings in respect of the roles held:</p> <ul style="list-style-type: none"> <li>➤ 05<sup>th</sup> December 2022 – Cllr Beal appointed as the Acting Responsible Financial Officer (for at least two months subject to possibility for the need to consider the appointment of a Locum Clerk (minute reference 2022/111)).</li> <li>➤ March 2023 – Parish Clerk/RFO was present at the March Full Council meeting</li> <li>➤ 04<sup>th</sup> September 2023 – Cllr Beal's appointment as the Acting Responsible Financial Officer rescinded and RFO duties transferred to the Acting Clerk</li> <li>➤ From October 2023 to December 2023 – Parish Clerk/RFO was in attendance.</li> <li>➤ 31<sup>st</sup> December 2023 – Parish Clerk/RFO resignation. Reported in January 2024 (Chairman's Report appended to the minutes)</li> <li>➤ 08<sup>th</sup> January 2024 – Chair appointed to serve as the Acting Clerk and RFO (minute reference 2024/010).</li> </ul>

<p>Has the Responsible Financial Officer (RFO) determined a form of accounting and supporting records which have been maintained throughout the year?</p>	<p>Yes</p>	<p>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 a spreadsheet which correspond to each of the three bank accounts held by the council.</p> <ol style="list-style-type: none"> <li>1) Natwest Current Account</li> <li>2) Natwest Business Reserve Account</li> <li>3) Natwest Business Reserve Account</li> </ol>
<p>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?</p>	<p>Yes</p>	<p>The cashbook recorded all entries in month order and assigned to the relevant bank account. The cashbook was found to be up to date. A sample of invoices were selected to review against the cashbook data and bank statement for arithmetic and data input accuracy. No issues were identified from the sample selected.</p> <p>We would recommend that improvements are made to the cashbook to include columns for the net, vat and gross breakdown for each individual transaction. We found that the amounts where VAT is applicable is shown on a separate line as a separate transaction to record the VAT only.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>RECOMMENDATION 1:</b></p> <p><b>That improvements are made to the cashbook to include columns for the net, vat and gross breakdown for each individual transaction.</b></p> </div>
<p>Do the previous year's annual return figures agree with the current year's opening balances in the cash book?</p>	<p>Yes</p>	<p>The opening balance at the 01<sup>st</sup> April 2023 was £21,902 (box 7 at the 31<sup>st</sup> March 2023). This figure corresponded to the opening cashbook balances on the three spreadsheet cashbooks. The opening balances were verified against the bank statement balances. These have been included below for audit purposes:</p> <ol style="list-style-type: none"> <li>1) £12,626.63 – Natwest Current Account</li> <li>2) £7,870.18 – Natwest Business Reserve Account</li> <li>3) £1,404.56 – Natwest Business Reserve Account (identified as Action 2000 cashbook)</li> </ol> <p>£21,901.37 – Opening Cashbook and Bank Balances at 01<sup>st</sup> April 2023.</p>
<p><b>Internal Audit Response</b></p>		<p><b>Yes</b></p>

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

**Internal Control Objective B:** 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 council's Standing Orders appear to have been adopted in July 2021, see link: <a href="https://www.killinghallparishcouncil.org.uk/standing-orders-july-2021.pdf">Standing Orders July 2021.pdf (killinghallparishcouncil.org.uk)</a> . A review of the Standing Orders was carried out in January 2024 (minute reference 2024/010) and amendments related to the draft minutes. It is noted that the amendment to the Standing Orders agreed by the council, does not permit a councillor to raise amendments to the draft minutes at the meeting which would approve the draft minutes as a true record as they will ' <i>not be considered</i> '. The council need to be mindful of the legislative requirements for approving the accuracy of the draft minutes set out in the Local Government Act 1972, schedule 12 (41).
Has the Council adopted Financial Regulations and are these up to date with the latest NALC Model? And tailored to the Council?	Yes – See comments	<p>Councils need to have in place standing orders and financial regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the way tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.</p> <p>We note that the councils Financial Regulations were adopted on the 07<sup>th</sup> May 2021. A new model of the Financial Regulations has been issued by the National Association of Local Councils [NALC] this month and we would recommend that the council adopts the latest model and tailors these to the councils requirements.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>RECOMMENDATION 2:</b></p> <p><b>That the council adopts the latest model NALC Financial Regulations [issued in May 2024] and tailors these to the councils requirements.</b></p> </div>
Are there procedures for formal tenders and quotes consistent with the Standing Orders and Financial Regulations?	See comments	The council is required to have standing orders with respect to procuring and entering into contracts as set out in s.135 of the Local Government Act 1972 Act. The contract values in the Standing Orders and Financial Regulations should correspond to each other. The values for formal tenders exceeding £25,000 was consistent in the Standing Orders and Financial Regulations however the

		<p>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><b>RECOMMENDATION 3:</b></p> <p><b>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: <a href="https://www.legislation.gov.uk/ukxi/2022/1390/made">https://www.legislation.gov.uk/ukxi/2022/1390/made</a></b></p> </div>
<p>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?</p>	<p>See findings</p>	<p><u>Payments Procedure for Ordering Goods and Services</u>  The authority to purchase goods and services is set out in Financial Regulation 4.1. This determines that expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:</p> <ul style="list-style-type: none"> <li>➤ the council for all items over £1,000</li> <li>➤ a duly delegated committee of the council for items over £500 or</li> <li>➤ the Clerk for any items below £500.</li> </ul> <p><u>Invoices authorised for Payment</u>  Financial Regulation 5.2 requires the RFO to present a schedule of payments for approval by the council to be authorised by a resolution of the council. The approved schedule is required to be signed by the Chair of the meeting and a detailed list of the payments is required to be disclosed in the minutes or as an attachment to the minutes which approved the payments.</p> <p><u>Expenditure Testing – Findings</u></p> <ul style="list-style-type: none"> <li>➤ Payments schedules were found to be presented at council meetings. The minutes confirmed that some payment schedules were noted whilst others had been formally resolved to pay. The council need to ensure compliance with the Financial Regulations and ensure that payments are authorised by a resolution of the council.</li> <li>➤ The cheque numbers on the schedules could be corresponded to the details in the cashbook however the practice of reporting the cheque numbers on the payments schedule changed after the July full council meeting. The payment type and/or cheque number detail should be included in the payments schedule or minutes for audit purposes.</li> <li>➤ We found that some payments recorded in the cashbook had not been authorised for payment by full council in accordance with the requirements of the Financial Regulations. We could not find any minute resolutions confirming the authority to purchase the goods and services for example the payments to Personnel Advice and Solutions and CLR Law.</li> </ul>

		<ul style="list-style-type: none"> <li>➤ Copies of invoices were scanned and made available for the purposes of the audit. We noted that on the face of the invoices there was no use of an authorisation stamp to evidence the payment control checks required by the Financial Regulations.</li> <li>➤ We found that some invoices stated the reference of the cheque number and other invoices did not include this detail. It is further noted that the cashbook includes a column to record the minute reference number where the payment has been authorised. This column did not record any details throughout the financial year with the exception of March 2024 payments.</li> <li>➤ Overall we found that the payment authorisation details were not recorded on the face of the invoices which could be tracked back to where the payment originated from.</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>RECOMMENDATION 4:</b></p> <p><b>That all payments be authorised by resolution at a meeting of the council in accordance with the requirements of the Financial Regulations.</b></p> <p><b>RECOMMENDATION 5:</b></p> <p><b>That a suitably designed authorisation stamp be used for the payment of all invoices as evidence of the payment control and authorisation checks in accordance with the Financial Regulations. The authorisation references to be stated which can be tracked back to where the payment originated from, ie purchase order, minute resolution, contract etc</b></p> </div>
<p>Is there an authorised list of continuing contracts and obligations?</p>	<p>No</p>	<p>An authorised list of contracts and obligations 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 authorises the RFO to make the payments provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to and that a list of such payments shall be submitted to the next appropriate meeting of council.</p> <p>A review of the minutes found that no authorised list of contract and obligations had been approved for the 2023/2024 financial year.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>RECOMMENDATION 6:</b></p> <p><b>That the council considers authorising a list of continuing contracts and obligations for each financial year in accordance with the requirements of Financial Regulations 5.5b and 5.6 which would enable the RFO to make the payments subject to reporting them at the next appropriate meeting of the council.</b></p> </div>



<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>See comments</p>	<p>Financial Regulation 5.4 authorises the RFO to make the payments at the next available council meeting. Delegation for payments as per FR 5.6 is detailed above in our findings.</p> <p><u>Cheque Payments</u> The council operate with cheque payments. The internal controls for cheque payments are set out in Financial Regulation 6.4 It is noted that the council reviewed the bank mandate and arrangements during the financial year. The incumbent Clerk/RFO has informed us that two councillors are required to sign cheques.</p> <p><u>Online Payments</u> The council does not operate with online banking payments.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>RECOMMENDATION 7:</b></p> <p><b>That consideration be given to online payments and dual authorisation.</b></p> </div>
<p>Does the council have any direct debits or Standing Orders in place? Have these been reviewed in accordance with the Financial Regulations?</p>	<p>Not applicable</p>	<p>Financial Regulation 6.7 and 6.8 authorises the payment for certain items to be made on a direct debit or Standing Order basis and that any payments any payments are reported to council as made. The approval of the use of a variable direct debit or Standing Order shall be renewed by resolution of the council at least every two years.</p> <p>A review of the cashbook and bank statements found that the council did not have any payments made on a direct debit or Standing Order basis.</p>
<p>Has the council made any payments on a Chaps transfer? Have the payment been made in accordance with the Financial Regulations?</p>	<p>See findings</p>	<p>Financial Regulation 6.9 authorises the payment for certain items that may be made by BACS or CHAPS methods provided that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories, are retained and any payments are reported to council as made. The approval of the use of BACS or CHAPS shall be renewed by resolution of the council at least every two years.</p> <p>We found that the council made one payment using a CHAPS transfer. The transfer fee of £21.00 charged by the bank was not included in the payments schedule and the payment transaction detail which was made via a CHAPS transfer was not reported to the council as being made on this payment basis in compliance with the requirements of Financial Regulation 6.9.</p>

Is VAT correctly recorded in the cashbook and linked to invoices?	See findings	We found that the VAT is linked to the invoices and routinely recorded in the council minutes, however we found that one payment of £210.00 to Vision ICT authorised at the October full council meeting was recorded in the cashbook at the net amount only of £175.00. We could not find the VAT entry in the cashbook of £35.00 (cheque number 1608). It is recommended that this payment transaction is reviewed by the council against the data in the cashbook. It is noted that cheque number 1608 corresponded to the payment which was cleared by the bank.
VAT evidence, recording and reclaim?	No	<p>Financial Regulation 9.8 requires the RFO to promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.</p> <p>The incumbent Clerk/RFO has informed us that he cannot confirm when the last VAT reclaim was submitted by the council.</p> <div data-bbox="846 603 2145 831" style="border: 1px solid black; padding: 5px;"> <p><b>RECOMMENDATION 8:</b></p> <p><b>That the councils undertakes a review of their VAT reclaims and ensures that any outstanding reclaims are submitted to HMRC as soon as possible back-dating to the maximum allowable period for back-dated reclaims (currently three years)</b></p> </div>
<b>Internal Audit Response:</b>		<b>No – due to the large employment payment that was not authorised by council (refer to the detailed findings in internal control objective G)</b>

## 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>Annual risk assessment carried out? Does this include all financial and non-financial risks? <i>*To be formally adopted at least annually</i></p>	<p>No</p>	<p>Risks are uncertain events or conditions (not just financial) that if they occur, will affect the authority's ability to achieve its objectives. The authority generally, and members individually are responsible for risk management. Typical categories of risks include:</p> <ul style="list-style-type: none"> <li>● financial – loss of money;</li> <li>● security – fraud, theft, embezzlement;</li> <li>● property – damage to property;</li> <li>● legal – breaking the law or being sued;</li> <li>● IT – failure of IT systems or misuse or data loss; and</li> <li>● reputational – actions taken could harm the authority's public reputation.</li> </ul> <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 council minutes for the full financial year were reviewed. We found that the council has not carried out a review of their risk management arrangements.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>RECOMMENDATION 9:</b></p> <p><b>That the council ensures that it carries out a risk assessment of all financial and non-financial related risks and that the register be formally reviewed and adopted at a council meeting recording the details of the current controls in place and additional controls (if any) to manage the risks. Further guidance on risk management is available on page 44 of the Governance and Accountability Practitioners Guide (see example of risk register on page 65) : see link to guide <a href="http://nalc.gov.uk">file (nalc.gov.uk)</a></b></p> </div> <p><u>Business Continuity Plan</u> The council have had various issues with business continuity throughout the year following the absence of the Parish Clerk/RFO. We note that there has been no consideration to develop a business continuity plan.</p>

		<p><b>RECOMMENDATION 10:</b></p> <p><b>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. Further guidance if required to be obtained from the local county association or other advisory body.</b></p>
Is there appropriate arrangements in place for the monitoring of play areas, open spaces and sports pitches?	Yes	<p><u>Open Spaces and Play Areas</u> The council is responsible for the maintenance and upkeep of the Glebe which is an open space and includes a playground, outdoor gym equipment and a sports area. We note a qualified inspector has undertaken the annual inspections.</p> <p><u>Routine Visual Inspection</u> Following a review of the council minutes, we note that Cllr Moretta was undertaking the weekly visual checks but no formal paperwork or records were retained as an evidence of the checks carried out and/or issues reported. The council need to ensure that members undertaking visual checks have received appropriate training and that formal records are retained by the council.</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?	Yes	The councils insurance policy was in place with Zurich covering the period of 01/06/23 – 31/05/24. A review of the policy found that the main insurable risks of Public Liability, Employers Liability, insured list of assets, officers indemnity, fidelity guarantee, legal expenses and personal accident was in place.
Has the council carried out a review of the effectiveness of internal controls?	No	<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.</p> <p>The council has not carried out a review of the effectiveness of internal controls. A model template checklist is available from the Yorkshire Local Councils Association and we would recommend that the checks are carried out by members who are not a signatory to the accounts and that the outcome of the review and any subsequent actions arising are formally documented in the council minutes as evidence of the review.</p>

**RECOMMENDATION 11:**

**That the council ensures that it carries out a review of the effectiveness of internal controls at least once each financial year to comply with Regulation 6 of the Accounts and Audit Regulation 2015 and that the outcome of the review be formally reported to council and documented in the council minutes with any agreed actions resolved by the council.**

**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? Is the precept demand correctly recorded in the minutes?	Yes	<p>The key stages of the budgeting process are set out in the Practitioners Guide, These include:</p> <ul style="list-style-type: none"><li>● deciding the form and level of detail of the budget;</li><li>● reviewing the current year budget and spending;</li><li>● determining the cost of spending plans;</li><li>● assessing levels of income;</li><li>● bringing together spending and income plans;</li><li>● providing for contingencies and consider the need for general and earmarked reserves;</li><li>● approving the budget;</li><li>● confirming and submitting the precept or rates and special levies</li></ul> <p>A review of the minutes found that the councils budget and precept was considered at the December full council meeting and a precept of £35,000 (minute reference 2023/152) was agreed which was amended to £40,000 at the January full council meeting (minute reference 2024/006)(3). The minute referred to the amendment due to 'unforeseen circumstances'. The budget document was found to be adequate and had included a three year forecast.</p>

<p>Is the budget against spend comparisons provided regularly to the Council? I.e. quarterly basis? Any unexpected variances?</p>	<p>See findings</p>	<p>Financial Regulation 4.8 requires the RFO to provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose “material” shall be in excess of £100 or 15% of the budget.</p> <p>We found that budget monitoring reports had not been provided to full council on a regular basis and in compliance with the requirements of Financial Regulation 4.8 (one budget monitoring report was received in October). The proper practices as per Governance &amp; Accountability Practitioners Guide states that reviewing the budget against actual expenditure at least quarterly gives members an early warning about the likelihood of a shortfall (or surplus) and helps them to decide what to do.</p>
<p>Level of reserves within Proper Practice? I.e. between 3 and 12 months running costs. Review earmarked reserves.</p>	<p>See comments</p>	<p>The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances. 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 <u>net revenue expenditure</u>. 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>We found that the council had not identified the level of general reserves throughout the year or as part of the budget setting process. We note that the council has finished up with £18,267 at the 31<sup>st</sup> March 2024 (as per bank reconciliation) which is the balance remaining for the general reserves however it is unclear if the balance includes any earmarked reserves.</p>
<p><b>Internal Audit Response:</b></p>		<p><b>Yes</b></p>

## 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 precept of £30,000 was received in two equal instalments from North Yorkshire Council in April and September and paid electronically into the Natwest Current account. This was agreed to the precept amount recorded in the council minutes of the full council meeting held in January 2023 (minute reference 2023/006).
Does the council receive any other income in addition to the precept? Is the income properly recorded and banked?	Yes	The councils other income streams relate to grant payments from North Yorkshire Council towards the grass cutting and other council projects and bank interest. These were found to be recorded in the cashbook and could be corresponded to the bank statements.
Has the council correctly invoiced for any sales and is the correct rate of VAT applied? (if applicable)	Not applicable	This is not applicable to the Parish Council.
<b>Internal Audit Response</b>		<b>Yes</b>

## 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?	Not Applicable	The council does not manage any petty cash. This is reflected in the Financial Regulations, 6.21.
<b>Internal Audit Response</b>		<b>Not Applicable</b>

## 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
<p>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?</p>	No	<p>The payroll is administered by the Clerk/RFO using the HMRC Basic PAYE Tools software.</p> <p>The contract of employment was reviewed. We attempted to carry out payroll testing to confirm that the gross pay calculated with the rate agreed as per contract of employment. We found that the pay rates did not correspond to the gross pay calculations. It is noted that in the absence of the Clerk/RFO payroll was not administered and this resulted in back pay of sick pay that had accrued. We found that the council had not made timely payments to HMRC which had resulted in a letter issued to the council and payment was then made. We would recommend that the payroll is outsourced to a payroll service provider.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p><b>RECOMMENDATION 12:</b></p> <p><b>That payroll is outsourced to a payroll service provider and that appropriate internal controls to manage this are updated in the relevant part of the Financial Regulations.</b></p> </div> <p><u>Pension Payments</u> No pension payments have been made by the council and it is unclear if the employee was auto-enrolled into a scheme. The council need to ensure that they are meeting their obligations under auto-enrolment and making the declaration to the Pensions Regulator.</p> <p><u>Termination Payments</u> Financial Regulation 7.7 refers to termination payments and states that:</p> <ul style="list-style-type: none"> <li>➤ <i>'Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by council'.</i></li> </ul> <p>We found that whilst the council paid a lump sum to an employee (reported in the payments schedule in the January meeting – minute reference 2024/006); the payments at this meeting were noted which had included a sum of £9,250 identified as employment costs. This payment had not been authorised by the council in compliance with the requirements of Financial Regulation 7.7.</p>



		We have further noted that whilst the council may exclude the press and public at council meetings where the nature of the business to be transacted in accordance with the Public Bodies Admissions to Meetings Act 1960 is confidential; the council decision (resolution) was not recorded in the public minutes. Council minutes are formal records of the council and therefore decisions must be recorded and care must be taken to ensure that the nature of the confidential detail in the resolution is not disclosed.
Are allowances paid to members and paid via the payroll and/or other arrangements?	Not Applicable	Members do not receive an allowance. The Chairman does not receive a Chairmans allowance.
<b>Internal Audit Response:</b>		<b>No</b>

## 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
Does the council keep a register of all material assets owned? Is asset register up to date?	See findings	<p>The key information needed in the asset register is the date of acquisition, cost of acquisition, useful life estimate and location.</p> <p>A copy of an asset register dated 2021 had been provided. We found that the register did not include a total asset value for the purposes of reporting the figure in box 9 of the AGAR Accounting Statement. We found that the asset register was out of date for example this had not included the purchase of the defibrillator (cheque number 1631).</p> <p>The value reported in box 9 of the AGAR at the 31<sup>st</sup> March 2023 was £85,615. The value reported in box 9 of the AGAR at the 31<sup>st</sup> March 2024 was £79,216.</p> <div style="border: 1px solid black; padding: 5px;"> <p><b>RECOMMENDATION 13:</b></p> <p><b>That the asset register be updated to include all purchases during the 2023/2024 financial year and that the value in box 9 at the 31<sup>st</sup> March 2024 be updated accordingly. The Asset Register to identify all asset disposals during the year for auditing and tracking purposes.</b></p> </div>
<b>Internal Audit Response:</b>		<b>No</b>

## 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
<p>Are bank reconciliations carried out for each account and are these reported to council members? Are these independently signed off by members and recorded in the minutes?</p>	<p>See findings</p>	<p>Financial Regulation 2.2 requires at least once in each quarter, and at each financial year end, a member other than the Chairman shall be all 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 exception, to and noted by the council.</p> <p>A review of the minutes found that the absence of a bank reconciliation reporting was raised at the October full council meeting (minute reference 2023/117). At the November full council minutes it was reported that a bank had been received and noted. We were not provided with a copy of this bank reconciliation during the audit.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>RECOMMENDATION 14:</b></p> <p><b>That bank reconciliation statements are provided to council members at least once in each quarter and that the verification of the bank reconciliation statement against the original bank statements be recorded in the council minutes as per requirements of Financial Regulation 2.2.</b></p> </div>
<p>Bank Reconciliation to the 31 March?</p>	<p>Yes</p>	<p>The bank reconciliation statement balances were verified against the cashbook balance and the bank statement balances and no issues were identified. The year end bank balances held at the 31<sup>st</sup> March 2024 have been included for narrative purposes:</p> <ul style="list-style-type: none"> <li>1) £9,924.24 - Natwest Current Account</li> <li>2) £7,975.93 - Natwest Business Reserve Account</li> <li>3) £1,423.45 - Natwest Business Reserve Account (Action 2000)</li> </ul> <p>£19,323.62 – Total Bank Balances            -£1,056 – uncleared cheques as at 31<sup>st</sup> March 2024            £18,267.62 (cashbook balance) – as per bank reconciliation balance</p>
<b>Internal Audit Response</b>		<b>Yes</b>

## 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? Is there an underlying financial trail from records to presented accounts?	Yes	<p>The internal auditor is required to verify that the detail recorded in the accounting statements reflects the detail in the accounting records maintained for the financial year. This does not require the internal auditor to verify the detail disclosed in the accounting statements.</p> <p>The accounting statements were presented on a receipts and payments basis. The amounts reported in the AGAR accounting statements were supported by underlying financial records from the cashbooks.</p> <p>The council need to ensure that the value reported in box 9 is updated accordingly prior to submission for external audit (refer to our findings above relating to the asset register).</p>
Do the Bank statements and ledger reconcile at 31 March?	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 is part of the submission requirements for external audit. We can confirm that this form was completed by the incumbent Clerk/RFO.
<b>Internal Audit Response:</b>		<b>Yes</b>

## 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
<p>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)</p> <ul style="list-style-type: none"> <li>➤ Transparency Code for smaller authorities ie: annual turnover not exceeding £25,000</li> </ul>	<p>Not applicable</p>	<p>This does not apply to the parish council as the expenditure exceeded £25,000 during the 2023/2024 financial year.</p>
<p>Publication of the AGAR for the last five years in accordance with the Accounts and Audit Regulations 2015, section 13 (2)?</p>	<p>No</p>	<p>2018-19: No – this information could not be found from the Finance page on the website, see link: <a href="#">Finance - Killinghall Parish Council</a></p> <p>2019-20: No – this information was reported as ‘coming soon on the Finance page on the website, see link: <a href="#">Finance - Killinghall Parish Council</a></p> <p>2020-21: No – this information could not be found from the Finance page on the website, see link: <a href="#">Finance - Killinghall Parish Council</a></p> <p>2021-22: Yes – see links: <a href="#">Annual Governance 2021-22.pdf (killinghallparishcouncil.org.uk)</a>; <a href="#">Accounting Statement 2021-22.pdf (killinghallparishcouncil.org.uk)</a>; <a href="#">External Auditor Report 2021-22.pdf (killinghallparishcouncil.org.uk)</a></p> <p>2022-23: Yes – see links: <a href="#">Annual Governance 2022-23.pdf (killinghallparishcouncil.org.uk)</a>; <a href="#">Accting Statement 2022-23 WEB.pdf (killinghallparishcouncil.org.uk)</a>; <a href="#">Auditors External Report 2022-23.pdf (killinghallparishcouncil.org.uk)</a></p>

		<p><b>RECOMMENDATION 15:</b></p> <p><b>That the AGAR for the last five years be published on the website to comply with the Accounts and Audit Regulations 2015.</b></p>
Freedom of Information Act – Has the Council adopted a Publication Scheme?	No	<p>Following a review from the website of the council policies, there does not appear to be a Publication scheme adopted.</p> <p><b>RECOMMENDATION 16:</b></p> <p><b>That the council adopts a Publication Scheme. A model template is available from the ICO website, see link: <a href="https://ico.org.uk/media/for-organisations/documents/definition-documents-2021/templates/4018916/template-parish-councils-20211029.doc">https://ico.org.uk/media/for-organisations/documents/definition-documents-2021/templates/4018916/template-parish-councils-20211029.doc</a></b></p>
<b>Internal Audit Response:</b>		<b>No</b>

### Publication Requirements – Exercise of Public Rights 2022/23

**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? Evidence of public inspection notice seen? And website address.	Yes	<p>See link:</p> <p><a href="http://www.killinghallparishcouncil.org.uk/_UserFiles/Files/Notice%20of%20Public%20Rights%2022.23.docx">http://www.killinghallparishcouncil.org.uk/_UserFiles/Files/Notice%20of%20Public%20Rights%2022.23.docx</a></p>
<b>Internal Audit Response:</b>		<b>Yes</b>

## 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 2022 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 2023, 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: <a href="http://www.killinghallparishcouncil.org.uk/_UserFiles/Files/Notice%20of%20Public%20Rights%202022.23.docx">http://www.killinghallparishcouncil.org.uk/_UserFiles/Files/Notice%20of%20Public%20Rights%202022.23.docx</a>
b) Section 1 the Annual Governance Statement approved and signed page 4	Yes	See link: <a href="#">Annual Governance 2022-23.pdf (killinghallparishcouncil.org.uk)</a>
c) Section 2 the Accounting Statements approved and signed page 5	Yes	See link: <a href="#">Accting Statement 2022-23 WEB.pdf (killinghallparishcouncil.org.uk)</a> ;
<b>Not Later than the 30 September 2022:</b> d) Notice of conclusion of audit	Yes	See link: <a href="#">Audited accounts 22_x3A_23_1.pdf (killinghallparishcouncil.org.uk)</a>
e) Section 3 – External Auditor Report and Certificate	Yes	See link: <a href="#">Auditors External Report 2022-23.pdf (killinghallparishcouncil.org.uk)</a>
f) Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review	NA	Not applicable
<b>Internal Audit Response:</b>		<b>Yes</b>

\*Internal control objectives F, K and O were not applicable to the Parish Council.

No	Recommendation	Page Number	Responsibility	Timescale
1	That improvements are made to the cashbook to include columns for the net, vat and gross breakdown for each individual transaction.	5		
2	That the council adopts the latest model NALC Financial Regulations [issued in May 2024] and tailors these to the councils requirements.	6		
3	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: <a href="https://www.legislation.gov.uk/ukxi/2022/1390/made">https://www.legislation.gov.uk/ukxi/2022/1390/made</a>	7		
4	That all payments be authorised by resolution at a meeting of the council in accordance with the requirements of the Financial Regulations.	8		
5	That a suitably designed authorisation stamp be used for the payment of all invoices as evidence of the payment control and authorisation checks in accordance with the Financial Regulations. The authorisation references to be stated which can be tracked back to where the payment originated from, ie purchase order, minute resolution, contract etc	8		
6	That the council considers authorising a list of continuing contracts and obligations for each financial year in accordance with the requirements of Financial Regulations 5.5b and 5.6 which would enable the RFO to make the payments subject to reporting them at the next appropriate meeting of the council.	8		
7	That consideration be given to online payments and dual authorisation.	9		
8	That the councils undertakes a review of their VAT reclaims and ensures that any outstanding reclaims are submitted to HMRC as soon as possible back-dating to the maximum allowable period for back-dated reclaims (currently three years)	10		

9	That the council ensures that it carries out a risk assessment of all financial and non-financial related risks and that the register be formally reviewed and adopted at a council meeting recording the details of the current controls in place and additional controls (if any) to manage the risks. Further guidance on risk management is available on page 44 of the Governance and Accountability Practitioners Guide (see example of risk register on page 65) : see link to guide <a href="http://file.nalc.gov.uk">file (nalc.gov.uk)</a>	11		
10	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. Further guidance if required to be obtained from the local county association or other advisory body.	12		
11	That the council ensures that it carries out a review of the effectiveness of internal controls at least once each financial year to comply with Regulation 6 of the Accounts and Audit Regulation 2015 and that the outcome of the review be formally reported to council and documented in the council minutes with any agreed actions resolved by the council.	13		
12	That payroll is outsourced to a payroll service provider and that appropriate internal controls to manage this are updated in the relevant part of the Financial Regulations.	16		
13	That the asset register be updated to include all purchases during the 2023/2024 financial year and that the value in box 9 at the 31 <sup>st</sup> March 2024 be updated accordingly. The Asset Register to identify all asset disposals during the year for auditing and tracking purposes.	17		
14	That bank reconciliation statements are provided to council members at least once in each quarter and that the verification of the bank reconciliation statement against the original bank statements be recorded in the council minutes as per requirements of Financial Regulation 2.2.	18		
15	That the AGAR for the last five years be published on the website to comply with the Accounts and Audit Regulations 2015.	21		
16	That the council adopts a Publication Scheme. A model template is available from the ICO website, see link: <a href="https://ico.org.uk/media/for-organisations/documents/definition-documents-2021/templates/4018916/template-parish-councils-20211029.doc">https://ico.org.uk/media/for-organisations/documents/definition-documents-2021/templates/4018916/template-parish-councils-20211029.doc</a>	21		

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