

West Lavington Parish Council

Internal Audit Report 2024-25

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Background and Scope

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

This report sets out the work undertaken in relation to the 2024-25 financial year. We have again undertaken our review for the year remotely, based on information available on the Council's website and that provided by the Clerk.

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/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 AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Based on our 2024-25 programme of work, we continue to have concerns in some areas of the Council's governance. In particular, we would highlight issues with payroll, and the accuracy of the Asset Register. We have made recommendations and observations accordingly, to which we would ask Council to give careful consideration in order to improve the level of governance and internal control.

We have duly completed and signed-off the 'Internal Audit Report' in the year's AGAR assigning appropriate assurances in each relevant area.

Finally, we would note that this is the last audit that we will undertake for West Lavington. It is hoped that Auditing Solutions will be shortly sold as a Going Concern, and that the Council will be able to continue with a new and preferred audit provider without interruption.

We express our gratitude to the Council, and the Clerk, for the opportunity to have been of service over the years, and we wish the Council all future success.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliation

The Clerk maintains the Council's accounting records using a spreadsheet, which is appropriate for the volume of annual transactions. However, while categories of income and expenditure are noted, proper segmental analysis would avoid considerable sorting to aid budgetary control and reconciliation of the AGAR.

Four bank accounts are in use with Lloyds - a Current account for everyday transactions, two Deposit accounts (one general, and one for playground balances, both seldom used), and a 32-day Notice account for Community Infrastructure Levy (CIL) receipts.

We have checked and agreed a sample of cashbook entries for the financial year to bank statements, with no issues arising.

We note that the monthly bank reconciliations reported to Council meetings are checked and signed by an independent Councillor, which meets the requirements of Financial Regulation 2.2. However, it was approved in the December 2024 Minutes that all Councillors can approve invoices for payment, which means that this important control lapses as there are no independent Councillors. This decision should be reviewed by the Council.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation, other than the need to re-establish the independent FR2.2 check.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place, that Council meetings are conducted in accordance with the adopted Standing Orders (SO's) and that no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council undertakes an annual review of both Standing Orders and Financial Regulations (FR's) at its AGM each May, although these are not in line with the latest NALC Model forms. The latest versions of these documents on the Council's website show that tendering levels are consistent at £10,000.

We have examined the Council's Minutes for the year 2024-25 (with the exception of April 2024, which are not on the website and which we have been unable to obtain from the Clerk despite several requests) to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, whilst also ensuring that the Council has neither considered nor is considering any actions that may result in ultra vires expenditure.

We believe that the Council provides an adequate suite of information on its website that meets the requirements of both the Accounts and Audit Regulations and the Transparency Code 2015.

As the Council is not able to use the General Power of Competence, it must rely on Section 137 of the Local Government Act 1972 (S137) to make miscellaneous payments such as grants. We have discussed this with the Clerk, but must record with concern that there is little understanding of this important legal Power. Suitable training should be considered.

In their 2023/24 report, the External Auditor required that the Council record a negative assurance against Section 1 (Governance Statement), Assertion 4 of their 2024-25 AGAR, with regard to failings in posting the Exercise of Public Rights in accordance with the Accounts and Audit Regulations. We have explained to the Clerk how to do this, and are required to echo it against Objective M in our Internal Audit Report.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation, other than the need to ensure that SO's and FR's are kept up to date, the need to keep a full year's Minutes (as a minimum) on the website, the need to properly use the S137 power, and the required correction concerning the Exercise of Public Rights.

Review of Payments & VAT

We have reviewed all payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt
- VAT has been calculated correctly and is recovered at appropriate intervals
- Appropriate procedures are in place for the review approval and payment of invoices received
- The Council at a Council meeting approved each payment, and
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

We note that the Council moved to a system of electronic payments in November 2023, which provides a greater degree of check against bank statements. We also note that transactions are properly recorded in the Council's Minutes.

We have reconciled the Council's VAT account, noting that balances for 2022-23 and 2023-24 were recovered during 2024-25. There is a balance from 2024-25 of £2,174.09 to be recovered during 2025-26.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Assessment and Management of Risk

We note that the Council maintains an ongoing review of its risk profile, undertaken by the Risk Committee. We believe this to accord with the requirement in Financial Regulations for a minimum annual review.

We have reviewed the Council's insurance cover, undertaken through Clear Councils, for the financial year under review. This policy shows Public Liability and Employers Liability cover of £10 Million each, Fidelity Guarantee of £150,000, and Official Indemnity of £500,000, along with a good level of All Risks cover for the Council's assets. This level of cover is consistent with other Councils of a similar size.

We note some evidence in the Minutes that, alongside an independent annual safety inspection, playpark inspections are being undertaken by Councillors.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that the Council considered its budgetary requirements for 2025-26 and adopted a Precept of £37,406 at the January 2025 meeting. We note that the Council continues to monitor its budget at each Council meeting.

We note a Community Infrastructure Levy (CIL) balance of £120,512 as at 31 March 2025, which we have classed as an Earmarked Reserve. While there are other potential costs identified in the cashbook, these would exceed the funds available to the Council. We note some confusion between Earmarked and General Reserves as explained in the Minutes, which we have clarified with the Clerk.

The Council's cash balances at 31 March 2025 total £189,506. After deducting the CIL balance referred to above, the Council's General Reserve is £68,994. This represents 184% of the agreed Precept against a Best Practice level of 50%. This level, which is undoubtedly complicated by the high level of CIL receipts, should be urgently reviewed by the Council.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation, although we re-state our concern at the confusion over the allocation of Earmarked Reserves.

Review of Income

The Council receives has received relatively limited annual income during the year under review, apart from the annual Precept, bank interest, a car park lease, and VAT reclaims. We have checked and agreed cashbook transactions to bank statements for these transactions with no issues arising.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Petty Cash Account

No petty cash account is operated by the Council. Therefore, we have no issues to raise in this area warranting formal comment or recommendation.

Review of Staff Salaries

We have checked monthly salary payments for the Clerk to determine whether payments are in line with standard NJC terms and conditions, and that appropriate deductions are made at source and paid over to HMRC on a timely basis.

Payroll costs are managed by the Clerk using the HMRC Basic PAYE Tools system. We have test-checked payslip calculations to the cashbook, noting that these are specifically approved by a Councillor.

We need to formally record that the Clerk is still being paid at 2023-24 rates, and that the NJC pay award agreed in October 2024 and backdated to 1 April 2024 has not been applied. Therefore the Clerk has been significantly underpaid during the year under review. The Council must urgently address this deficiency, and ensure that future pay awards are promptly and correctly applied.

Conclusions and recommendation

R1. Salary payments need to be reviewed for 2024-25 in line with the NJC pay award, and consistently applied in future years.

Fixed Asset Registers

The Governance and Accountability Manual (G&AM) requires all councils to maintain a record of all assets owned, valued at original net purchase cost or, where that value is unknown, a reasonable valuation that can be a nominal £1. These values only then change due to acquisitions and disposals in each year.

During our review we again found a number of significant capital transactions that had not been added to the Asset Register. The corrected total is £138,157. We referred these to the Clerk, who has provided an updated Register. As this is the second year we have identified changes to the Asset Register as presented, we have given a negative assurance against Objective H in our 2024-25 AGAR Internal Audit report. We would expect greater care in the preparation of this important document in future. The Council should also ensure that it approves the corrected figure in Section 2 (Accounting Statement) of the 2024-25 AGAR.

Conclusions

We repeat our concern about the accuracy in preparation of the Council's Asset Register.

Investments and Loans

The Council currently maintains its balances in a range of Lloyds Bank accounts. We have again discussed with the Clerk whether the number of accounts in existence could be rationalised to make reconciliations more straightforward.

As its accumulated bank balances total £189,506 as at 31 March 2025 the Council is required to have an Investment Strategy. The Minutes of the July 2024 meeting show that this was drafted, but we can see no formal record of approval by the Council.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation, other than our observation about the need to formally review and approve the Investment Strategy..

Statement of Accounts and AGAR

The AGAR, Section 2, now serves as the Council’s statutory Accounts, which, together with the Governance Statement at Section 1 is subject to external audit review and certification.

We have checked and agreed the detail on the AGAR to the analysis of receipts and payments as set out in the cashbook although, as we note above, this is not a straightforward exercise and has resulted in some necessary amendments which have now been processed.

Conclusions

Based on our conclusions above reached from our review programme, we have duly signed off the IA Certificate in the year’s AGAR assigning appropriate assurances in each relevant area.

Rec. No.	Recommendation	Response
R1	Salary payments need to be reviewed for 2024-25 in line with the NJC pay award, and consistently applied in future years.	