



## **ULLEY PARISH COUNCIL INTERNAL AUDIT FOR THE FINANCIAL YEAR 2024/25**

### **Background and Introduction**

All town and parish councils are required by statute to make arrangements for an independent internal audit and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Parish Council has requested that Faye Hazlehurst t/a FH Accountancy Services provides this service, based on a letter of engagement agreed and signed by the Council. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to my notice during the course of the examination, which I think should be brought to your attention; I shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as might exist.

Faye Hazlehurst is a member of the Internal Audit Forum – an association of Internal Auditors for local councils which seeks to promote high quality internal audit.

### **Independence**

It is important that the auditor is independent of the Council and has no conflict of interest, in order that a truly professional audit is performed. I am not aware of any relationships that might constitute a threat to my independence.

### **Internal Audit Approach**

In accordance with the 'Accountability and Governance, Practitioners' Guide, March 2024', my work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- **Bookkeeping**
- **Due process**
- **Risk management arrangements**
- **Budgetary controls**
- **Income controls**
- **Petty cash**
- **Payroll control**
- **Asset control**
- **Bank reconciliation**
- **Year-end procedures**
- **Allotments**
- **Miscellaneous**



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## Findings

The internal audit was carried out off site, all records and evidence were provided electronically by the Clerk and documents were available on the Parish Council website. The Council has certified themselves exempt from external audit, detailed internal control testing was carried out and findings presented in this report. The Clerk has been open and clear with any queries I have made.

Detailed below are my findings and recommendations that should be considered by the Council.

## Bookkeeping

The council maintains an electronic cashbook which is kept up to date, the initial cashbook provided did not include the bank interest and the transfers between accounts had been included as receipts and payments which overstated the figures. The Clerk amended the cashbook and provided an accurate version. The cashbook is reconciled monthly and a quarterly check is carried out in the form of a member's audit.

There was no S137 during the year, *I recommend that the S137 and the grants column within the cashbook is separated.* The council minutes were complete and up to date and uploaded onto the Council's website.

## Due Process

Model Standing Orders and new Model Financial Regulations 2024 (FR's) have been reviewed and adopted during the year. The FR's have been properly tailored to the council. All receipts and payments selected for sampling were supported by an invoice/remittance, approved and other than one payment, VAT was properly accounted for, the Clerk advises that the Council has now implemented dual authority on all electronic payments. Direct debits were agreed and approved by Council in May 24.

The council correctly declared itself exempt from external audit. This was minuted as approval of the AGAR, *the council should note within the minutes that they are also claiming exemption and minute accordingly.*

## Risk Assessment Arrangements

The council has a risk register in place, this was approved by council in February 2025, the council also reviewed and approved the effectiveness of internal controls in February 2025.

Insurance - The council has opted not to include cover for business interruption and has no cyber cover in place, this risk should be noted on the risk register. All other levels of insurance cover are appropriate for the size of the council.

There are appropriate arrangements in place for the inspection of play area and open spaces.

## Budgetary controls

The Council has prepared a budget in support of the precept, and it was discussed and adopted by Council in January 2025. Budget v's spend are regularly reported to council and the level of general reserves is within proper practice. The Council has no earmarked reserves; *however, they do have some ring-fenced monies that should be highlighted as earmarked in the year-end statements.*

**Income controls**

The precept received during the year agrees to central government records. VAT is reclaimed at least annually and agrees to the accounting records.

**Petty Cash**

The council does not hold petty cash.

**Payroll controls**

The council employs one member of staff being the Clerk/RFO, a contract of employment is in place with clear terms and conditions. The salary is paid in accordance with contract terms.

Pay as You Earn and is calculated via HMRC basic PAYE tools, and a monthly payslip is produced. The deductions to HMRC are taken via direct debit. The salary of the Clerk is under the threshold for auto enrolment.

There was no members allowance paid during the year.

**Assets control**

The Council has an asset register of all material assets owned or in its care, this is kept up to date, there is no evidence of physical verification of assets, recommend these are checked (could be part of day to day walkabout) and any issues reported to Council.

**Bank reconciliation**

Bank reconciliations are carried out regularly and reviewed, signed and dated by members. There have been no new bank accounts during the year and the council holds no cash.

**Year-end procedures**

The accounts were prepared on the correct basis, are now accurate and agree to the Council's cashbook.

**Miscellaneous**

As advised at the last internal audit, in order to comply with GDPR councillors should be provided with an official email address which must be only used for official council business.

Part of the transparency code for exempt authorities is to display accounting statements and payments greater than £100. For the period ending 31 March 2024, the whole cashbook is shown. For future years, *I recommend uploading two single sheets showing all payments over £100 and the official summary of the year end accounting statements.*

**Conclusion**

I am pleased to conclude that the Clerk has maintained a good standard of record keeping and all but one recommendation from the previous internal audit have now been implemented. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2025 are accurate.

All of the controls contained within the internal audit section of the AGAR were examined, the Council was compliant with all controls.

There are a few small recommendations for the council to consider:

- Separate S137 and grants within the cashbook
- When claiming exemption this should be noted and minuted accordingly
- The ring fenced monies should be noted as earmarked reserves.

- Ensure all Councillors are provided with an official email address to only be used for official council business
- Transparency code – upload two single sheets showing all payments over £100 and an official summary of the year end accounting statements

I would like to thank the Sarah for her assistance during the internal audit.

Faye Hazlehurst FMAAT

Internal Auditor – 16 April 2024