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Frankley Parish Council

Annual Internal Audit Report

2024/25

Having been appointed at the parish council meeting held 11th July 2024, I have now completed an internal audit of the parish council's accounts and governance procedures.

Included in this annual review is my understanding of those procedures and the end of year figures which support the completed Annual Internal Audit Report section of the AGAR for 2024/25. The signed copy is also returned herewith.

The role of the Internal Auditor is to review systems rather than undertake detailed checks that are more appropriately the responsibility of the council, however in this report I have included a few recommendations as '**Comment**' where there is potential for improvement.

I confirm I have acted independently of the council to produce this report.

In general, I have found the records of the council's accounts procedures to be well kept, and would like to thank Cllr Nancy Bailey for her assistance in preparation of this report.

G Lungley

Gill Lungley
Internal Auditor
11/05/2025

Frankley Parish Council
Precept 2024/25: £2,336
Band D impact: £50.13
Council Tax Base: 46.60
No. of councillors: 5 (May 2023)

Introduction

The Accounts and Audit Regulations 2015 require all parish and town councils to prepare an Annual Governance and Accountability Return (AGAR). The process expects the council to conduct a review of the effectiveness of their system of internal control in accordance with proper practices relating to accounts, and appoint a competent, independent person to undertake an internal audit.

As part of that review process, Frankley Parish Council has appointed me to undertake the annual internal audit. The role of the Internal Auditor is to look through the council's processes and procedures and, where necessary, make recommendations (here noted as '**Comment**') intended to support improvement of the Council's governance.

The primary objectives of Internal Audit are to:

- i. review, appraise and report upon the adequacy of governance and internal control systems operating throughout the council, for which I will adopt a predominantly systems-based approach; and
- ii. carry out an annual inspection of the books and records of the council.

Scope of Work

In keeping with Proper Practices, I have checked the following key areas for compliance:

- A. Proper bookkeeping
- B. Payment controls in relation to Financial Regulations
- C. Risk management and Financial Internal Controls
- D. Budgetary controls
- E. Income controls
- F. Petty cash procedures (if applicable)
- G. Payroll controls
- H. Assets and investments
- I. Bank reconciliations.
- J. Accounting statements and application of spending powers
- K. Exemption criteria (if applicable)
- L. Website and transparency code
- M. Public Rights notice and dates
- N. Publication of previous AGAR
- O. Review of the status of Trusts (if applicable)

Please note: Reference to "Proper Practices" is to the annual publication from the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide. In this case it refers to the edition for the financial year 2024/25, which is available online here: [file](https://www.saaa.co.uk) (<https://www.saaa.co.uk>)

AGAR certificate reference	Internal Audit action for expected controls, as specified in ' Governance and Accountability for Smaller Authorities in England ', March 2024	
A.	Appropriate accounting records have been properly kept throughout the year. It is noted the council uses an excel spreadsheet for the bookkeeping.	
	(1) Roll forward of the prior year cashbook balances to the new financial year. AGAR 2023-24 Box 7 = £19,311. Bank reconciliations for 2024/25 opening figure: £19,311.62	✓

	<p>(2) Financial transactions in cashbooks relative to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained. Attached as appendix A.</p>	✓
	<p>(3) Bank Reconciliations Are bank reconciliations prepared routinely and subject to independent scrutiny and sign-off by members?</p> <p>Comment: The minutes of each meeting record the bank reconciliation is presented to the council and signed off by members. It would better support openness and transparency to also provide the numerical detail in the minutes.</p>	✓
	<p>(4) Year-end bank reconciliation and accuracy of the combined cash and bank balances on AGAR s2, line 8. The bank statement totals £16,601.74 which combined with the £2,000 investment held at Bromsgrove DC provides the end of year figure of £18,602. This is the figures on AGAR s2, lines 7 and 8.</p>	✓
	<p>(5) Investment strategy if bank balances are more than £100,000</p>	n/a
B	<p>This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.</p>	
	<p>1. Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version. Comment: The council's Financial Regulations have been adapted to suit this council, but they are not based on the latest model version. It is helpful to follow the model documents to ensure the safeguarding of all funds. There has been a purchase during the year amounting to more than half the year's precept yet there is no mention of this purchase in the minutes. (It is noted that the minutes of the meeting in January 2024 record receipt of £1,000 county councillor's grant to be used for a noticeboard, with receipt confirmed at the meeting held in April 2024.) The council has failed to follow proper practices (para 5.41) regarding purchases; ordinarily the council should be able to refer to the correct process in their adopted Financial Regulations.</p>	x
	<p>2. Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods / services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorization. Comment: All invoices relate to Frankley Parish Council and are for the anticipated value.</p>	✓
	<p>3. Check there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments. Comment: The council's Internal Controls refer to the procedure whereby there is effective segregation between the setting up of online payments and their physical release.</p>	✓

	<p>4. Check VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements</p> <p>Comment: There has been no VAT receipt during the year, possibly due to lack of any VAT to reclaim. It is noted the cashbook records two VAT payments during 2024/25 and highlights it to ensure a reclaim is submitted in the future.</p>	✓
C	<p>This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	
	<p>1. Ensure authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc</p> <p>Comment: The minutes of the annual parish council meeting in May 2024 record approval for the risk register.</p>	✓
	<p>2. Review the effectiveness of internal control carried out by the authority.</p> <p>Comment: Apart from the concerns stated above in B1, the parish council is aware of the need for internal controls. The lack of a Clerk, who could provide guidance on council procedure and proper practices, should be referred to when reviewing the council's risk.</p>	✓
D	<p>The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p>	
	<p>1. Ensure the full Authority, not a committee, has considered, approved and adopted the annual precept for the coming year in accordance with the required parent Authority timetable.</p> <p>As recorded at the meeting held January 2025.</p>	✓
	<p>2. Ensure the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process.</p> <p>Comment: Last year's internal auditor pointed out the lack of reserves in relation to the amount of funds held by the council over and above the amount of annual precept. The minutes of the meeting held in May 2024 record that a reserve has been created as a 'fighting fund' for future planning proposals. The council may wish to consider whether this is good value for the council taxpayer who has had to pay into the precept over the years but may feel they are seeing little return for doing so, and no defined use for their contributions, apart from a nebulous possibility that some money may be spent in the future on an unknown outcome.</p> <p>For reference, proper practices paragraphs 5.31 to 5.29 refer: 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 net revenue expenditure.</p> <p>There is, in practice, no upper or lower limit to [earmarked reserves] save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated.</p>	✓

	<p>3. Ensure the precept received in the accounts matches the prior year submission form to the relevant authority and the public record of precepted amounts</p> <p>Comment: The minutes of the council meeting held 11/01/2024 record agreement to set the precept at £2,335.85 for the 2024/25 financial year. However, the first half of that precept was paid to the parish council before the end of the 2023/24 financial year and, because the council works on Receipts and Payments basis, it had to be included (as precept) in the 2023/24 accounts.</p> <p>The second half of the 2024/25 precept, ie the only amount of precept received in this financial year, was received appropriately and is recorded in the parish council's cashbook.</p> <p>This explains why the AGAR for 2024/25 will show the precept receipts as previous year: £2, 225 (2023/24 full year) + £1,167 (2024/25 half year) ie £3,392 and the current year £1,168 (2024/25 half-year).</p> <p>The early payment has skewed the figures and an explanation as to the variance will need to be provided.</p>	✓
E	Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.	
	<p>Comment: The parish council's income is based on the annual precept received in two equal 6-monthly instalments, and reimbursements for operating the Lengthsman scheme partnership with the county council. The reimbursements are identified in the cashbook and linked to the payments to the Lengthsman.</p> <p>The council makes no VATable supplies.</p>	✓
F	Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for	
	A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not covered" response is frequently required in this area.	
G	Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	
	The council employs no staff members.	N/A
H	Asset and investment registers were complete and accurate and properly maintained.	
	<p>Tangible Fixed Assets:</p> <p>1. Ensure the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets</p> <p>Comment: The Asset Register has been updated and now includes the recently purchased noticeboard, which should be at purchase cost only (£1,413, see H2).</p>	✓

	<p>2. Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement</p> <p>Comment: The asset register could be augmented to not only show the H2 information, but also the location of each asset.</p>	✓
	<p>3. Ensure the asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals</p> <p>Comment: The value is expected to be last year's value + new purchases ie £8,967.</p>	✓
	<p>Borrowing and Lending:</p> <p>1. The council has not borrowed any money.</p>	✓
	<p>2. Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt.</p> <p>Comment: The council has a 'loan account' with Bromsgrove District Council, whereby BDC has borrowed £2,000 from Frankley PC and the original agreement would have stated annual interest would be paid to the parish council.</p> <p>Instead of being known as a 'loan' it is likely this agreement will now be identified as a short-term investment, and it is recommended the parish council takes steps to claim payment of all unpaid interest.</p>	✓
I	Bank account reconciliations.	
	Periodic bank account reconciliations were properly carried out during the year (see objective A).	✓
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	
	The council's annual turnover is less than £200,000 and it has chosen to prepare its accounts on receipts and payments basis. The cashbook is supported by an adequate audit trail with reference to invoices and bank statements. It would help towards openness and transparency for all numerical amounts to be recorded in the minutes as a list of payments agreed. This list to refer to the invoices received for each quarter and may relate to amounts already paid under delegated authority, or amounts to be paid, as well as a record of all receipts.	✓
K	If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	
	1. IAs should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000)	✓
	<p>2. The correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline.</p> <p>Comment: The AGAR is dated 11/05/2024 however there is no reference in the minutes of the meeting held 9th May 2024 of approval for the annual governance statement, the annual accounting statements or the exemption certificate.</p>	X

	3. That it has been published, together with all required information on the Authority's website and noticeboard Comment: There is evidence that all the required information has been published on the website.	✓
L	The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with the relevant legislation	
	<p>IAs should review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation. The relevant legislation includes: Fol Publication Scheme Accounts and Audit Regulations 2015 Transparency Code for Smaller Authorities 2014 (NB mandatory if annual turnover is less than £25k) Comment: The current website's functionality is limited. The parish council may wish to consider setting up its own standalone website due to the uncertainty of whether the WCC website facility will continue after May 2027 (creation of unitary authority).</p>	✓
M	The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	
	<p>1. IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection. Comment: The appropriate dates and notice period have been provided; however, the notice should include the two A4 pages of information relating to Public Rights, titled 'Local Authority accounts: a summary of your rights'. This is clearly specified in the PKF Littlejohn instructions.</p>	✓
	<p>2. IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR. Comment: As mentioned above at K2, there is no record in the minutes of the 2023/24 AGAR being approved.</p>	x
N	The authority complied with the publication requirements for the prior year AGAR.	
	<p>Apart from the missing information relating to public rights, the authority complied with the publication requirements.</p>	✓
O	Trust funds (including charitable) - the Council met its responsibilities as a trustee	
	<p>N/A</p>	n/a

Gill Lungley, 11/05/2025

Appendix A

Test sample of payments made .

Month	Item	Gross Amount	VAT recorded	Approval minute ref	Payment same as minuted	Date paid on bank statement
Apr 24	Lengthsman training	£170.00	0.00	See note 1	See note 2	18/04/24
Apr24	Insurance	£196.00	0.00			18/04/24
Jul24	Hall hire	£25.00	0.00			31/07/24
Dec24	Road salt	£158.12	0.00			25/01/25
Mar25	Noticeboard	£1,695.70	282.62			11&12/03/25

Notes:

1. No specific payments have been minuted.
2. The minutes do not record the amounts to be paid relating to each invoice.
3. No statutory authority has been recorded for agreeing any payment.

Receipts				
Month	Payer & reason	Amount	Minute ref.	Bank statement
Jun24	WCC: Lengthsman reimbursement	£180.00	Not minuted	18/06/2024
Sep24	BDC: precept (half)	£1,167.92	Not minuted	01/10/2024

Bank reconciliation based on bank statements to 31/03/2025 and cashbook record.

Opening balance as at 01/04/2024 as per AGAR 2023/24 box 7:		
Treasurer's Account	£17,311.62	
BDC Short-term investment	£2,000.00	£19,311.62
From cashbook to 31/03/2025:		
Add total receipts to date	£3,790.52	
Less total payments to date	-£4,500.40	(£709.88)
	A	£18,601.74
Closing balance as at 31/03/2025 from bank statements:		
Treasurer's Account	£16,601.74	
BDC Short-term investment	£2,000.00	
	B	£18,601.74
A - B = £0 difference		

B = Closing balance as at 31/03/2025, as per AGAR 2024/25 box 7.