

Rackheath Community Council

Internal Audit Report Financial Year 2023/24

Including Explanatory Notes for Annual Return
(where a 'no' has been marked)

Prepared by Peter Strange MBA, BSc, DTS.

21st June 2024

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Name of council	Rackheath Community Council	
Name of clerk	Aileen Beck	
Phone no for clerk	01603 920990	
Name of Chair	Pippa Nurse	
Total receipts	£760,483	
Total payments	£293,873	
Reserves	General £ tbc	Earmarked £ tbc
Website address: https://www.rackheathparishcouncil.org.uk/		
Clerk's e-mail address: clerk@rackheathparishcouncil.org.uk		
Chair's e-mail address: pippanurse@rackheathparishcouncil.org.uk		

I have completed an internal audit of the accounts and records for Rackheath Community Council for the year ending 31st March 2024. My findings are detailed below using the tests provided in the Norfolk ALC training and guidance for Internal Auditors.

I would like to thank the Clerk/RFO and Facilities Co-ordinator for providing me with all the information required for the Internal Audit, for providing a well-managed and clear set of records and for responding positively to my enquiries.

<p>A. Appropriate accounting records have been properly kept throughout the financial year</p>	<p>The council subscribes to "Scribe" which the clerk maintains as a cash book. The records are up to date and well maintained. These records are routinely and regularly reconciled and reported monthly to members at the appropriate Community Council meetings.</p> <p>Council minutes are up to date and have been initialled and signed.</p>
<p>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for</p>	<p>The council has in place a set of standing orders and financial regulations that were last reviewed in April and February 2023 respectively and are overdue for a further review. These are based on the NALC 2018 model S.O.s and would benefit to being aligned with the latest versions. In particular, I noted that the threshold limits currently sit at £25,000; while consistent this differs from the current suggested levels of £30,000.</p> <p>I Recommend that this is reviewed.</p> <p>I tracked a number of payments through the system and all could be accurately traced and had been properly treated. Rackheath operate a dual signatory system for payments. VAT was properly accounted for and reclaimed. Rackheath CC do not operate a charge card.</p>

<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>The Council carried out an annual risk assessment or review of their risk management scheme in May 2023.</p> <p>Insurance cover is appropriate and adequate, although given that the council holds significant levels of reserves, they may wish to increase their fidelity insurance cover to provide protection for the full level. This could form part of the investment review (see below).</p> <p>I recommend that the council increase its fidelity insurance cover to match its reserves.</p>
<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate</p>	<p>The precept was agreed at the December 2022 and December 2023 meetings and the requests were lodged with the district council in an appropriate and timely fashion.</p> <p>Progress against the budget is monitored quarterly and reported to an appropriate meeting of the council, although it was noted that following some upheaval associated with the departure of the previous clerk and the use of a locum this had not been consistently followed through.</p> <p>I recommend that members ensure that they receive quarterly updates on progress against budgets, reassure themselves about issues associated with any significant variances and make any necessary changes and adjustments.</p> <p>Reserves stand at the equivalent of approximately 300% of one year's expenditure and no discussion has occurred about whether these are general or earmarked. These reserves are currently kept in ordinary bank accounts. They are in excess of the FSCS compensation limit and are hence more exposed than is prudent.</p> <p>I would recommend that the council urgently puts in place an investment strategy to ensure that they are achieving the best return possible on the significant reserves they hold; and that these reserves are protected in so far as is possible.</p>

<p>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for</p>	<p>Income was all properly received and accounted for. Rackheath CC has on occasion considered banking arrangements for its large reserves, however I think that a more structured and considered investment strategy is warranted (see above). VAT was properly claimed and accounted for.</p>
<p>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.</p>	<p>Rackheath CC do not operate a petty cash system.</p>
<p>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</p>	<p>Rackheath CC has 2 employees, the clerk/RFO and the facilities Co-ordinator. Records have been examined, they are properly reported and approved, and PAYE and NI are properly applied and accounted for.</p>
<p>H. Asset and investments registers were complete and accurate and properly maintained</p>	<p>The council maintains an asset register which was last updated in March 2024. Most assets are now valued at acquisition cost, although historical assets for which the acquisition value is not known are sometimes valued at £0 and sometimes £1, normal practice is for them to be valued at £1. I recommend that historical assets in the register where the original purchase price is not known are valued at £1 henceforth. In the past assets have been valued at their replacement cost, which has resulted in inflated valuations and a significant movement in this year's stated figure. Rackheath has a system for checking the condition of assets and for escalating problems if any are identified. An annual check on the condition of play equipment is carried out by RoSPA. The council has adequate insurance cover for its assets. The council has a PWLB loan which currently sits at £76,500. This loan is correctly reported and monitored by full council.</p>
<p>I. Periodic bank account reconciliations were properly carried out during the year</p>	<p>The bank accounts are reconciled prior to every meeting (monthly) and at year end</p>

<p>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</p>	<p>Accounts are based on receipts and payments supported by physical evidence which married to the cash book.</p> <p>This year Rackheath has exceeded the £200,000 threshold for expenditure. This level of business is likely to continue into the future, which would necessitate them moving from receipts and payments to income and expenditure. At the point this occurs Rackheath would be required to restate their previous year's AGAR. In preparation for this:</p> <p>I recommend that Rackheath Community Council set a year end date when they will move to income and expenditure and that in the year leading up to this date, they run both systems side by side to facilitate easy transition.</p>
<p>K. If the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt</p>	<p>Not applicable.</p>
<p>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</p>	<p>Rackheath has properly published relevant information on: https://www.rackheathparishcouncil.org.uk/</p>
<p>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</p>	<p>Public rights have been properly advertised on Rackheath CC's website and are minuted. The availability period was sufficiently long and included the first 10 working days in July</p>
<p>N. The authority has complied with the publication requirements for 2022/23 AGAR</p>	<p>Yes, all items are freely available via the website.</p>
<p>O. Trust funds (including charitable) – The council met its responsibilities as a trustee</p>	<p>Rackheath does not operate any trust funds.</p>

Summary of recommendations

Section B I recommend that the upper limit for contracts that require no tendering process and the lower limit for those that do, is amended to £30,000 in line with current recommendations.

Section C I recommend that the council increase its fidelity insurance cover to match its reserves.

Section D I recommend that members ensure that they receive quarterly updates on progress against budgets, reassure themselves about issues associated with any significant variances and make any necessary changes and adjustments.

I would recommend that the council urgently puts in place an investment strategy to ensure that they are achieving the best return possible on the significant reserves they hold; and that these reserves are protected in so far as is possible.

Section H I recommend that historical assets in the register are valued at £1 henceforth.

Section J I recommend that Rackheath Community Council set a year end date when they will move to income and expenditure as their accounting method and that in the year leading up to this date, they run both systems side by side to facilitate easy transition.

Peter Strange
June 2024