



Internal Audit Report.

This audit report is to read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return.

Council:	Metheringham, Sots Hole and Tanvats Parish Council
Internal Auditor:	Andrew Everard
Year Ending:	31 st March 2023
Date of Report	27 th July 2023

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-today function of the council through its staff and management and not left for internal audit. Internal Audit is not a detailed inspection of all records and transactions of a council to detect error or fraud. Through testing of systems and processes it may highlight weaker controls and some risks that need to be mitigated. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

Councils are required to follow Proper Practices and the internal audit process we follow are both set out in JPAG The Practitioners' Guide 2022-23 which the RFO should have in their possession.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

Lincolnshire Association of Local Councils

Internal Audit Report.

To the Chairman of Metherringham, Sots Hole and Tanvats Parish Council

I have examined council business including policies, agendas & minutes, accounting and financial statements and other documents relevant to this audit.

Several areas were identified where action is recommended and are offered as suggestions for improvement.

This internal audit has been undertaken in the knowledge that the Council has not had a Clerk in post for 8 months of the financial year and duties have been undertaken by locum Clerks when available. This has hampered the ability of the parish council to keep on top of all administration throughout the year, however, steps have been taken to catch up and start to introduce better practices where required.

The Parish Council's Financial Regulations state

1.13. The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:

- setting the final budget or the precept (council tax requirement); approving accounting statements; approving an annual governance statement; borrowing; writing off bad debts; declaring eligibility for the General Power of Competence; and*
- addressing recommendations in any report from the internal or external auditors, shall be a matter for the full council only.*

2.10. The RFO/Clerk shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.

Previous audits

I reviewed the previous year's annual internal audit report from May 2022. There was no detailed narrative report provided about the testing completed.

The External Auditor's report for 2021-22 financial year should be published by the parish council by the end of September 2022 and it was not on the website. This is mandatory and should be added to the 2021-22 audit documents on the website.

The External Auditor's report did raise an issue about whether the expenditure figures in the 2021-22 Annual Accounting Statement were mixed up between Box 4 and 6, however, as part of this year's internal audit the new Clerk and internal auditor contacted the external auditor and established that the issue they raised came from the inaccurate explanations given in the Explanation of Variances submitted by the parish council and the figures did not need restating.

The external auditor also recommended that reserves were reviewed, and the parish council had completed this task on 19th April 2023 (minute 4d).

Council management and governance.

- Most of the council policies are being reviewed and these are to be loaded onto the website along with review dates. The following statutory policies were not on the website and should be readily available
 - Code of Conduct (recommended that the Council adopt the model LGA Councillors' Code of Conduct issued in 2020 (and any updates) which is now in use by NKDC).
 - Complaints Procedure
 - Public Liability and Employer's Liability Insurance
 - Publication Scheme (Ss 18-19 Freedom of Information Act 2000)
 - Data Protection Policies – covering Subject Access Requests, Data Breaches, Records Retention.

Finance and Transparency

- The Council has not published a list of payments approved throughout the year with the minutes, however, work has now been completed by the Clerk, an accountant and Chair of the Finance Committee so the payments can be published for 2022-23 financial year imminently.
- The minutes were written and approved throughout the year but due to there being no Clerk for some months and no access to the website it has taken time to get the minutes published. Work is now taking place on getting the website up to date.
- The minutes of 19th April 2023 contain the approved budget and reserves but the figures have not appeared on the website – it is recommended that this is corrected to improve transparency.
- The Council does not have a Freedom of Information Act Publication Scheme in place yet although it is mandatory and this has been a requirement since 2001. This will improve transparency because it will define what information will be published by the Council, the method it will provide information and any charges it will apply for providing copies.
- Minutes for March 28th 2023 Item 2a there is a declaration of interest but it is not recorded if the councillor left and returned to the meeting when considering the agenda item. Councillors should check carefully if draft minutes are correct before adoption as a record of the proceedings of the council.
- The Asset Register needs to be updated so it complies with the standard specified in the Practitioner's Guide and it may be published on the website once this work is completed. This may lead to the figures stated as at 31March2023 having to be restated on the AGAR for 2023-24 financial year.
- Bank reconciliations must be completed at least quarterly in accordance with paragraph 2.2 of the Council's Financial Regulations.
- Regular budgetary control should take place in accordance with Section 3 and 4 of the Council's Financial Regulations.
- Authorised payments should be published within or as an appendix to the minutes in accordance with paragraph 5.2 of the Council's Financial Regulations.
- The approved budget and the precept for 2022-23 was not published in the minutes or on the website when it was approved on 25th January 2022. It is very difficult to monitor the budget in accordance with Section 3 and 4 of the Council's Financial Regulations if it has not been formally approved and minuted by the council.
- Reserves were reviewed on 25th January 2022, however, the reserves came to £319,540.17 while the bank balance was £317,883.11.
- The accounting system was not maintained while the Council did not have a Clerk and there was difficulty accessing the bank account due to a lack of bank signatories this made completing bank reconciliations, paying suppliers and monitoring the budget difficult during 2022-23 but checks made on the bank balances and accounting records for the AGAR as part of the year-end financial checks show that the payments have been made and the accounting records have now been updated and reconciled to the bank account balances.
- Cash payments received were held by the council along with petty cash during the financial year due to the problems accessing the bank account increasing the risks to council loss, however, this situation has now been resolved and minimal petty cash will be held for the rest of this financial year.
- Direct debits are being used by the parish council. There is no evidence that the parish council has reviewed by resolution the direct debits being paid to utilities in the last two years in accordance with paragraph 6.7 of the Financial Regulations and standing orders with the bank in paragraph 6.8.

- All spending by a parish council must be made under a statutory power. Some spending may be made even if you do not have a spending power and these should be recorded - many of these will be for grants and donations to benefit the community. The Council did not have a record of the payments it had made under S.137 Local Government Act 1972. The Council must monitor its spending using this power as the official spending limit is set by the Secretary of State each financial year. The financial limit set for 2022-23 financial year was £8.82 per elector. It is recommended that approval of this expenditure is clearly set out in minutes and financial statements to prevent inadvertent unlawful spending occurring.
- The scheme of delegation in paragraph 4.1 of the Council's adopted Financial Regulations it is unclear who is responsible for authorising payments between £500 and £5,000 and no committee has any delegated spending authority. Based on practice the Council has responsibility to approve all payments over £500 and it may be possible to delegate to a committee to also approve payments from £500 to £5000 or some other figure decided by the Council. I recommend the parish Council consider how they wish this to operate in future as the 2022-23 Financial Regulations are unclear.

Taken from the NALC model template Financial Regulations the paragraph reads

4.1. 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:

- *the council for all items over [£5,000];*
- *a duly delegated committee of the council for items over [£500]; or*
- *the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below [£500].*

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the appropriate Chairman.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

- A risk register was not identified during the internal audit.
- A risk register would have helped the council deal with the situations that arose during the financial year namely; loss of key staff and councillors, back-ups of documents and passwords, maintaining enough bank signatories to prevent loss of access and many other financial and operational situations that may arise.
- Paragraph 14.6, Section 15 and 16 of the council's Financial Regulations require the council to put in place risk management measures (also see the Practitioners' Guide for further guidance).
- I was verbally assured that regular checks are being undertaken on the equipment and assets held by and maintained by the parish council. Some written words were evident on the asset register. I would recommend that a list of officers, committees and councillors with their specific responsibilities is put in place and at least a quarterly check is put on an agenda to ensure that checks, updates and issues identified are minuted regularly throughout the year. This may be delegated to Finance Committee and reported to the full Council. Certain items will need regular checks such as weekly or monthly but the Council should minute quarterly that these are being carried out and any issues are being picked up and dealt with.
- It is the responsibility of the Council to approve the budget and for the Council and Committees all spending on items except where delegated to an officer and to also monitor spending against the

approved budget. At least two members of the parish council (not related, in a relationship or occupying the same household) should authorise payments in accordance with Financial Regulations. The Council should decide how many councillors should have this authority (more than two).

- A Finance Committee should be in place to improve governance and monitoring of spending and to monitor financial and other risks.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

The budget and precept were approved by parish council in January 2022 but no figures were minuted or published with those minutes so it cannot be certain what was approved for the 2022-23 financial year. The minutes of a parish council should be kept for perpetuity as an historical record of the decisions made by the parish council. If it not clear from the minutes what was decided (without reference to other documents that are not part of the minutes) they are not fulfilling their purpose. There is no evidence that progress against budget was monitored and minuted during the financial year. Reserves had been approved in January 2022 and reviewed again in April 2023.

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.

Internal audit reviewed this area in May 2022. It was not covered in this internal audit. Some staff posts were vacant during this financial year. Staffing costs were reduced during 2022-23 financial year. Work on this area will be picked up in 2023-24 financial year.

H. Asset and investments registers were complete and accurate and properly maintained.

The council needs to complete a full review of the Asset Register to ensure that it complies with the guidance in the Practitioner's Guide for valuations and to ensure all assets have been identified. It is expected that the 'previous year' figure in the 2023-24 AGAR will need to be restated once this review is completed.

I. Periodic bank account reconciliations were properly carried out during the year.

Due to not having an RFO during most of the financial year and limited payments and bank account access for some time during 2022-23 financial year regular bank reconciliations did not get carried out. This is expected to be addressed by the Council now bank account access, regular payments and approval practices are in place. End of year bank reconciliation was completed. Internal audit in financial year 2023-24 will check for this.

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.

The Council is not covered by the Transparency Code because its expenditure/ income is in excess of £25,000 and below £200,000, however, it is covered by the Freedom of Information Act and should have a Publication Scheme in place to meet its statutory obligations. The website was in the process of being updated during the internal audit and financial accounts and the AGAR documents are expected to be published as specified on in the guidance notes printed on the AGAR itself (copied below) to meet statutory requirements.

The 2021-22 financial year external audit report issued at the end of September 2022 should also be published alongside the accounts for that year.

Publication Requirements Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage: Before 1 July 2023 authorities must publish: • Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited; • Section 1 - Annual Governance Statement 2022/23, approved and signed, page 4 • Section 2 - Accounting Statements 2022/23, approved and signed, page 5

Not later than 30 September 2023 authorities must publish: • Notice of conclusion of audit • Section 3 - External Auditor Report and Certificate • Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review. It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3

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 the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set)

The parish council has published a notice for the prior year on the website. It has also published a paper notice at the Parish Council Office for 2022-23 financial year. It has not published a notice on the website yet, but the website is being updated. Having reviewed the minutes the dates of public inspection were not set by resolution of the council.

N. The authority has complied with the publication requirements for 2021/22 AGAR

This internal audit statement has been covered in item L above.

SIGNATURE REDACTED

Mr A. Everard MBA, BA(Hons), IRRV(Hons), FMAAT, Assoc CIPD, MCFI

Internal Auditor

Lincolnshire Association Local Councils

Date: 27th July 2023