

## Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Scalford Parish Council		
Name of Internal Auditor:	Hannah Shaw	Date of report:	04/05/2022
Year ending:	31 March 2022	Date audit carried out:	04/05/2022

*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-to-day function of the council through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.*

***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.***

### To the Chairman of the Council:

#### Overview and Observations:

In accordance with the terms of my engagement, I undertook a review of Scalford Parish Council's accounts, records, policies and procedures for the financial year ending 31st March 2022, following which I completed and signed the Annual Internal Audit Report, of the Annual Governance and Accountability Return 2021/22 Form 3.

Through a virtual meeting with the Clerk and by inspection of information publicly accessible via the Council's website, I was able to review aspects of the Council's systems including payroll, bank reconciliations, risk management, Council owned assets, budgetary control and the Exercise of Public Rights.

Scalford Parish Council has 6 seats (3 quorum) and employs one member of staff, Chris Hill, who is the Clerk and Responsible Financial Officer to the Council and Registrar for Burials. There are no committees and all matters are dealt with at full Parish Council meetings.

The Council banks with HSBC and the Clerk/RFO is the only person who has access to the online banking facilities in order to make payments. Councillors authorise payments at Parish Council meetings and up-to-date bank statements are presented, whereby they are reconciled, approved and signed by a Councillor. Cheque payments are now a rarity. All payments are detailed on Council meeting agendas and minutes (with one exception – please see below), as are bank balances. Ideally, the Parish Council's online banking facility should offer two person authorisation before

payments are made, however, I appreciate there are few banks who offer this service and the controls in place to protect the Council from financial risk, are satisfactory.

The Council uses their own system for recording income and expenditure on a Receipts and Payments basis and all transactions are updated on a very comprehensive spreadsheet by the Clerk/RFO. VAT reclaims are up-to-date and payroll is outsourced to Early Years Bookkeeping which is considered best practice, however, this is not reflected in the Council's Statement of Internal Control which was prepared in 2015 and last readopted in May 2021.

The Council owns and maintains various areas of land, including two allotment sites, the Cemetery, a closed Churchyard and many items of street furniture, as detailed in the Assets Register which is published to the Council's website. This is regularly updated and I believe the Council's insurance schedule compares appropriately.

Scaford Parish Council has public and employer's liability insurance arranged through BHIB which is reviewed annually, although the current year's insurance certificate is not available to view on the Council's website. The Clerk has since provided me with the details and I believe the level of cover would be sufficient for the Council's needs.

The Council has various policies available to view on their website including Equal Opportunities, Complaints, Data Protection, Data Breach and a Financial Reserves policy. I would recommend reviewing and updating Council policies where necessary and consider adopting a Health and Safety policy. I would also advise reviewing the Council's current Risk Assessment to include business continuity and the risks associated with online banking and perhaps consider adopting site specific risk assessments for the park, cemetery and Churchyard.

I have seen evidence that adequate budgetary controls are in place and having read through the 2021 minutes of Council meetings, I can see evidence the Council had set a budget for the current 2022-23 financial period of £22k, in preparation for approving the precept of £18,000.

Scaford Parish Council continue to carry forward high financial reserves of £47k, however, upon further investigation, approximately £28k of these funds are earmarked for works to a railway line abutment where a bridge once stood and is now at risk of collapse. This area of land was bequeathed to the Parish Council by a parishioner. Quotations to date are in the region of £30k. Once work is complete and with the planned deficit of £4k during the 2022-2023 financial year, reserves will be within the recommended guide of 3 to 12 month running costs.

During a transaction spot check, I was presented with clearly signed and authorised receipts and invoices of expenditure, however, a claim for Councillor expenses dating back to May 2021 was not minuted as being authorised for payment at a Parish Council meeting. Following an explanation given to me by the Clerk, I accept this was by simple mistake and does not reflect usual practice, in what are otherwise very well maintained accounts and documents and therefore, no further action is required.

Upon review of the internal audit carried out for the 2020/2021 financial period, a recommendation was made that consideration be given to the Council's website utilising an exclusive GOV.UK domain name and that this domain name should also be used to support the Council's official email accounts, for both officers and councillors. The Council resolved at the June 2021 meeting, not to action this recommendation, as it was considered too costly and is not a mandatory requirement.

**Recommendations:**

<b>Area for Consideration/Improvement</b>	<b>Recommendation</b>
Banking – consider bank account with two Councillor authorisation	Councillors to consider alternative banking facilities to enable the Clerk to set up payments and for two Councillors to authorise payments.
Register of Members' Interests	Suggest adding a link to Parish Council's website, to details held on Melton Borough Council's website.
Exercise of Public Rights	Consider minuting the agreed dates for the Exercise of Public Rights when approving the AGAR.
Statement of Internal Control – review and update	Clerk/RFO to consider reviewing and updating the Council's Statement of Internal Control to reflect any changes in banking and payroll arrangements.
Risk Assessment – review and update	Consider a review of the Council's Risk Assessment to include business continuity and also the risks associated with online banking. Consideration should be given to adopting site specific risk assessments for the park, cemetery and closed churchyard.
Council Policies – review and update where necessary	Clerk to review and update Council policies where required and consider adoption of a Health and Safety Policy.
Insurance Certificate – not published on website	Consider publishing annual public liability and employers' liability insurance certificate/s on website as best practice.
Legal Power of Expenditure	It is good practice to record the legal power of expenditure against transactions made and should be given due consideration.
Receipts and Invoices claimed as expenses	Councillor expenses claims should be presented to Council in the same way other payments are authorised and minuted accordingly. I acknowledge this is usual practice.

**Summary:**

The report and findings are based on the information that was made available to me during the course of the audit. I am satisfied there are good internal control measures in place to protect the Parish Council from financial risk.

To the best of my knowledge, all accounts and bank balances appear to be in order and accurate based on the information to hand, however, this internal audit does not involve the detailed inspection of all records and transactions of the Parish Council in order to detect error or fraud.

With many thanks to, Chris Hill, Clerk and RFO, for his diligence in preparing the necessary documentation for the purpose of this internal audit.

Yours sincerely,

Mrs. Hannah Shaw  
Internal Auditor to the Council  
01530 249945

The figures submitted in the Annual Governance and Accountability Return are:

	<b>Year ending 31 March 2021</b>	<b>Year ending 31 March 2022</b>
1. Balances brought forward	68163	42925
2. Annual precept	17000	17000
3. Total other receipts	10663	11724
4. Staff costs	6367	6580
5. Loan interest/capital repayments	0	0
6. Total other payments	46534	17986
7. Balances carried forward	42925	47083
8. Total cash and investments	42925	47083
9. Total fixed assets and long-term assets	159138	159138
10.Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *JPAG Practitioners Guide 2021*. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<https://www.leicestershireandrutlandalc.gov.uk/uploads/practitioners-guide-2021-1.pdf>