

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:	11/05/23
Year ending:	31 March 2023	Date audit carried out:	09/05/23

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 proper practices referred to in Accounts and Audit Regulations are set out in JPAG Practitioners Guide 2022. 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.

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 2023, following which I completed and signed the Annual Internal Audit Report, of the Annual Governance and Accountability Return 2022/23 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 Parish Council meetings.

Following a recommendation made last year, the Council now banks with Unity Trust Bank which has a two Councillor authorisation facility for payments set up by the Clerk/RFO. Full Council authorise payments at Parish Council meetings and up-to-date bank statements are presented, whereby they are reconciled, approved and signed by a Councillor. All payments are detailed on Council meeting agendas and minutes (with two exceptions – please see below), as are bank balances.

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. The Council are registered with the Pensions Regulator and there is a strong Statement of Control in place to further protect the Council from financial risk.

Scaford Parish Council does not hold General Power of Competence. Section 137 payments are recorded separately, detailed in Council meeting minutes and are within the limits set for the 2022/2023 financial year.

As discussed with the Clerk/RFO, it is good practice to record the Legal Power of Expenditure against each transaction within the accounts, the minute reference of the approved expenditure and the minute reference of the approved payment. This will also help when conducting transaction spot checks during future audits.

Scaford Parish Council has public and employer's liability insurance arranged through BHIB until 11th August 2023 on a 3 year agreement and following a recommendation made last year, the current year's insurance certificates are now published to the Council's website. I believe the level of cover would be sufficient for the Council's needs.

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 also published to the Council's website.

Agendas and minutes of Parish Council meetings are available to view on the Council's website. Minutes are published within the required 28-day period and are marked as draft until being confirmed and signed by the Chairman at the following meeting and agendas include a publication date. Payments and bank balances are also routinely minuted at every meeting. With regards to the Exercise of Public Rights, it is good practice to minute the dates upon approval at a Parish Council meeting.

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 again recommend consideration be given to adopting a Health and Safety policy. I would also advise reviewing the Council's current Risk Assessment to include business continuity. I am pleased the Council have now adopted site specific risk assessments for the Cemetery and Churchyard.

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

Scaford Parish Council continue to carry forward slightly high financial reserves of £53,530 however, approximately £28k of these funds remain earmarked for works to a railway line abutment where a bridge once stood and is now at risk of collapse. Quotations to date are in the region of £30k. The Council are also considering LED conversion of Parish Council owned streetlights. Once these works are complete, reserves will be within the recommended guide of 3 to 12 month running costs. Based on the Council's expenditure during the 2022-2023 financial year, there is approximately 13.5 months running costs in reserves, including those earmarked. It would be wise for the Council to carefully monitor reserve levels moving forward in line with their Financial Reserves Policy.

Councillor Declarations of Interests are not published to the Council's website and I would advise publishing the following link to Melton Borough Council's website which should contain the relevant documents. <https://www.melton.gov.uk/your-council/councillors-and-committees/parish-councillors-interests/>

During a transaction spot check, I was presented with clearly signed and authorised receipts and

invoices of expenditure, however, there were two minor inconsistencies whereby a payment had not been agreed or minuted at a Council meeting and one payment which had been recorded incorrectly in the minutes. Following an explanation given to me by the Clerk, I accept these mistakes were by simple error and does not reflect usual practice, in what are otherwise very well-maintained accounts and documents.

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 preparing the necessary documentation for the purpose of this internal audit.

Have comments from the internal audit 2021-2022 been addressed?

Recommendation 2021-2022	Comment
Banking – two Councillor authorisation	Yes – Completed. Council now banks with Unity Trust Bank
Register of Members’ Interests	No - Not actioned
Exercise of Public Rights – minute agreed dates	No - Not actioned
Statement of Internal Control – review and update	Recommend this is reviewed again following a change in banking provider
Risk Assessment – review and update	Yes - Consider inclusion of business continuity
Council policies – review and update	Yes – Completed. Recommend adoption of a H&S Policy
Insurance Certificate/s – publish	Yes - Completed
Legal Power of Expenditure - record	No - Not actioned
Receipts and invoices claimed as expenses	Yes – appear OK

Areas in the 2022-2023 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

	Reason
A	
B	
C	
D	
E	
F	
G	
H	
I	
J	
K	
L	
M	
N	
O	

Recommendations for action 2022-2023

Areas for consideration or improvement	Recommendation
Councillor Register of Members' Interests	Suggest publishing a link to Councillors' Register of Members' Interests forms on MBC's website.
Exercise of Public Rights	Suggest minuting the dates for the Exercise of Public Rights upon approval at a Parish Council Meeting.
Legal Power of Expenditure and payment minute references	It is good practice to record the Legal Power of Expenditure, the minute reference of the approved expenditure and the minute reference of the approved payment in the cash book.
Minutes	Ensure all payments are detailed accurately within Parish Council meeting minutes.
Policies	Consider adopting a Health and Safety Policy
Reserves	Monitor reserves in line with Council's own Financial Reserves Policy.
Risk Assessment	Suggest inclusion of business continuity within the Council's Risk Assessment.

Yours sincerely,

Mrs. Hannah Shaw
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The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2022	Year ending 31 March 2023
1. Balances brought forward	42,950	47,083
2. Annual precept	17,000	18,000
3. Total other receipts	11,724	35,494
4. Staff costs	6,580	6,676
5. Loan interest/capital repayments	0	0
6. Total other payments	17,986	40,371
7. Balances carried forward	47,083	53,530
8. Total cash and investments	47,083	53,530
9. Total fixed assets and long-term assets	159,138	159,138
10. Total borrowings	0	0