

What is the Purpose of an Internal Audit for a Parish/Town Council?

Extract from Internal Auditor Forum (IAF)

Internal Audit for Parish and Town Councils is very different from that in organisations covered by the Companies Acts or Charity law. Its purpose is to look at the internal control environment and to ensure that practices and adopted procedures are followed; It is not the role of the Internal Auditor to add up and balance income and expenditure of a council.

For Councils under the £25,000 threshold, the internal audit is the only professional external scrutiny the public body will receive.

The Internal Auditor will provide a comprehensive report as well as complete the appropriate page of the Annual Governance and Accountability Return (AGAR).

Internal Audit Report

Council: **Fosdyke Parish Council 2023/2024**

Period: **1st April 2023 to 31st March 2024**

The requirements of this internal audit were discussed with the Parish Clerk & RFO and Chairman during the onsite visit undertaken on 4th June 2024 5.00pm to 8.35pm.

I carried out physical review of available financial records and other relevant associated documents during the onsite visit and available documentation has also been reviewed on-line via the Councils website:

<https://fosdyke.parish.lincolnshire.gov.uk/>

It is noted and accepted that full financial transactions, policies and supporting paperwork for the administration period 1st April 2023 to 31st March 2024 is not available.

It is further noted that this report and accompanying checklist only covers the period 1st April 2023 to 31st March 2024 and does not consider any matters outside these dates.

The following areas of review were included in the scope of the audit process:

- **Accounting and bank reconciliations**
Review of financial records, cashbook, and invoices that are available to check that records are arithmetically correct, and an audit trail can be found for a random selection of transactions. Bank reconciliations and financial transactions that are available have been reviewed and checked to ensure that they have been signed and authorised as appropriate by the Council.
- **Asset control and risk management**
Review of the council's asset controls and risk assessment procedures.
- **Budget and income**
Covering the Council's budgeting processes and its annual precept request.
- **Governance**
Review of available key governance documents of a local council including Standing Orders, Financial Regulations, Code of Conduct, complaints procedures and insurance cover for the Council.

- **Transparency and requirements of the Transparency Code**
Covering the council's transparency, including, but not limited to data protection procedures, spending authorisation and the Council's publication scheme. This review also covers the Council's requirement to publish documents and records in line with the relevant Transparency Code and best practice.
- **Payroll and HR**
A review of payroll processes and HR policies and procedures including the legal responsibility of the Council in respect of contracts of employment and its undertaking of annual reviews to include the update of post roles and responsibilities and periodic pay scale reviews (where necessary).
- **Proper process and practices**
This includes a review of the processes followed by the council in respect of its legal powers to act, the membership of the authority including whether co-options have been carried out appropriately, declarations of interest are recorded as necessary, and registers of interest are published on the council's website.
- **Review of transactions in the financial year**
A spot check of a random selection of transactions during the financial year. The review checks that there is an audit trail for the transactions from authority to spend through to payment of the invoice.
- **Year-end process**
Reviewing the end of year bank balances, cashbook and ledger and the completion and signing of the Annual Governance and Accountability Return AGAR (once completed).

General

I cannot be satisfied that the accounts and balances for the whole of the 2023/24 financial and administration period are correct as there are no comprehensive records available to view between 1st April 2023 and 31st December 2023. It is noted that financial records from bank statements are to be used as the basis for year end reporting. The nationally appointed external auditor (PKF Littlejohn) will be made aware of this fact by the Council.

The Parish Clerk has maintained accurate documentation for the Parish Council and has kept robust financial records during part of the 2023/24 administration period (1st January 2024 to 31st March 2024) all of which are supported by detailed and accurate records.

The Council and residents have been informed on financial matters through the presentation of updates in agenda documentation by the parish Clerk since January 2024.

A completed LALC checklist accompanies this report and identifies any areas of concern for consideration and action.

Internal Audit

Random transactions between 1st January 2024 and 31st March 2024 were checked during the audit process to establish an effective audit trail from the authority to spend (within minutes) through to payments made.

The Annual Internal Audit Report (AIAR) 2023/24 will be completed in accordance with findings during the audit process once received from the Parish Council. This from (part of the Annual Governance and Accountability Return) will be signed and the year-end process of submitting to the nationally appointed auditor (PKF Littlejohn) must be undertaken by the Parish Council.

FINDINGS:

- **KEY DOCUMENTS AND GOVERNANCE**

Financial Regulations (FR's) – Not reviewed or updated during 2023/24.

Standing Orders – Not reviewed or updated during 2023/24.

Terms of Reference (committees) (ToR's) not / applicable

Meetings – Notes/minutes of meetings are promptly published on the Parish Council website (since January 2024).

Code of Conduct – A code of conduct was last reviewed and adopted in March 2024 and is published on the Council website.

Complaints Policy – Not evidenced.

Insurance Cover – Insurance cover is in place however certification (i.e., Public Liability and Employees liability) is not published on the Councils website (best practice).

Publication Scheme – Not evidenced (legal requirement).

- **TRANSPARENCY**

Previous Internal Audit Report – No previous internal audit report is available.

Provision of Public Rights – There is no evidence that adequate provision was made for the exercise of public rights to inspect accounts (and supplementary documentation) for the financial year and administration period 2022/23. It is noted that an extension to 31st July 2024 has been requested for the 2023/24 period.

Appointment of Internal Auditor - Internal Auditor appointment undertaken via the service offered by the Lincolnshire Association of Local Councils (LALC).

Asset Register – An electronic copy of an asset register was evidenced, but I am unable to find a published version on the Parish Council website. It is noted that the Council is aware that the existing document is not comprehensive, and revisions are necessary.

Health and Safety inspection of assets – A review of documentation to support such inspections was evidenced.

Internal Controls – There is no evidence that adequate Internal Control methods (including policy documents) are available or have been adopted. The Council is aware and is addressing with urgency.

Investment Strategy – The Council may wish to consider adopting an investment strategy to safeguard public funds.

Access to Data – Access to personal and identifiable data and information is suitably restricted with access by staff member only (by way of individual and recorded (data stamped) log-in procedures) only to computer and software programs.

Charities / Trust Funds –The Council holds a separate bank account and clarification is to be sought on the use of funds.

Accessibility – An accessibility statement is now shown on the Town Council website – this has not been reviewed since 2020 but remains operative and compliant.

- **FINANCE**

Expenditure / Income – from a random sample (1st January 2024 to 31st March 2024) no issues were found, and income and expenditure during this period has been reported to and approved by Council. Corresponding invoices and transactions (bank statements) support payments and income is properly recorded and administered.

It is noted that there is no effective audit trail or with satisfactory reports and balances monitored against the agreed budget or reports to the Council during period 1st April 2023 to 31st December 2023.

Bank reconciliations – There is no effective audit trail in respect of bank reconciliation from 1st April 2023 to 31st December 2023. Effective reconciliations have been undertaken 1st January 2024 to 31st March 2024 and from a random sample during this period there are no areas of concern.

Direct Debits, Standing Orders, and regular payments – there is no evidence of such payments being made or authorised by the Council prior to January 2024.

Cheques, Credit and Debit Cards – A review of income/ expenditure (using bank statements) is being undertaken by the Council in respect of payments made during the 2023/24 period.

From a random selection of available payments (1st January 2024 to 31st March 2024) there are no areas of concern, all are supported with corresponding invoices and subsequently reported to Council for approval.

s.137 Payments – One payment (donation) was identified within the accounts – Poppy Wreath 2023.

Borrowings – There is no evidence of any Public Sector (PWLB) borrowings made in the name of the Council.

Precept & Budget – There was no evidence of the undertaking of a suitable budget process to support its precept demand for the 2023/24 period. It is noted that a budget process for 2024/25 was undertaken with the subsequent demand submitted to the District Council.

Internal Transfers / Virements – There is no evidence of any internal transfers or virements during the 2023/24 period.

Earmarked / General reserves – To be reviewed at the next audit.

VAT – VAT for payments/income from 1st January 2024 to 31st March 2024 are recorded correctly and the Parish Clerk has sought guidance on making historic reclaims on behalf of the Council. This process remains ongoing.

- **MANAGEMENT**

Meetings, Minutes & Agendas – from sample evidence it appears that Agendas (including summons to attend) (since January 2024) are made in a timely manner and within legal timeframes. It is noted that the Parish Clerk has attended training and is making best practice alterations to agendas and supporting documentation and is making sure minutes (or notes) are published within the parameters of best practice.

Employment – HR, Payroll Policy, and Rates of Pay – A full review of HR & Payroll processes is excluded from this audit due to limited documentation. It should be noted that historic PAYE and NI matters remain unresolved, but it is noted that the Parish Clerk and the Council is working to address such matters.

- **RECOMMENDATIONS**

The Parish Council should carefully review the accompanying Internal Audit checklist and methodically work through and rectify identified matters and risks.

The Parish Council should ensure it complies with legislative requirements in respect of employment and policy matters with urgency.

The parish Council should seek support and advice from professional bodies (i.e., LALC / NALC) to achieve a basic policy standard at the earliest opportunity and it should look to improve and expand policy and best practice methods and documentation during 2024/25.

A commitment to sector specific training by elected Members and staff should also be undertaken.

The Parish Council should consider publishing all relevant information relevant to the Transparency Code 2015 available via:

https://assets.publishing.service.gov.uk/media/5a809ca840f0b6230269483f/150227_PUBLICATION_Final_LGTC_2015.pdf

Further guidance and advice in respect of proper practice is outlined in the Joint Panel Accountability and Governance Practitioners Guide 2024 available via:

<https://www.nalc.gov.uk/news/entry/2847-nalc-publishes-the-2024-edition-of-the-practitioners-guide>

A newly updated Good Councillor Guide (2024) is available via:

<https://www.nalc.gov.uk/library/publications/4076-the-good-councillor-s-guide-2024/file>

- **CONCLUSION**

During my onsite visit, the Parish Clerk and Chairman were welcoming, polite, and courteous at all times. Queries and questions were answered freely without hesitation and the (limited) supporting documentation they had was openly shared.

The Parish Council is in a difficult position, but it is evident that elected Members want to work for the community and remain dedicated to rectifying issues as soon as possible but it must be acknowledged and accepted that this will take time.

The Parish Council is supported by a dedicated Clerk who has taken on an immense task but is willing to learn to ensure the Council moves forward thereby ensuring historical issues and matters are addressed in a timely manner to promote the effective delivery of Council business.

Steve Fletcher

Mr S Fletcher

On behalf of Lincolnshire Association of Local Councils

16th June 2024