

Internal Audit Report

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

Name of council:	Sutton Cheney Parish Council		
Name of Internal Auditor:	Hannah Shaw	Date of report:	17/04/23
Year ending:	31 March 2023	Date audit carried out:	17/04/23

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 Sutton Cheney 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, Hannah Pickles and by inspection of information publicly accessible via the Council's website and by documentation sent to me by email, 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.

Sutton Cheney Parish Council currently has 7 seats (3 quorum) soon to be increased to 8 seats following a review by HBBC and employs one member of staff, Hannah Pickles, who is the Clerk and Responsible Financial Officer to the Council. There are three committees all guided by the Terms of Reference adopted, which are published to the Parish Council website and are due to be reviewed in May 2023. However, Councillor responsibilities are not defined, nor are their Declaration of Interests forms available.

The Council banks with HSBC and payments are made by online bank transfer or by direct debit. The Clerk is the only person to have access to the online banking, however, two Councillors authorise

financial statements at Parish Council meetings and bank reconciliations are approved, however, these are not currently signed. All financial statements are published to the Council's website and total payments are included in Council meeting minutes. Bank balances are now minuted following last year's recommendation.

As identified during the 2021/22 internal audit, the Parish Council's online banking facility should offer two person authorisation before payments are made and the Clerk informs me a transfer to Unity Trust Bank with this facility, is now in progress.

The controls currently in place to protect the Council from financial risk are adequate but as previously mentioned, these processes should be formalised by the adoption of a Statement of Internal Control, outlining the systems in place. The Clerk records all expenditure and income on a spreadsheet/financial statement on a Receipts and Payments basis and I would recommend attaching the monthly finance statement to the minutes of each meeting. VAT is reclaimed once per year dependent on the level and is up-to-date. The Council do not hold any petty cash funds.

Payroll is outsourced to Screatons Chartered Accountants. The Clerk is unsure of the Council's responsibilities in terms of Pensions, however, I was informed at last year's internal audit that a re-declaration of compliance was submitted to the Pensions Regulator in 2020 indicating that reenrolment is possibly now due. I would advise making contact with the Pensions Regulator and perhaps asking the Council's payroll provider for further information on pensions and the Council's responsibilities as an employer.

The Council own and maintain allotments on land off Blacksmith Lane and a village green. Tenancy agreements are in place for allotment plots and payments are up-to-date. I would again recommend adopting site specific risk assessments for both the allotments and village green and suggest regular, recorded inspections of both areas of land.

The Council have some very comprehensive policies in place, including a Council Risk Management Scheme which is now in need of updating. Upon review, I would advise inclusion of matters pertaining to business continuity and also the risks of online banking. Online banking controls should also be identified for inclusion in a Statement of Internal Control. There is still no Complaints Policy in place and I would advise adopting one as soon as practicably possible.

Sutton Cheney Parish Council has public and employer's liability insurance arranged with BHIB which was reviewed in 2022 and the current policy expires in June 2023. The insurance certificate is published to the Council's website and I believe the level of cover would be sufficient for the Council's needs.

Although, I have seen some evidence that budgetary controls are in place year-on-year in preparation for approving the precept and the Council are currently carrying forward approximately 4.5 months running costs in general reserves, I am concerned regarding the forthcoming financial year which appears to show the Council may not have sufficient funds to cover all costs. I strongly advise that the budget for the 2023/2024 financial year is reviewed as a matter of urgency, to ensure the Council can meet all payments over the coming year, including a contingency for any unexpected costs. Parish Councils should hold between 3 and 12 months running costs at all times and as it stands, according to the Council's own forecast, the Council will struggle to carry forward the minimum requirement of general reserves at the end of this financial year. The Parish Council should also consider increasing the precept for the 2024/25 financial year, to strengthen their financial position moving forward.

All minutes of Parish Council meetings are available to view on the Council's website, are published within the required 28-day period and are marked as 'draft' prior to being approved and signed at the following meeting. Agendas are published on both the website and noticeboards giving the required three clear day's notice, although agendas are no longer available to view once the minutes have been published.

During a transaction spot check, I was presented with supporting invoices of expenditure and bank statements for all transactions selected and the accounts appear to be kept in good order, although a review of how the accounts are presented is recommended and should include the Legal Power of Expenditure along with minute references for each payment.

Summary

The report and findings are based on the information that was made available during the course of the audit. I am satisfied there are adequate 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, Hannah Pickles, 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 – consider two Councillor authorisation	In progress – Councillors to consider alternative banking facilities to enable the Clerk to set up payments and for two Councillors to authorise payments.
Risk Assessment - review	No – Consider inclusion in the Council’s Risk Assessment of the risks associated with online banking and consider business continuity. Also consider adopting site specific risk assessments for the allotments and village green and carry out regular, recorded inspections.
Legal Power of Expenditure	No - It is good practice to record the legal power of expenditure against transactions made including S137 payments.
Exercise of Public Rights	Yes - Consider minuting the agreed dates for the Exercise of Public Rights when approving the AGAR
Minutes and bank reconciliations	No – Ensure that all pages of Council minutes are initialled by the Chairman and both bank and financial statements presented to the Council, are signed by two authorising Councillors.
Asset Register	Yes – Restate the correct total value of the asset register on the 2021/22 AGAR for the 2020/21 financial period and an explanation is provided to the External Auditor.
Complaints Policy and Statement of Internal Control	No – Consider adopting a Complaints Policy and a Statement of Internal Control.

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
Agendas	Consider retaining agendas on the website in the interest of transparency.
Banking – consider two Councillor authorisation	Councillors to consider alternative banking facilities to enable the Clerk to set up payments and for two Councillors to authorise payments. I believe this is now in progress.
Budget and Precept – review and action	I strongly advise that the budget for the 2023/24 financial year is reviewed as a matter of urgency, to ensure the Council have sufficient funds to meet all commitments. Consider increasing the precept for the 2024/25 financial year to ensure between 3 and 12 months running costs are held at the end of the next financial year.
Complaints Policy and Statement of Internal Control	Consider adopting a Complaints Policy and a Statement of Internal Control.
Councillor Responsibilities and Declaration of Interests - publish	Consider adding membership of PC Committees to Councillor information on the website and adding a link to the Declaration of Interests forms published on the Borough Council's website.
Legal Power of Expenditure	It is good practice to record the legal power of expenditure and minute references against transactions made, including S137 payments.
Minutes and bank reconciliations	Ensure all pages of Council minutes are initialled by the Chairman and both bank and financial statements presented to the Council, are signed by two authorising Councillors. Consider attaching financial statements to the minutes for publication.
Pensions Compliance	Contact the Pensions Regulator to ensure re-enrolment duties are up-to-date.
Risk Management Scheme- review	Requires update. Consider inclusion in the Council's Risk Management Scheme of the risks associated with online banking and consider business continuity. Consider adopting site specific risk assessments for the village green and allotments and record inspections.

Yours sincerely,

Mrs. Hannah Shaw
Internal Auditor to the Council
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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	16,140	17,030
2. Annual precept	14,578	16,949
3. Total other receipts	16,976	14,481
4. Staff costs	6,928	7,839
5. Loan interest/capital repayments	0	0
6. Total other payments	23,736	27,257
7. Balances carried forward	17,030	13,364
8. Total cash and investments	17,030	13,364
9. Total fixed assets and long-term assets	78,390	78,390
10. Total borrowings	0	0