

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:	12/04/24
Year ending:	31 March 2024	Date audit carried out:	09/04/24

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 2024, following which I completed and signed the Annual Internal Audit Report, of the Annual Governance and Accountability Return 2023/24 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.

Following a review carried out by HBBC and the May 2023 elections, Sutton Cheney Parish Council now has 8 seats (quorum 4) and employs one member of staff, Hannah Pickles, who is the Clerk and Responsible Financial Officer to the Council.

There are two committees guided by the Terms of Reference adopted, which are published to the Parish Council website and were last reviewed in 2018 (HR Committee) and 2021 (NP Committee), however, the Finance Committee has dispersed since last year's audit and all financial matters are now considered by full council. Councillor responsibilities are defined in Council minutes; however, I would suggest adding these to the 'Meet your Councillors' page of the Parish Council website.

Councillor Declaration of Interests forms published to the Parish Council website also require updating following last year's elections and I would like to suggest posting the following HBBC link to the PC website:

<https://moderngov.hinckley-bosworth.gov.uk/mgParishCouncilDetails.aspx?Is=12&SLS=5&bcr=1>

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. Two Councillors authorise financial statements at Parish Council meetings and bank reconciliations are approved and signed. All financial statements are published to the Council's website and total payments and bank balances are included in Council meeting minutes.

As identified during the 2021/22 and 2022/23 internal audits, the Parish Council's online banking facility should offer two-person authorisation before payments are made. The Clerk has informed me that a transfer to Unity Trust Bank with this facility, has been delayed due to the requirement to update the current banking mandate with HSBC, before a transfer is possible. However, I am told this is in progress and is expected to take approximately 6 months from now to complete the process.

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. I believe a Statement of Internal Control has now been prepared and will be considered for adoption at the May 2024 Annual Parish Council Meeting.

The Clerk/RFO records all expenditure and income on a spreadsheet/financial statement on a Receipts and Payments basis, which is attached to the minutes of each meeting, along with bank statements and invoices, however, I would err on the side of caution with regards to publishing unredacted bank statements online. Additionally, it is good practice to record the legal power of expenditure against transactions made, including S137 payments which should also be minuted. VAT is reclaimed once per year dependent on the level and is up-to-date and the Council do not hold any petty cash funds.

Payroll is outsourced to Screatons Chartered Accountants and a re-declaration of compliance was submitted by the Clerk to the Pensions Regulator during 2023.

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 was last updated in 2020 and now requires review. Upon review, I would again advise including control measures relating to business continuity and also the risks of online banking. Additionally, I recommend reviewing and updating both the Council's Standing Orders and Financial Regulations. I am told a Complaints Policy has now been prepared following a previous recommendation and is due to be considered at the May 2024 Annual Parish Council Meeting.

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 2024. 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.

Following last year's internal audit, I am relieved that expenditure has been curtailed where possible and an increase to the precept for the 2024/2025 financial year has been approved, in order to build on the Council's general reserves and strengthen the Council's financial position. I have seen evidence that budgetary controls are in place year-on-year and the Council are now

carrying forward approximately 5 months running costs in general reserves based on the last year's expenditure. The Clerk also tells me that payments to HBBC for a streetlighting project will end in 2024 and this should also help towards building a healthy contingency of reserves, particularly in the current climate of inflationary pressures. I recommend the Council gives due consideration to adopting a Reserves Policy in order to maintain adequate financial reserves to meet the needs of the organisation and to set out how the Council will determine and review the level of reserves moving forward. Parish Councils should hold between 3 and 12 months running costs at all times.

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 days' notice, although only the most recent agendas are available to view once the minutes have been published.

With regards to the Exercise of Public Rights, it is good practice to minute the dates upon approval at a Parish Council meeting but there was no evidence of this during the 2023-24 financial year. However, a notice had been published to the Council's website but unfortunately, the day/date of commencement of the period of public rights is incorrect and I presume, should read Tuesday 27th June 2023 (rather than Tuesday 25th June). Had the date been inserted correctly, the number of days would calculate to the required 30 days but is open to interpretation due to the error.

I noticed from the Annual Parish Council Meeting minutes in May 2023, that only Section 1 of the AGAR 2022/2023 was detailed as approved but for future reference, Section 1 - Annual Governance Statement of the AGAR, must be approved prior to Section 2 - Accounting Statements, either at separate meetings or in the same meeting but with the correct order of business on the agenda and this must be evidenced by the meeting minute references and/or dates. If you require any further clarification on this, please do not hesitate to ask!

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 as previously mentioned, include the Legal Power of Expenditure along with minute references for each payment. S137 payments should also be recorded as such in both the accounts, financial statements and minutes.

In accordance with the proper practices outlined in the JPAG Practitioners' Guide 2024, paragraphs 5.210 – 5.219, Sutton Cheney Parish Council, should give due consideration in the next year to migrating over to a .gov.uk domain for their website, including all Council email accounts. Specifically, paragraphs 5.210 to 5.212 state:

“5.210. All Parish, Town and Community Councils are eligible to use, and are advised to use, a .gov.uk domain for their websites and email communications. Your community, suppliers and partners will now reasonably expect a local council to have a .gov.uk domain name. Note that Parish meetings are exempt from the requirement to have a website.

5.211. To assist with compliance with the General Data Protection Regulations (GDPR), it is advised that clerks provide official .gov.uk email accounts to their councillors, which must only be used for official council business.

5.212. When choosing a domain name all councils must follow the rules set out by the Cabinet Office to choose a .gov.uk domain name, for example, 'ourparishcouncil.gov.uk' with email addresses linked to that domain.

Additionally, the Government Cabinet Office has secured funding to help councils with the initial cost of setting up a .gov.uk domain. This is a discount of £100 + VAT which is applied at the point of purchase by those Approved Registrars taking part in the Parish Council Domains Helper

Service. This funding is limited to helping a maximum of 1,000 councils with their move to a .gov.uk domain and is offered on a first-come first-served basis. Current funding will run until March 2025.

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 2022-2023 been addressed?

Recommendation 2022-2023	Comments
Agendas - Consider retaining agendas on the website in the interest of transparency.	No – Only the most recent agenda/s appear to be available in the Latest News section of the PC website.
Banking – 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.	In Progress – Current banking mandate requires update before move to Unity Trust Bank.
Budget and Precept – I strongly advised 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.	Yes – Steady progress has been made during the 2023-2024 financial year and the Council is now holding approximately 5 months running costs in General Reserves. Council should continue to monitor the situation with caution.
Complaints Policy and Statement of Internal Control - Consider adopting a Complaints Policy and a Statement of Internal Control.	In Progress – Both a Statement of Internal Control and Complaints Policy have been prepared for consideration at the May APCM.
Councillor Responsibilities and Declaration of Interests - 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.	No – Councillor Registers of Interest are outdated following the 2023 elections. Committee membership is detailed within Council minutes but not separately.
Legal Power of Expenditure - It is good practice to record the legal power of expenditure and minute references against transactions made, including S137 payments.	No – Particular attention should be paid to recording S137 payments within the accounts and minutes.
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.	Yes

Pensions Compliance - Contact the Pensions Regulator to ensure re-enrolment duties are up-to-date.	Yes - Completed
Risk Management Scheme - 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.	No

Areas in the 2023-2024 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

	Reason
A	
B	
C	
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M	Commencement date of Exercise of Public Rights incorrectly inserted, leaving the period open to interpretation.
N	
O	

Recommendations for action 2024-2025

Areas for consideration or improvement	Recommendation
AGAR Sections 1 and 2	Section 1 - Annual Governance Statement of the AGAR, must be approved prior to Section 2 - Accounting Statements, either at separate meetings or in the same meeting but with the correct order of business on the agenda and this must be evidenced by the meeting minute references and/or dates.
Agendas	Consider retaining agendas on the website in the interest of transparency.
Banking	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.
Complaints Policy and Statement of Internal Control	Consider adopting a Complaints Policy and a Statement of Internal Control.
Councillor Responsibilities and Declaration of Interests	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.
Exercise of Public Rights	Recommend minuting the dates for the Exercise of Public Rights upon approval at a Parish Council Meeting.
Legal Power of Expenditure	It is good practice to record the legal power of expenditure and minute references against transactions made, including S137 payments.
Reserves Policy	Consider adopting a Reserves Policy in order to maintain adequate financial reserves to meet the needs of the organisation and to set out how the Council will determine and review the level of reserves moving forward.
Risk Management Scheme	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.
Standing Orders and Financial Regulations	Recommend reviewing and updating SOs and FRs where necessary.
Website	Consider migrating to a .gov.uk domain as advised in the JPAG Practitioners' Guide 2024, including all Council email accounts.

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 2023	Year ending 31 March 2024
1. Balances brought forward	17,030	1,3364
2. Annual precept	16,949	19,491
3. Total other receipts	14,481	4,722
4. Staff costs	7,839	6,887
5. Loan interest/capital repayments	0	0
6. Total other payments	27,257	19,319
7. Balances carried forward	13,364	11,371

8. Total cash and investments	13,364	11,371
9. Total fixed assets and long-term assets	78,390	78,390
10. Total borrowings	0	0