

Ashby St Mary Parish Council

Internal Audit Report

Financial Year 2021-22

Prepared by Lorraine Trueman
5 May 2022

I have completed an internal audit of the accounts for Ashby St Mary Council for the year ending 31 March 2022. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2021.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes. I have carried out a sample of financial transactions in the cashbook and reviewed corresponding bank statements
	Is the cashbook arithmetically correct?	Yes
	Is the cashbook regularly balanced?	If this is carried out it has not been recorded in the minutes published (Apr, Jul & Sep 2021)
	If bank balances are in excess of £100,000 is there an appropriate investment strategy?	n/a
Standing Orders, Financial Regulations and payment controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes but these are not model policies
	Date Standing Orders last reviewed. Is this based on the latest version of Standing Orders?	Reviewed Sept 2021. These are not based on the latest version
	Date Financial Regulations last reviewed. Is this based on the latest version of Financial Regulations?	Reviewed Sept 2021. These are not based on the latest version
	Has a Responsible Financial Officer been appointed with specific duties?	This is the clerk
	Have items or services above the de minimus amount been competitively purchased?	No relevant purchases made
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Payments in the cashbook are supported by invoices but the only minutes approving any payments are Sept 2021
	Is there effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments?	Cheques and BACS payments are authorised by 2 councillors
	Has VAT on payments been identified, recorded and reclaimed?	VAT is recorded in the cashbook but there is no reclaim on record

Internal control	Test	Observations
	<p>If debit/credit cards are in use, what are the total monthly and individual transaction limits?</p> <p>Are there appropriate controls over physical security and usage of the cards?</p>	n/a
	Is s137 expenditure separately recorded and within statutory limits?	n/a
	Have s137 payments been approved and included in the minutes as such?	n/a
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	The minutes appear to be incomplete with the earlier minutes identifying a lack of knowledge about the accounts
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	No. The clerk has provided a risk management policy but this is not dated
	Are appropriate arrangements in place, for example, for monitoring play areas, open spaces and sports pitches?	There is no record of the parish council checking the items they are responsible for, i.e., noticeboards, bins, village sign
	Is insurance cover appropriate and adequate for land, buildings, public, employers' and hirers' liability, fidelity/employee/councillors' liability, business interruption and cyber security?	Yes but the computer and filing cabinet are not specified on the policy
	Are internal financial controls documented and regularly reviewed?	The clerk has provided a document titled "financial risk assessment" which lays out the council's policy. The document states it was agreed at the November meeting but these minutes are not available for me to check.
Budgetary controls	Has the Council prepared an annual budget in support of its precept and has this been minuted at a Full Council meeting as being approved?	The budget for 2021-22 was prepared retrospectively. The clerk has provided a budget for 2022-23 but this has not been published on the website, nor is any agreement included in any published minutes

Internal control	Test	Observations
	Has the precept been calculated from the budget and been approved?	There is no evidence to support this
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the Council?	This is not shown in the minutes published
	Are there any significant unexplained variances from budget?	No, all variances are explained
	Has the Council considered the establishment of specific earmarked reserves and reviewed them?	No
Income controls	Is income properly recorded and promptly banked?	Only income is precept and interest
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	n/a
	Is petty cash expenditure reported to each Council meeting?	n/a
	Is petty cash reimbursement carried out regularly?	n/a
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	The only employee is the locum clerk. There is no contract in place. There is an offer letter, which is undated.
	Do salaries paid agree with those approved by the Council?	There is no documented salary agreed
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the Council?	Payments seem reasonable but it is not possible to see if these have been approved due to the lack of published minutes
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes, a payroll company is used
Asset controls	Does the Council maintain a register of all material assets owned or in its care?	Yes

Internal control	Test	Observations
Bank reconciliation	Is the assets register up to date? When was this last reviewed? Are additions and disposals in-year clear?	Reviewed July 2021
	Do asset insurance valuations agree with those in the asset register?	Street furniture is listed in the insurance policy but the computer and filing cabinet are not
	Does the asset value to be reported in the AGAR (section 2, Box 9) equate to the prior year reported value, adjusted for the nominal value of any new acquisitions and/or disposals?	Yes
	Are all long-term investments (i.e. over 12 months) covered by an investment strategy?	n/a
	If a loan has been taken out, are repayments reported to the Council?	n/a
	If the Council issued a loan to a local body, are there signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt?	n/a
	Is there a bank reconciliation for each account and is this regularly reported to Council?	There is a bank reconciliation for each account. The minutes available do not give evidence that this is reported to council regularly.
	Are there any unexplained balancing entries in any reconciliation?	No
	Is the value of investments held summarised on the reconciliation?	n/a
	Year-end procedures	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?
Do accounts agree with the cashbook?		Yes
Has a year-end bank reconciliation been undertaken?		Yes
Is there an audit trail from underlying financial records to the accounts?		There is a partial record, in that there are invoices and bank statements to support the transactions. Due to the lack of minutes, there are little records to

Internal control	Test	Observations
		support the approval of the financial records
	Where appropriate, have debtors and creditors been properly recorded?	n/a
Procedural	Is eligibility for the General Power of Competence properly evidenced?	n/a
	Have points raised on the last Internal Audit report been considered by Council and actioned?	The minutes have not recorded councils considerations
	Has the Council demonstrated that during the previous financial year it correctly provided for the exercise of public rights, as required by the Accounts and Audit Regulations?	No. The accounts were signed off late and the exercise of public rights was not provided until Sept 2021
Exemption from external audit: Only for smaller councils with receipts and payments each totalling less than £25,000	If the Council certified itself as exempt in the prior year, did it meet the exemption criteria and declare itself exempt?	The council did not declare itself exempt
Adherence to the Transparency Code: Only for smaller councils with receipts and payments each totalling less than £25,000	Minutes for whole year on website?	No. It is unclear from the website when meetings where/are due to be held. The last minutes are from Sept 2021
	Agendas for whole year on website?	No agendas are on the website
	Payments over £100 detailed on website?	No
	Electors' rights advertised on website?	Yes
	Councillors' responsibilities detailed on website?	No
	Last financial year's AGAR on website?	Yes

Internal control	Test	Observations
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	n/a
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council carried out an information audit?	There is no evidence to support this
Website accessibility (relates to the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018)	Has the Council put in place a privacy notice and policy?	No
	It is a legal requirement for councils to publish a website accessibility statement on its website. Has the Council published this statement?	No
	Has the Council updated and reviewed its statement [must be reviewed annually]?	No

Summary of my recommendations

Not all the matters the internal auditor raised last year have been addressed, nor has any of this been recorded in the minutes. I recommend that these are considered by full council and the outcome recorded in the minutes.

Although the council has agreed Standing Orders and Financial Regulations, these are not based on model orders and regulations. There are no minutes to support why the council decided not to follow the advice given last year and I would recommend the adoption of model orders and regulations.

To comply with the Transparency Code the council must publish, on its website, agendas, minutes and meeting papers, with draft minutes to be published within 1 month of the meeting date. This is not currently being carried out. It is not clear from the website when meetings were held, or cancelled, and when they are due to be held. I recommend the council makes the website clearer and ensure they comply with the Transparency Code by publishing the required documents in the outlined timeframe.

The Transparency Code also requires the website to include a list of all payments over £100 and a list of councillor responsibilities but neither of these are provided. I recommend these are added to the website.

Due to the lack of minutes, there is no evidence to suggest the budget has been agreed by council. I recommend the minutes and the agreed budget for 2022-23 are published.

The website is not legally compliant. The council must publish a website accessibility statement, which NALC advised in Sept 2021. I recommend this is published along with a privacy notice.

There is no contract in place for the clerk. I recommend council agree and issue this. This should include a job description, pay and any increases, payable expenses and annual review.

Many of the issues raised are as a result of the lack of timely information available on your website. I believe that resolving this issue would lead to improvements in other areas.

I wish you all good luck with your continued improvements.