

Internal Audit Report

This narrative internal audit report is to be read in conjunction with the Annual Internal Auditor’s Report for the Annual Governance and Accountability Return.

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| Council: | Gosberton Parish Council |
| Internal Auditor: | John Kilcoyne |
| Year Ending: | 31st March 2024 |
| Date of Report | 31st January 2024 |

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 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 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 Gosberton Parish Council**

This report was compiled inJanuary 2024 and includes inspection of

* the parish council website
* documents and other information requested from the Clerk to Council

relating to council business between April 2023 and March 2024. One remote meeting was held with the Clerk to Council.

I have examined council business including policies, agendas and minutes, accounting and financial statements and other documents relevant to this audit.

Several areas are identified where action may be recommended. These do not affect completion of the AGAR for 2023-2024 and are offered as suggestions for improvement. Some of these matters have been discussed with the clerk and may already have been addressed by the time council receives this report. The clerk and council are to be commended for the actions taken following earlier reports.

The Internal Auditor’s narrative reports for 2021-2022 and 2022-2023 identified recommendations for action. These are shown within the tables below plus evidence from this inspection to identify where remedial action has been taken. Some areas identified have been discussed with your clerk. If items from earlier years are still outstanding, they should be added to the further recommendations.

This report should be discussed in full council with an appropriate programme of remedial action identified.

A further report will be provided after year end to address further council activity and the Annual Internal Auditor’s Report.

Yours faithfully,

J Kilcoyne

John Kilcoyne

Internal Auditor for Lincolnshire Association of Local Councils

31st January 2024

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| **Recommendations from 2021-2022 internal audit** | **Evidenced June 2023** | **Further comments**  **January 2024** |
| **Key documents and governance** | | |
| **Employment** To issue Parish Clerk with contract of employment | Not seen | Contract discussed with clerk |
| **Minute book** Ensure meeting minutes are numbers by continued sequential numbering throughout the year. | Introduced from May 2022 | Continuing |
| **Internal Control** The Parish Council do not have a system or statement in place, it is recommended a statement outlining controls is adopted. | Policy introduced August 2022 | Reviewed August 2023 |
| **Standing Orders** Update to Standing Orders to the latest model document and supplementary revisions in respect of tenders and procurement thresholds is necessary | Updated October 2022 | Reviewed October 2023 |
| **Terms of Reference** (ToR’s) Not available at audit for sub groups (staffing). ToR’s should be developed and considered for adoption by Council as soon as possible | Staffing committee November 2022  Finance and Policy working group undated – see recommendations for 2022-2023 | Finance and budget committee dissolved July 2023  Staffing committee reappointed July 2023 |
| **Code of Conduct** Updated copy should be published on the Council website. A new LGA model code of conduct has recently been published and the Council should consider adoption. | Adopted October 2022 | Reviewed October 2023 |
| **Health & Safety** The adopted policy is out of date (2017) and should be updated and published on Council website. | Updated December 2022 | Reviewed December 2023 |
| **GDPR** The Parish Council do not have a policy or statement in place, it is recommended a policy or statement is developed, adopted and displayed on the Council website. | Which statement has been introduced to cover this? Not clear. | GDPR statement October 2023  Data breach policy Nov 2023 |
| **Complaints Policy** The adopted complaints policy is out of date and refers to outdated Code of Conduct. The document published on the Councils website should be updated with references to former employees (contact details) should be removed. | Updated December 2022. Are the chairman’s details still current? | Reviewed December 2023 |
| **Insurance Cover** Employees liability cover should be published on the Councils website. | Insurance for 2022-2023 and 2023-2024 published | Insurance for 2022-2023 and 2023-2024 published |
| **Publication of minutes** Date of upload to website should be added. This will provide clarity that minutes are available within 1 month of meeting. | No evidence | Sate of upload on website for April to July 2023 but not since then. |
| **Data protection** It is recommended that this policy is reviewed at regular intervals and updated (as necessary) on the Council website. | Updated November 2022 | Data protection policy Nov 2022 |
| **Transparency** | | |
| **Internal Audit Report**- The statement of audit for the previous period does not clearly identify any risk / threat to the Council in an evidential manner. It is recommended (and best practice) that the Council publishes this 2021/22 internal audit report alongside its AGAR. | Only the first page was published at the time of inspection. | Published |
| **Publication Scheme** This is a legal requirement. The Council should adopt and publish a Publication Scheme as soon as possible (model document available from LALC). | Not dated but now published. Evidence from minutes of December 2022 | Reviewed December 2023 |
| **GDPR Policy / Procedures** The Council should review, update, and publish as soon as possible as per recommendation 12. | No evidence | GDPR statement October 2023  Data breach policy Nov 2023 |
| **Finance** | | |
| **Financial Regulations** Updates to Financial Regulations to the latest model document and supplementary revisions in respect of procurement thresholds is necessary | Updated August 2022 | Reviewed August 2023 |
| **Payments** To ensure all expenditure including direct debits and standing orders are included on expenditure sheet available for members at meetings for resolution. | Evidence in minutes | Continuing |
| **Reserves** To be reviewed annually and recorded in Council meeting minutes. This requirement should be added to the financial regulations when updated. | No evidence | Review minuted in August and October 2023 but no amounts |
| **Petty Cash** To review the requirements for holding petty cash. If petty cash is still required a formal process should be document to ensure transparency and financial control. | Petty cash not held. | As before. |
| **Bank Balances** It is recommended that bank balances are reported to and minuted on a regular basis | Introduced from August 2022 | Continuing |
| **Budget and income** | | |
| **Budget** The Council should have a suitable and workable annual budget to support its precept demand. It is recommended that this annual budget is made available on the website for transparency. | No evidence | Available [online](https://gosberton.parish.lincolnshire.gov.uk/downloads/download/49/2023-2024-audit-of-accounts---unaudited?downloadID=49) |
| **Earmarked / General reserves** There was evidence of earmarked/general reserves, however this should be formally reviewed and noted at the AGM. | No evidence | See above |
| **Internal Controls, Accounting, and Bank Reconciliations** | | |
| **Bank reconciliations** It is recommended that the Council reviews its bank reconciliation checking method that is in place and undertakes such on a regular basis. | No evidence | Evidenced from minutes of July 2023 onwards |
| **Asset Control** | | |
| **Asset register** It is recommended that the asset register is presented to Council for review as soon as possible and measures are put in place for annual review as a minimum. | Available online | Continuing |
| **Health and safety inspection of assets** It is recommended that buildings and assets including street furniture are inspected and documented on a regular basis | No evidence | Register seen |
| **Risk Management** | | |
| **Risk assessment** A risk management policy is required. It is recommended that this is developed and adoption by Council is undertaken as soon as possible. | Adopted January 2023. Recommend that this is increased to reflect wider range of financial risks. | Reviewed October 2023 |
| **Proper Process / Practice** | | |
| **Co-option** It is recommended that the Council considers adoption of a co-option policy to promote openness and transparency. | Adopted October 2022 | Reviewed October 2023 |
| **Scheme of Delegation** It is recommended that the Council reviews it scheme of delegation to committees and officers. | Adopted March 2023 | Continuing |

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| **Recommendations from 2022-2023 internal audit** | **Evidenced January 2024** |
| **Committees** | |
| TheFinance and Policy working group should be identified as a committee if it has delegated powers. | Finance committee dissolved |
| The Terms of Reference of the Finance and Policy working group identifies personnel responsibilities but there is also a separate staffing committee. If both are active, this will cause problems with overlap. If the F&P working group is no longer active, it should be clearly recorded in council minutes that it has been dissolved and the TOR should be removed from the website. |
| Membership of committees is not clear. This should be included in the minutes of the annual meeting in May even if no changes have been made. | July 2023 Staffing committee agenda and minutes added following contact with clerk. |
| Agendas or minutes for committee meetings don’t appear to be online. They should be published the same as full council meetings. |
| When council receives an update from a committee, there should be a matching set of minutes relating to that committee. |
| **Finance** | |
| Accounting statements 2022-2023. It is noted that the clerk has changed the balance brought forward from 2021-2022 for the current accounting period. This will need to be clearly marked as Restated with an explanation provided for the external auditor, as detailed in the Practitioners’ Guide 2023 section 2.9, and 5.138 to 5.199 | See note from external auditor |
| Reserves should be reviewed at least twice each year in council, including when setting the budget. Record the total amounts in the minutes on each occasion including any movement. | Identified in minutes for August and October 2023 but figures not minuted |
| It is noted that that the precept was significantly reduced when set for 2022-2023. This is council’s choice. However:   * + 1. Council should be extremely wary of reducing its own income. It must ensure that it is financially prepared and fully aware of any implications of this.     2. Any reduction or increase in precept will have a negligible effect on any individual household. A reduction or increase in payment from a change in precept, even if it looks like a large percentage change, will involve at most a change of a few pounds per year. Council may consider that this decision will help residents with financial struggles but in fact this action will usually have a very limited impact. |  |
| The agreed budget and precept should both be recorded in the minutes at the appropriate point in the year. Example wording could be:  *It was Resolved to set a budget for 2022-2023 of £xxx*  *It was Resolved to send a precept request of £xxx to South Holland District Council. This will represent no change/ an increase / decrease of £xx/ xx% for a Band D household.* |  |
| The entire budget and precept for each year should be published on your website for your residents. Detailed figures about the amount and purpose of reserves should be included. If possible, the information should be distributed in a printed newsletter, including a breakdown of reserves. | Available [online](https://gosberton.parish.lincolnshire.gov.uk/downloads/download/49/2023-2024-audit-of-accounts---unaudited?downloadID=49) |
| Monitoring of budget should take place at each meeting to give council an accurate picture of finances throughout the year. | Evidenced in minutes |
| Council is reminded that VAT should be claimed back on qualifying invoices in accordance with VAT126. | Evidenced through claims |
| **Agendas, meetings and minutes** | |
| All items for discussion must be clearly included on the agenda, even if they are to be considered in confidential session. Agenda and minutes for July 2022 item 39 are identified as an example to avoid. |  |
| Decisions relating to items considered in confidential session must be recorded in the minutes. However, this must be done in such a manner as not to disclose the information that necessitated moving to confidential session in the first place. | December 2023 staffing committee TOR and appraisal policy – do these need to be treated confidentially? |
| Some items at the end of the agenda for full council meetings appear to have been discussed in confidential session when this is not appropriate. This includes agenda items for the next meetings and dates of the next meetings. If this is the case, either:   * change the agenda in future. Move the business items to discuss them earlier and have confidential items last. Or * record in the minutes when confidential session stops and council returns to open session, including the time. | Evidenced in agenda for November 2023. Needs to be reflected in the matching minutes. Not seen in December 2023 |
| ‘Urgent matters on the agenda’ and other similarly worded items should not be included. These do not clearly show the business to be transacted. | Last seen in May 2023 |
| The minutes should include a resolution to approve apologies for absence rather than just a record that apologies were received. Council needs to know the reason for the absence so that it can consider whether to approve, but the reason should not be included in the minutes due to GDPR and confidentiality. | Can see that this has been taken notice of. Better wording will be “It was Resolved to accept apologies for absence from Cllr …” |
| Item for apologies does not need to include district or county councillors unless they are members of your council. Apologies for these representatives, if offered, can be minuted during the section set aside for their input. |

**Further comments and recommendations arising from inspection, January 2024**

**Staffing committee**

1. The minutes of July 2023 meeting showed that the committee considered contracts for the cemetery, play area and war memorials. Does this fit within the Terms of reference for this committee?
2. The minutes of the October 2023 meeting showed that the Committee will meet formally in April ‘post appraisals and to coincide with the potential appointment of a new chair’. A new chair of council will not be chosen until May and such appointment cannot be predetermined at this point.

**Finance**

1. It is noted that earmarked reserves have now been reviewed in the minutes of meetings held in August and October 2023. However, the breakdown and amount of what each reserve heading includes should be included within the minute each time.
2. Council should avoid use of the term ‘retrospective payments’ in clerk’s reports and minutes. All payments should have explicit authorisation from council in advance. These can include regular payments to contractors, mobile phone contracts and other items which can be pre-authorised as part of the clerk’s scheme of delegation. This is covered under Financial Regulations 5.6 and can be recorded in the clerk’s report and agenda as ‘Payments made between meetings using delegated authority’.
3. Payment of salaries is covered within Financial Regulations 5.6 as above. Authorisation by the chair of council or other councillor away from a meeting should be avoided as unlawful in line with the Hillingdon Ruling (1985). See Legal Topic Note 1 para 9.
4. Concern is raised around the payment to Majestic Crystal of April 2023. It was identified that the payment was made on the request of the chairman to purchase commemorative items for two members of council who would not be standing for re-election. This request could be considered unlawful on several counts.
   1. As above, the chairman has no power to make a request for payment outside a council meeting. LTN1 para 9.
   2. Expenditure should not be commissioned without explicit authorisation from council in advance.
   3. Council has no power to provide items for individual councillors.
   4. S137, the power of last resort, may not be used in this situation as this power must benefit some or all of the community. An item purchased for an individual does not achieve this.