



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.

Council:	Gosberton Parish Council
Internal Auditor:	John Kilcoyne
Year Ending:	31 st March 2023
Date of Report	12 th June 2023

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 in June 2023 and includes inspection of

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

relating to council business between April 2022 and March 2023.

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.

I am satisfied that the management and governance of Gosberton Parish Council meets the majority of statutory requirements and is in line with current legislation except in the areas identified in the Annual Internal Auditor's Report.

Several areas are identified where action may be recommended. These do not affect completion of the AGAR for 2022-2023 and are offered as suggestions for improvement. Some of these matters have been discussed with the Clerk to Council and may already have been addressed by the time council receives this report.

The Internal Auditor's narrative report for 2021-2022 identified recommendations for action. These are shown within the tables on pages 3-4 plus any clear evidence from my own inspection of where they have been acted upon. Some areas identified as having no evidence have been discussed with your Clerk. In some cases, information available online has been updated between the start and the conclusion of the 2022-2023 audit process.

If items from 2021-2022 are still outstanding, they should be added to the further recommendations which begin on page 5 of this report.

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

	Evidenced June 2023
Recommendations from 2021-2022 internal audit	
Key documents and governance	
Employment To issue Parish Clerk with contract of employment	Not seen
Minute book Ensure meeting minutes are numbers by continued sequential numbering throughout the year.	Introduced from May 2022
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
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
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
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
Health & Safety The adopted policy is out of date (2017) and should be updated and published on Council website.	Updated December 2022
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.
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?
Insurance Cover Employees liability cover should be published on the Councils website.	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
Data protection It is recommended that this policy is reviewed at regular intervals and updated (as necessary) on the Council website.	Updated November 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.
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
GDPR Policy / Procedures The Council should review, update, and publish as soon as possible as per recommendation 12.	No evidence
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
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

Recommendations from 2021-2022 internal audit		Evidenced June 2023
Reserves To be reviewed annually and recorded in Council meeting minutes. This requirement should be added to the financial regulations when updated.		No evidence
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.
Bank Balances It is recommended that bank balances are reported to and minuted on a regular basis		Introduced from August 2022
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
Earmarked / General reserves There was evidence of earmarked/general reserves, however this should be formally reviewed and noted at the AGM.		No evidence
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
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
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
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.
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
Scheme of Delegation It is recommended that the Council reviews its scheme of delegation to committees and officers.		Adopted March 2023

Recommendations for action 2022-2023

1. Committees

- a. The Finance and Policy working group should be identified as a committee if it has delegated powers.
- b. 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.
- c. 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.
- d. Agendas or minutes for committee meetings don't appear to be online. They should be published the same as full council meetings.
- e. When council receives an update from a committee, there should be a matching set of minutes relating to that committee.

2. Finance

- a. 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
- b. 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.
- c. It is noted that that the precept was significantly reduced was set for 2022-2023. This is council's choice. However:
 - i. 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.
 - ii. 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.
- d. 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.

- e. 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.
- f. Monitoring of budget should take place at each meeting so that council has an accurate picture of finances throughout the year.

- g. Council is reminded that VAT should be claimed back on qualifying invoices in accordance with VAT126.

3. Agendas, meetings and minutes

- a. 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.
- b. 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.
- c. 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:
 - i. change the agenda in future. Move the business items to discuss them earlier and have confidential items last. Or
 - ii. record in the minutes when confidential session stops and council returns to open session, including the time.
- d. 'Urgent matters on the agenda' and other similarly worded items should not be included. These do not clearly show the business to be transacted.
- e. 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.

Yours sincerely



John Kilcoyne

Internal Auditor for Lincolnshire Association of Local Councils

12th June 2023

Areas in the 2022-2023 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

	Reason
A	
B	
C	
D	No No evidence of regular monitoring of the budget
E	
F	N/A No petty cash held
G	
H	
I	
J	
K	N/A Correctly identified as not exempt.
L	No Certificate from external auditor not published at correct time on receipt
M	
N	No Certificate from external auditor not published at correct time on receipt
O	

Accounting Statements 2022-2023

	Year ending 31 March 2022 (£)	Year ending 31 March 2023 (£)
1. Balances brought forward	130,255	145,954
2. Annual precept	31,000	25,000
3. Total other receipts	21,580	43,596
4. Staff costs	22248	8,366
5. Loan interest/capital repayments	0	0
6. Total other payments	14499	108,308
7. Balances carried forward	146,088	98176
8. Total cash and investments	146,088 Restated to £145,954 Explanation needed for external auditor	98176
9. Total fixed assets and long-term assets	295,498	378490
10. Total borrowings	0	0