

Internal Audit Report

Council: **Gosberton Parish Council 2021/22**

Period: **1st April 2021 to 31st March 2022**

The requirements of this audit were discussed with the Clerk/RFO during the onsite visit (13th June 2022).

Documentation has been reviewed on-line via the Councils website:

[Homepage – Gosberton Parish Council \(lincolnshire.gov.uk\)](http://lincolnshire.gov.uk)

and I carried physical review of financial records and other relevant associated documents during the onsite visit.

The following areas of review were included in the scope of the interim audit

- **Governance**
Review of the key governance documents of a local council including Standing Orders, Financial Regulations, Code of Conduct, complaints procedures and insurance cover for the council.
- **Transparency and requirements of the Transparency Code**
Covering the council's transparency including but not limited to data protection procedures, spending authorisation and the council's publication scheme. This review also covers the council's requirement to publish documents and records in line with either the relevant Transparency Code or best practice.
- **Accounting and bank reconciliations**
Review of financial records, the cashbook and invoices to check that records are arithmetically correct, and an audit trail can be found for a random selection of transactions. Bank reconciliations are reviewed and checked to ensure that they have been signed as appropriate by the council.
- **Budget and income**
Covering the council's budgeting processes and its annual precept request.
- **Asset control and risk management**
Review of the council's asset controls and risk assessment procedures.
- **Proper process and practices**
This includes a review of the processes followed by the council in respect of its legal powers to act, the membership of the authority including whether co-options have been carried out appropriately, declarations of interest are recorded as necessary, and registers of interest are published on the council's website.
- **Payroll and HR**
A review of payroll processes and HR policies and procedures including ensuring that contracts of employment are in place for staff.

- **Year-end processes**

Reviewing the end of year bank balances, cashbook and ledger ensuring that they meet the bank statements.

- **Review of transactions in the financial year**

A spot check of a random selection of transactions during the financial year. The review checks that there is an audit trail for the transactions from authority to spend through to payment of the invoice.

Internal Audit

The Clerk/RFO joined the Parish Council in March 2022 and does not currently have a employment contract in place.

The audit carried out was for reporting periods 2021/22 and therefore relates to the previous Parish Clerk and Members.

The former clerk has maintained documentation for the council's financial record keeping. A revised cashbook (excel spreadsheet) has been produced and backdated to include transactions during the financial period 1st April 2021 to 31st March 2022; this spreadsheet was maintained throughout the year alongside records of invoices which provide an audit trail, however this was not adequate for the purpose of financial governance. The process of number the invoices to triangulate with bank statements and the payment on the excel spreadsheet did not match and therefore payments were difficult to cross reference. This requires review moving forward to ensure all payments are linked to invoices.

Transactions were checked during this audit to establish an audit trail from the authority to spend (within minutes) through to payments made, although numbering process was incorrect as mentioned. It is noted that payment schedules were available in the minutes but excluded Direct Debits/Standing Orders. No payments are shown on the parish council website in line with the transparency code.

Several recommendations are listed below for Council consideration for future working practices and best practice examples. These include recommendations to ensure that internal controls and financial reporting processes are as robust as possible and give reassurances to elected Members and the electorate.

This report is accompanied by an Internal Audit Checklist which describes the checks carried out and relevant auditor notes.

I am satisfied that the accounts and bank balances for the period ending 31st March 2022 are financially correct and thanks to the Clerk for the assistance and supporting documentation supplied whilst carrying out this review.

Recommendations:

- **Key Documents and Governance**

1. **Employment-** To issue Parish Clerk with contract of employment
2. **Minute book:** Ensure meeting minutes are numbers by continued sequential numbering throughout the year.
3. **Internal Control-** The Parish Council do not have a system or statement in place, it is recommended a statement outlining controls is adopted.
4. **Standing Orders** - Update to Standing Orders to the latest model document and supplementary revisions in respect of tenders and procurement thresholds is necessary
5. **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
6. **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.
7. **Health & Safety** - The adopted policy is out of date (2017) and should be updated and published on Council website.
8. **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.
9. **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.
10. **Insurance Cover** – Employees liability cover should be published on the Councils website.
11. **Publication of minutes:** Date of upload to website should be added. This will provide clarity that minutes are available within 1 month of meeting.
12. **Data protection** –It is recommended that this policy is reviewed at regular intervals and updated (as necessary) on the Council website.

- **Transparency**

- 1 **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.

2 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).

3 GDPR Policy / Procedures – The Council should review, update, and publish as soon as possible as per recommendation 12.

- **Finance**

1. Financial Regulations – Updates to Financial Regulations to the latest model document and supplementary revisions in respect of procurement thresholds is necessary.

2. Payments: To ensure all expenditure including direct debits and standing orders are included on expenditure sheet available for members at meetings for resolution.

3. Reserves – To be reviewed annually and recorded in Council meeting minutes. This requirement should be added to the financial regulations when updated.

4. 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.

5. Bank Balances – It is recommended that bank balances are reported to and minuted on a regular basis.

- **Budget and Income**

1. 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.

2. Earmarked / General reserves – There was evidence of earmarked/general reserves, however this should be formally reviewed and noted at the AGM.

- **Internal Controls, Accounting, and Bank Reconciliations**

1. 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.

- **Asset Control**

1. 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.

2. Health and safety inspection of assets – It is recommended that buildings and assets including street furniture are inspected and documented on a regular basis.

- **Risk Management**

1. **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.

- **Proper Process / Practice**

1. **Co-option** – It is recommended that the Council considers adoption of a co-option policy to promote openness and transparency.

2. **Scheme of Delegation** – It is recommended that the Council reviews its scheme of delegation to committees and officers.

**Mr Mike Passfield
Internal Auditor
On behalf of Lincolnshire Association of Local Councils**

28th June 2022