

Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Rearsby Prsih Council		
Name of Internal Auditor:	Hannah Shaw	Date of report:	07/05/24
Year ending:	31 March 2024	Date audit carried out:	07/05/24

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. 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 Rearsby 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 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.

Rearsby Parish Council has 6 seats (3 quorum) and employs one member of staff, Sue Norledge, who is the Clerk and Responsible Financial Officer to the Council. Sue has been employed in this role for over 20 years and is also Clerk to two other Councils. There are no committees and all matters are dealt with at full Parish Council meetings. A link to Councillor Declarations of Interest is posted to the Council website.

The Council banks with Unity Bank. Online payments are set up by the Clerk/RFO which require Councillor authorisation once approved and reconciled at full Parish Council meetings. I note there is only the requirement for single Councillor authorisation on the online banking facility and suggest the Council explores the possibility of increasing this to two Councillor authorisation.

The Council uses their own excel spreadsheet for recording income and expenditure on a Receipts and Payments basis, VAT is reclaimed once per annum and is now due. Payroll is outsourced to DCK Accounting, however, the level of service is limited and may not include quarterly P30 reporting, enabling the Clerk to make accurate HMRC payments for tax and national insurance contributions within the given timeframes. I would advise querying this with DCK Accounting and increasing the level of service provided, to include P30 Employer's Payslips and HMRC payment instructions.

Rearsby Parish Council has public and employer's liability insurance arranged through BHIB until 1st June 2024 which is reviewed annually and the current year's insurance certificate is published to the Council's website. I believe the level of cover would be sufficient for the Council's needs.

As previously discussed with the Clerk/RFO, it is good practice to record the Legal Power of Expenditure against each transaction within the accounts, the minute reference of the approved expenditure and the minute reference of the approved payment. Rearsby Parish Council does not hold General Power of Competence. S137 payments should be recorded as such within both the accounts and minutes.

Most agendas and minutes of Parish Council meetings are available to view on the Council's website. Minutes are published within the required 28-day period should be marked as draft until being confirmed and signed by the Chairman at the following meeting. Both payments and bank balances are routinely minuted at every meeting and agendas are signed and dated.

As of 31/03/24, Rearsby Parish Council carried forward reserves of £27,915 which is approximately 13 months running costs based on the Council's 2023/2024 expenditure. However, approximately £9,000 of this was expenditure carried forward from the previous financial year and once payments are made, the general reserves are within the normal range of 3 -12 months running costs. I recommend Council consider adopting a Reserves Policy. The asset register is well maintained, published to the Council's website and now stands at £136,399, an increase of £4,175 on the previous year.

I have seen evidence that adequate budgetary controls are in place and an annual budget for the 2023-2024 financial year was minuted. I recommend quarterly budget reviews are carried out and formally minuted and the budget should be published to the Council's website.

With regards to the Exercise of Public Rights, the Council correctly provided a period of 30 days and a notice is published to the Council's website. Although, the period had been noted at a Parish Council meeting, I would advise minuting the agreed dates upon approval.

During a transaction spot check, all transactions were supported by invoices/receipts and upon review of the internal audit carried out for the 2022/2023 financial year, the Council considered their website provision and I am encouraged Council business has since been separated from an all-encompassing village website.

Recommendations were made that the Council publishes their Complaints Policy and Equal Opportunities Policy and these are now available to view on the Council's website. The Council's Standing Orders, Financial Regulations, Risk Assessment and a Statement of Internal Control have also been reviewed and re-adopted during the last year and they are now published to the Council's website. However, the Council have only two years' worth of financial data and AGAR documents on the new website following migration but the Clerk informs me this is a work in progress and will ensure 5 years of audit documents are available online as soon as possible.

Additionally, Councils are obliged under the Health and Safety at Work Act 1974 to protect employees from harm at work, even low risk operations such as manual handling in the Office should be assessed and control measures put in place. With that in mind, I recommend the Council consider adopting a Health and Safety Policy.

Although a lot of work has gone into the Council's new website in the last year, in accordance with the proper practices outlined in the JPAG Practitioners' Guide 2024, paragraphs 5.210 – 5.219, Rearsby 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."

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 good 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 Sue Norledge, 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	Comment
Agendas - Consider adding a publication date to agendas when publishing on the website.	Yes – actioned.
Banking – Consider requesting two Councillor authorisation for the online banking facility with Unity Trust Bank, rather than one.	No – not actioned.
Clerk's email address – With GDPR and FOI in mind, I advised a Council specific email address is provided for the Clerk, rather than use of a personal email address.	No – in progress.
Council Policies – Review and consider publishing the Council's Equal Opportunities Policy and Complaints Policy to website to ensure best practice and minute adoption at a PC meeting.	Yes – actioned in part. Reserves Policy not adopted.

Consider adopting a Reserves Policy and publish to website.	
Grants - Ensure grants that have been approved are paid to groups/organisations with a bank account and not to individuals or, find an alternative method of supporting village events. Also record such grants as S137 payments where applicable.	Yes – no S137 payments made during the 2023/2024 financial year.
Insurance Certificates - Consider publishing annual public liability and employer’s liability insurance certificates to website.	Yes – actioned.
Legal Power of Expenditure and minute references - It is good practice to record the legal power of expenditure against transactions made and also the minute references of both the approved expenditure and approved payments.	No - not actioned.
Minutes - Ensure minutes are marked as draft when publishing to the website prior to being signed and confirmed at the next meeting.	Yes – Some minutes are marked as draft but not all.
Payroll - Suggest the Clerk/RFO queries the level of Payroll service and if it includes P30 Employer’s Certificates to ensure timely payment of tax and NI contributions to HMRC.	No – not actioned.
Risk Assessment - Identify risks to business continuity and those associated with online banking.	No – not actioned.
Standing Orders, Financial Regs, Statement of Internal Control – Review Council’s Standing Orders, Financial Regulations and Statement of Internal Control and publish to website.	Yes – actioned and published.
Website - Consider current website provision and ensure the ‘Village News’ website meets the WCAG (Website Content Accessibility Guidelines) 2.1AA standard. If not, Council should consider provision of a compliant website moving forward. Publish missing documents including financial documents, minutes and policies.	Yes – actioned.

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

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Recommendations for action 2024-2025

Areas for consideration or improvement	Recommendation
Banking	Consider requesting two Councillor authorisation for the online banking facility with Unity Trust Bank, rather than one.
Bank Statements	Recommend two Councillors initial hard copies of the bank statements upon approval as part of the regular bank reconciliations.
Budget Reviews	Recommend quarterly budget reviews are carried out throughout the financial year and formally minuted.
Clerk's email address	With GDPR and FOI in mind, I advise a Council specific email address is provided for the Clerk, rather than use of a personal email address. I believe this is in progress.
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 (inc. S137) and minute references	It is good practice to record the legal power of expenditure against transactions made and also the minute references of both the approved expenditure and approved payments. S137 payments should be marked as such within the accounts and formally minuted.
Payroll	Suggest the Clerk/RFO queries the level of Payroll service and if it includes P30 Employer's Certificates to ensure timely payment of tax and NI contributions to HMRC.
Policies	Consider adopting a Health and Safety Policy and a Reserves Policy and publish to the Council website.
Risk Assessment	Identify risks to business continuity and those associated with online banking.
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
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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	14,950	17,100
2. Annual precept	23,010	24,736
3. Total other receipts	3,943	11,698
4. Staff costs	5,364	5,488
5. Loan interest/capital repayments	0	0
6. Total other payments	19,439	20,131
7. Balances carried forward	17,100	27,915
8. Total cash and investments	17,100	27,915
9. Total fixed assets and long-term assets	132,224	136,399
10. Total borrowings	0	0