



Edenham, Grimsthorpe, Scottlethorpe & Elsthorpe Parish Council  
c/o 14 Scottlethorpe Road  
Edenham  
Bourne  
PE10 0LN

9 May 2024

For the Attention of the Parish Council Chairman and all Elected Members,

### **Annual Internal Audit Report for year ended 31 March 2024**

Following the request to undertake the Internal Audit for the above year by your Clerk/RFO on 16 April, I have conducted a selective assessment of the Council's accounting records, practices and internal control systems as required Annual Governance & Accountability Return (AGAR) Annual Internal Audit Report objectives, and the associated legislation. As I was not appointed until after 31 March, my assessment was not carried out during the financial year, and is based on the recorded and historical information available.

Please pass on my thanks to your Clerk/RFO for her assistance. The documentation was provided promptly and without hesitation, and all questions answered openly and honestly.

I can confirm that the RFO does maintain clear and organised financial records, and there was no evidence or suspicion of any misappropriation. However, there are some internal control areas that need to be improved by the Council, which would have eliminated the errors identified in previous reporting periods, which have been carried forward to this year. This means that I have been unable to respond positively to all of the internal control objectives. These are:

- **Objective B.** Unfortunately, the Council has not complied with all aspects of its Financial Regulations. The risk areas at Paras 1.2 and 16.1 are detailed against Objective C below, but Para 2.2. states *"At each Parish Council meeting and at each financial year end, the Parish Councillors will verify bank statements (for all accounts) produced by the RFO. A member of the Parish Council, (not the Chairman) shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Parish Council"*. When combined with the other control measures, such as the 'two-member signatures' control for payments, the Council can easily evidence compliance and the internal control measures it has in place.

For example, in addition to the Minuted Council Resolution that states the payment(s) were approved, if a councillor/s (as per bank mandate), also checked and initialled the invoice that the payment relates to, it would provide appropriate evidence that the Council has 'safe and efficient' arrangements in place for making payments (as per Para 6.1). Based on the above points, I have annotated 'No' to this objective; a periodic bank account reconciliation carried out on 12 Sep 2023, and evidenced by a dated councillor signature, has enabled to respond 'Yes' to Objective I.

- **Objective C.** I could find no specific evidence in the Minutes, Agendas, or on the website, stating that the Council carried out an assessment or review of any risks to it achieving its objectives during 2023/24. Para 1.2 of the Council's Financial Regulations rightly states that "The Parish Council is responsible in law for ensuring that its financial management is adequate and effective and that the Parish Council has a sound system of internal control which facilitates the effective exercise of the Parish Council's functions, including

arrangements for the management of risk". At Para 16.1 (Risk Management), it clarifies that *"The Parish Council is responsible for putting in place arrangements for the management of risk... Risk policy statements and consequential risk management arrangements shall be reviewed by the Parish Council at least annually"*. In addition, the Standing Orders state that *"Financial regulations shall be reviewed regularly and at least annually for fitness of purpose."* (Para 18.b). Therefore, I have responded 'No' to this internal control objective.

- **Objective F.** I have been informed that the Council does not hold petty cash or a cash float so this objective has been annotated 'Not covered'.
- **Objective G.** In the Clerk/RFO's contract (Para 3.1), it states that "The National Agreement on Pay and Conditions of the National Joint Council (NJC) for Local Government Services applies. Para 9.1 states that the role is at Salary Spinal Column Point (SCP) 1 as per the National Agreement on Salaries and Conditions of Service of Local Council Clerks (SLCC) in England and Wales, which is based on the NJC. However, the actual hourly rate paid was not in accordance with the relevant SCP 1 hourly rate for 2020/21, 2021/22 or 2022/23. SCP 1 was then deleted by the NJC from 1 April 2023. As per the annual salary review (Para 9.2), the contract should have been revised to determine the revised rate or SCP for 2023/24. As the Clerk is an employee of the Council, they are entitled to the National Minimum Wage or National Living Wage, depending on age. This should be taken into account when the contract is amended to reflect the removal of SCP 1. The contract also states that the Clerk will be paid on the '6<sup>th</sup> of the month" (Para 9.4), but is actually paid quarterly.

In addition, I strongly advise the Council to seek appropriate advice regarding the employment status of the Community Cleaner role. If the Cleaner is employed by the Council, either as an employee or worker, they are entitled to the National Minimum Wage or National Living Wage, depending on age. The Cleaner is currently paid an amount equivalent to the Grant received from SKDC (£926.64), but PAYE is deducted by the Council and paid to HMRC. Based on the above points, I am unable to confirm that the salary, tax and National Insurance payments are correct, so I've put 'No'.

- **Objective H.** An Asset Maintenance Plan was provided, but it does not include the asset valuation figures, so I am unable to confirm the accuracy of the current or previous AGAR Section 2 Line 9 figures. In addition, the previous Line 9 figures have also not altered to reflect purchases (e.g. laptop in 2021/2022). Therefore, based on the available records at the time of audit, I have to respond 'No' to this objective.
- **Objective N.** Although the majority of documents relating to the 2022/23 were published, this did not include a Bank Reconciliation or an 'Analysis of variances', so this objective is also 'No'. As well as providing the public with a cause/reason for any differences over 20% and £200 between the current and previous year, conducting an analysis of variances can highlight areas of potential inadequate budgeting, poor internal controls and/or high risk. The process can also help identify calculation errors, especially when the variances can't be accounted for.
- **Objective O.** (Trust Funds). I have annotated this objective 'Not applicable' as, based on the information provided, the Council does not hold any trust funds.

With regards to the other AGAR sections, supporting documents and records available to me, I have the following comments and opinions:

- **AGAR Adjustments.** As stated above, there are some internal control areas that need to be improved by the Council (e.g., a considered, documented and regular review of the risks, and analysis of the variances). There was an error in Box 7 of the 2020/21 AGAR, where the total payments for 2020/21 (£5,188) was used, instead of the year end total balances (£4,577). As the Box 7 value for one year, is the starting point (Box 1), for the

following year, this error has been carried forward into the subsequent years, and also led to other errors and the Council records (i.e., bank statements, Cashbook totals, etc.) did not match multiple figures reported in the successive AGARs.

I am completely satisfied that all of the errors were innocent transposition errors, and not attempts to falsify the accounts. As humans, we make mistakes. Your Clerk/RFO is trying to achieve all of the statutory and required tasks of both roles, and all the meetings, in just 72 hours per year. This doesn't really give time for calculations (or reports) to be double checked, so mistakes are bound to happen (by contrast, the Community Cleaner has 44% more hours per annum). These limited hours mean that it is even more crucial that all councillors, individually and collectively as the Council, properly scrutinise the presented documents and figures, and are satisfied with their accuracy, before resolving to approve/accept them.

In order to correct the errors in the previous AGARs, and before approving the 2023/24 AGAR, the Council needs to formally review and 'Restate' the correct figures in the relevant Section 2 – Accounting Statements columns of the 2021/22, 2022/23 and 2023/24 AGARs, and ensure that this is Minuted, and the revised versions published on the website. To aid the Council in this process, I have provided the RFO with the details of my calculations.

- Certificate of Exemption. The total annual gross income and expenditure for 2023/24 are below £25,000 therefore, the Council is eligible to certify itself exempt from a limited assurance review. For the avoidance of doubt, none of the AGAR adjustments highlighted in the previous paragraph, change the Council's prior eligibility to certify itself exempt from a limited assurance review.
- Annual Governance Statements. The Accounts and Audit Regulations 2015 requires smaller authorities to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts in each financial year, and have the appropriate evidence to support a 'Yes' answer. When considering the responses for 2023/24, the Council must satisfy itself that it has applied the 'proper practices', met the requirements of the latest legislation, and has the evidence to support this. For ease of reference, the requirements are stated in the 2023 edition of the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide; a free copy is available at [www.nalc.gov.uk/our-work/our-partnerships](http://www.nalc.gov.uk/our-work/our-partnerships).
- S.137 Expenditure. I can confirm that the £300 spent by the Council under Section 137 of the Local Government Act 1972, is below the allowable £9.93 per elector for 2023/24.
- Resolutions & Minutes. Although the Minutes are not a verbatim record of debate at a meeting, they must accurately reflect any formal decisions (resolutions) made by the Council, especially payments. Amendments should be clarified and stated in the Minutes of the meeting where this was agreed; pen alterations on the hardcopy should be initialled by the Chair and Clerk. Once accepted, the draft versions should be destroyed.
- Bank Mandate. Only having two councillors as bank signatories, limits the Council's ability to make properly authorised payments in the event of any absences.

I have completed the AGAR Annual Internal Audit Report for 2023/24 in line with this report, and will forward the signed copy to your Clerk. However, if you, or the Council would like to discuss any of the points raised, please do not hesitate to contact me.

Yours sincerely,

Original signed

Mrs V M Free

Copy to Clerk/RFO