



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

8 May 2025

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

Annual Internal Audit Report for year ended 31 March 2025

As per our letter of engagement, 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.

My assessment has been carried out in line with the 'proper practices' laid down in the 2024 edition of the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which must be applied by smaller authorities in the financial year ending 31 March 2025 and the associated AGAR. Particular attention has been paid to the areas highlighted in the previous annual internal audit (IA) and the 2024/25 interim IA reports.

I can confirm that the Clerk/RFO does maintain clear and organised records, and that a lot of work has been done to ensure that policies were reviewed, approved and published, more detailed Minutes are being kept, a complete Asset Register has been created, and the £0.01 overpayment due to VAT rounding has been recovered.

However, there are some internal control areas that still need to be improved by the Council. This means that I have been unable to respond positively to all of the internal control objectives stated in the AGAR. These are:

- **Objective B.** Although the Council's Financial Regulations were amended in November, and the RFO's delegated authority limit of £1,000 relating to the transfer of funds between accounts was removed (Para. 5.5.c), £3,000 was transferred in June to cover the upcoming play area works. While the records were presented to Council and approved at the next meeting, specific Council authorisation to transfer this amount should have been obtained before the transfer took place, as per the Financial Regulations in place at the time, especially as there were sufficient funds in the account to cover the first payment for the play area works, and there was a Council meeting taking place before the next payment was due. Based on this, I have annotated 'No' to this 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.** I have noted the Council resolved to increase the Salary Spinal Column Point (SCP) for the Clerk at the November Meeting, and that the payslips for Qtr 3 and 4 reflect the new rate. However, without an updated employment contract confirming the date this takes effect from, and the hours employed, I am unable to confirm if the correct rate of salary, tax and national insurance has been paid for 2024/25; if the Clerk is still employed for 72 hours per year, they were paid below the National Living Wage for Qtr 1 and 2, and I could find no evidence that the arrears are in the process of being addressed.

Based on the available records, the Community Cleaner is also a Council employee. This means that payments in line with National Minimum/Living Wage also apply. They are currently paid an amount equivalent to the Grant received from SKDC, which depending on their age, may also be below the minimum rate.

In line with the points above, I have annotated 'No' to this objective. The Council should also be aware that it is a criminal offence for employers to not pay someone the National Minimum/Living Wage.

- **Objective J.** While the accounting statements are prepared on a correct basis, there was a discrepancy between the cash book and the actual amount paid in one of transactions reviewed, and an incomplete audit trail. The total amount paid was 50% higher than the amounts minuted and approved at the corresponding Council meeting, and stated on the supporting receipts/invoices, but this was not identified when the paperwork was reviewed by the RFO and Council, nor in the subsequent cash book and bank reconciliations. Although the reason for this appears to be human error, it is important that the reconciliations and independent cross-checking is done with a critical eye in order to identify any mistakes. Based on the available records at the time of audit, I have to respond 'No' to this objective.

The planned move from a hybrid hardcopy cash book and electronic spreadsheets system to an all spreadsheet one for future years, should allow for completely bespoke column headings and the use of formulae to check calculations. This also means that copies of the full accounts can be easily shared between all councillors for review ahead of meetings.

- **Objective L.** Although the vast majority of documents that the Council is required to publish (e.g., Minutes, Agendas, Policies, etc.), are on the website and up to date, there are some omissions, which is why I have responded 'No' to this objective. Some of the required records relating the earlier AGARs are not published, e.g., Bank Reconciliation and 'Analysis of variances'. As well as being a legislative requirement, these are especially important when there are variances over 15% and £200 between that and previous year's figures, and when figures are restated, all of which require an explanation.

In addition, although the draft Minutes of the April meeting have been promptly published on the website, they are not annotated as being 'DRAFT', which misleads the reader into thinking that they have been accepted as a true and accurate record by the Council, and also makes it difficult to know when they have been approved and if they have been amended. There is also still a casual vacancy notice published on the Council website (dated July 2024), which should be removed if all vacancies are filled, and some of the policy webpages are blank, such as the 'Security Compliance Checklist'.

- **Objective N.** This objective relates specifically to 2023/24. As with the comments on objective L above, although the majority of documents relating to the year were published, this did not include a Bank Reconciliation or an 'Analysis of variances', therefore, this objective is also annotated as 'No'.

In addition, there are still no responses to AGS 9 (Trust Funds), and the statement relating to the website/webpage publication of 'Information required by the Transparency Code' at the bottom of the AGS page on Section 1, and the restated figures for 2022/23 still need to be annotated as such in the 2022/23 column on Section 2 on the website version of the 2023/24 AGAR, and may be the same on the hardcopy.

- **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, and the supporting documents and records available to me, I have the following comments and opinions:

- Certificate of Exemption. The total annual gross income and expenditure for 2024/25 are both below £25,000 therefore, the Council is eligible to certify itself exempt from a limited assurance review.
- S.137 Expenditure. The £600 spent by the Council under Section 137 of the Local Government Act 1972, is below the allowable limit of £10.81 per elector for 2024/25.
- Cheque Book. No payments have been made by cheque during 2024/25 and all unused cheques are still present in the cheque book.
- Corrections. Any alterations to the entries in the Receipts and Payments Book, should also be initialled by a Council Member. I have noted the error of paying the gross salaries for Qtr 4, and the fact that this was quickly identified by the RFO, highlighted to the Council and minuted at the next meeting. The actual payments are correctly reflected in the 2024/25 accounting figures, and the overpayments have since been refunded.
- Councillors. I have noted that the Registers of Interests for all councillors have now been published by SKDC on their website, which is linked from your Council website.
- Bank Mandate. The bank mandate has not been reviewed as part of this IA. Now that the Council has a full complement of councillors, it should ensure that there is sufficient flexibility in the signatories to cover for absences, especially those of the Clerk/RFO.

I have completed the AGAR Annual Internal Audit Report for 2024/25 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.

Prior to completing the Annual Governance Statements in Section of the 2024/25 AGAR, please remember that 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 a 'Yes' answer to each one of the statements.

Please pass on my thanks to your Clerk/RFO for her ongoing assistance. All of the records were provided promptly and without hesitation, and all questions answered openly and honestly.

Yours sincerely,

A blacked-out signature, likely of Mrs V M Free, used to redact the name in the email body.

Mrs V M Free

Copy to Clerk/RFO