



LETWELL PARISH COUNCIL INTERNAL AUDIT FOR THE FINANCIAL YEAR 2023/24

Background and Introduction

All town and parish councils are required by statute to make arrangements for an independent internal audit and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Parish Council has requested that Faye Hazlehurst t/a FH Accountancy Services provides this service, based on a letter of engagement agreed and signed by the Council. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to my notice during the course of the examination, which I think should be brought to your attention; I shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as might exist.

Faye Hazlehurst is a member of the Internal Audit Forum – an association of Internal Auditors for local councils which seeks to promote high quality internal audit.

Independence

It is important that the auditor is independent of the Council and has no conflict of interest, in order that a truly professional audit is performed. I am not aware of any relationships that might constitute a threat to my independence.

Internal Audit Approach

In accordance with the 'Accountability and Governance, Practitioners' Guide, March 2024', my work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- **Bookkeeping**
- **Due process**
- **Risk management arrangements**
- **Budgetary controls**
- **Payroll control**
- **Asset control**
- **Petty cash**
- **Bank reconciliation**
- **Year-end procedures**
- **Miscellaneous**



Findings

The council has had a very difficult year and there is an ongoing police investigation into the misappropriation of funds which Councillors are assisting with. The council have been very transparent about the findings and shortcomings of the council, however since March 2024 they have implemented new controls and policies and are keen to move the council forward.

The internal audit was carried out off site after a face-to-face meeting with three Councillors, all records and evidence were provided in paper format or electronically. Detailed internal control testing was carried out and findings presented in this report.

Detailed below are my findings and recommendations that should be considered by the Council.

Bookkeeping

The council were able to provide an electronic cashbook at the end of the year, this information had been drawn from the bank statement and other identified income sources. The cashbook contained all known receipts and payments including those that never reached the bank, the figures were adjusted to reflect the correct process of 'receipts and payments'. Of the items selected for sampling only one invoice was available with a high amount of expenditure detailed as unknown. There was very little evidence that payments were reported at council meetings. Internal controls have since been amended and significant improvements can be seen from March 2024 onwards.

Council will need to ensure S137 expenditure is recorded separately within the cashbook, minuted, within the limits and a direct benefit to the electorate.

Council confirmed that VAT has not been recovered from HMRC for a number of years, VAT should be recorded separately in the cashbook and reclaimed at least annually. Council should look to recover the VAT for the last four years.

Council minutes were provided, these were unsigned and some minutes were missing. Since March 2024 improvements have been made in the minuting format. The council is still using a Gmail address. As per the guidance in the JPAG point 1.26 every authority should have an email account that belongs to the council and to which the council has access. To assist with GDPR it is advised that councillors are provided with an official email that must only be used for official council business.

Due Process

New model standing orders have been adopted by the Council these were approved by Council in March 2024. Prior to this date there was no evidence that standing orders were in place.

New model financial regulations have been adopted in March 2024. The financial regulations are properly tailored to the council and purchasing authority is defined within the regulations. Prior to this date there was no evidence that Financial Regulations were in place.

During the year the council has not had adequate internal controls in place for payments, there has been very little reporting to council on expenditure and a large amount of expenditure reimbursed to the Clerk. Since March 2024, these controls have been improved, direct debits payments have been agreed and approved by council and all payments are now approved by

council prior to payment. The council are looking to implement dual authority on all bank payments.

Risk Assessment Arrangements

The Council now has an up to date risk register that was reviewed and approved by council in April 2024. Prior to this date there was no assessment of risks in place. The Parish Council has been without insurance cover for two years, insurance cover is now in place but this has impacted on the policy they have been able to secure. They have been unable to gain cover for fidelity guarantee and have no business interruption cover. The cost of insurance has impacted on budget setting due to the increase in premium.

As part of risk assessment arrangements council should look to review their internal controls and effectiveness annually.

Budgetary controls

The Council set their budget on an annual basis in preparation for applying for the precept; this was formally adopted late by Council in March 2024. Council should ensure the precept demand is minuted.

There was no reporting of budget against spend provided throughout the year. This should be reported at least quarterly to council.

The Parish Council holds only general reserves, the level of reserves is below the proper practice of 3 months. This is mainly due to unknown expenditure items, increase in premiums and arrears which are being repaid.

Income controls

The precept received by Council agrees to central government records, VAT has not been reclaimed from HMRC for some time, council should look to submit a reclaim for the last four years. The Council reviewed their fees and charges during the year, these are available upon request. The process for receiving income for Hall hire, lotteries etc need to be improved as much of the income is paid in cash, any cash taken should be counted by two unrelated people and an audit trail to the amount banked. Receipts should be issued for all income received.

Payroll controls

During the year the Council employed a Clerk/RFO, I was not able to evidence that a contract of employment was in place. The salary scale appeared to be accurate for the size of the council. Payroll was not calculated via software or outsourced, and I was unable to check that the correct liabilities were deducted as no reports or payslips were provided. There was no RTI submissions to HMRC. There are currently no paid staff but once employed the council should look to either outsource the payroll or ensure suitable software is utilised, council should check that they are registered as an employer with HMRC. The council does not have a pension scheme in place, due to the size of the Council it is unlikely that the Clerk will require automatic enrolment.

There were a number of reimbursements to the Clerk, these were not always approved by Council and evidence is missing.

The council have separate policies for grievance and disciplinary, (NALC model) these were reviewed and approved in March 2024.

Asset control

The Council maintains an Asset Register of all material assets owned or in its care, this was last updated in 2021. The value of individual assets and some insurance values are included on the asset register. The council should look to update the asset register with additions and disposals and approve at full council.

Bank reconciliations

There was no evidence that bank reconciliation's were carried out and no evidence that it was reviewed by members. Bank reconciliation should be carried out on receipt of the bank statement and should be reviewed by members and signed and dated as evidence of the review. The bank statement at the year-end is now in balance.

Year-end procedures

The accounts are prepared on a receipts and payments basis. The accounts did not agree to the cashbook totals provided, this was due to all transactions being included in the cashbook, including the amounts that were never banked. A random selection of receipts and payments were sampled, other than one invoice no evidence was available.

Miscellaneous

The Council has recently implemented and updated a number of essential policies including the Freedom of Information, Standing Orders and Financial Regulations, all are available on the Council's website.

The Parish Council failed to make proper provision for the public inspection of records for the period 2022-2023.

The council has declared itself exempt from external audit for the year 2024, therefore it must comply with the transparency code for smaller authorities. The following items must be available on the Council's website:

- All items of expenditure above £100
- Year-end accounts
- Annual governance statements
- Internal audit report
- List of councillors and responsibilities
- Asset register
- Minutes, agenda and meeting papers of formal meetings.

Conclusion

All of the controls contained within the internal audit section of the AGAR were examined, the council failed to meet any of the controls for the year 2023-24. The council are keen to move forward and have a good plan in place to clear debts that have been accrued, they have implemented the appropriate policies and made changes to internal controls. Since March 2024 I can see significant improvements in the Council, a budget has been prepared for the year 2024-

25, the council are looking to implement dual authority which will provide a segregation of duties and minutes are clear and concise.

The council should refer to the Joint Panel on Accountability and Governance (JPAG) March 2024 for guidance into proper practices.

I would like to thank Martin and Louise for their assistance during the audit.

Faye Hazlehurst FMAAT
Internal Auditor – 12 June2024