

Internal Audit Report

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

Name of council:	STOUGHTON PARISH COUNCIL		
Name of Internal Auditor:	STUART MCDONALD	Date of report:	17/5/24
Year ending:	31 March 2024	Date audit carried out:	17/5/24

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 Chair of the Council:

I have carried out the Internal Audit of the Council for the year just ended via Zoom. I would like to thank the Clerk, Victoria Webster, for her time and assistance in providing me with the documents I required to complete my work.

I shall start with last year's reports.

Internal Audit

1. The guidance for completing the AGAR states that Councils "should receive and note the Annual Internal Audit Report before approving the Annual Governance Statement and the accounts." (my underline). This is not a mandatory "must" requirement. I have advised the Clerk to this effect. No further recommendation.
2. It was stated that the Council should have a minute reference for the Certificate of Exemption. I understand that, for the 22/23 AGAR, this was included in the minute reference 14/23b which refers to: "Approval of Annual Accounts and signing of AGAR paperwork for 2022-2023 – the paperwork was approved and signed by the Chair". Whilst "the paperwork" should be more specific, I note that the Council did indeed include a separate minute in its July meeting. I am satisfied that overall, compliance has been achieved.

3. An inadvertent error in compiling the AGAR's Accounting Statement for 22/23 led to the Council posting a Statement that was incorrect regarding Box 6 – All Other Payments. As a result, the figures did not add up.

I have therefore ticked “NO” to Objective J on the Annual Internal Audit Report (AIAR).

You will note that the offending figure has been marked as “restated” in the comparative column on the current year's AGAR, which is the correct treatment.

4. It was pointed out that any unrepresented cheques at year-end (or indeed at any time) must be included as part of the expenditure in the period the payment was entered in the cash book. The Bank Reconciliation at 31/3/24 does not include any unrepresented cheques, so this point is not applicable to this year. I have stressed to the Clerk that the cash book determines which items go into the accounts for a specific period – whether they have cleared the Bank or not is immaterial. No further recommendation.
5. It was recommended that the Bank Reconciliations and balances be recorded in the minutes – this has been done.
6. It was recommended that the Council adopt a Complaints policy, and a separate policy is now in place.

There was no External Audit – the Council was exempt.

Now to this year.

I draw your attention to the following:

1. The Community Gardens Committee (CGC) is a separate entity to the Parish Council (PC). However, the PC's bank account is used to transact the business of the CGC. The balance of £10,735 shown on the AGAR's Accounting Statement includes £724.36 of monies that the PC does not own, and does not control. Income of £300, and expenditure of £382, has been transacted through the PC's bank account in the 23/24 financial year.

In order to keep abreast of the CGC's account balance within the PC's bank account, the Clerk keeps a separate tab of the ins and outs and the balance. I am satisfied that the PC's control of its own income and expenditure has not been compromised by this arrangement, but it is clear that the Accounting Statement is incorrect.

I have therefore ticked “NO” to Objective A on the AIAR.

The Council must remove the CGC's business out of its own bank account as soon as is practical. There is no however no problem with the Clerk continuing to transact CGC business in CGC's own bank account, assuming no conflict of interest, but that is of course for the Council to decide.

2. Sign-off of Bank Reconciliations. Your Financial Regulations (FR) in item 2.2 states that “*a member other than the Chairman shall be appointed to verify bank reconciliations produced by the RFO*”. (my italics).

Your FR should be followed.

This could be achieved by designating one Councillor for this task, or perhaps rotating it so each Councillor will have the task from time to time – the Council's decision.

3. Asset Inspections. I understand that the Councillors inspect the assets regularly and report damage etc.

I recommend that the results of these inspections are formally recorded in the minutes, even if there is a “nil” return.

Recording in the minutes is the best/only way for the Council to prove that it carries out these inspections regularly and takes action where appropriate. Should there be for example, an accident, it might be important that the Council could prove whether it was aware of an issue, what action it had taken, and when. Perhaps an item on the agenda might help, and a specific inspection schedule – the Council’s decision.

4. Signing of Minutes – best practice is for the Chair to initial each page of the minutes and sign the final page. This has been the case for some meetings but not all.

I recommend the Chair initial each page and sign the last for all meetings.

5. “Any Other Business” on the agenda. No business can be resolved under “AOB”, because it has not been included as part of the original agenda (sent out with 3 clear days’ notice).

I would recommend the use of a heading such as “Items for Future Meetings” or “Items for Future Consideration”.

This ensures any points raised are, if necessary, formally minuted as items to be included on the next agenda.

6. The new Practitioners Guide, effective 1/4/24, recommends the use of gov.uk emails for the Clerk and all Councillors, and the use of a gov.uk domain for the Council’s website. (I understand the Clerk’s email is already being migrated to gov.uk). The relevant paragraphs in the Guide are 5.210-5.219. Note that it is not mandatory.

I am required to state why I have ticked “Not covered” in answer to objective F (Petty Cash) – it is, quite simply that the Council does not operate a Petty Cash system.

CONCLUSION

I have tested all the Internal Control Objectives I am required to consider, and in all significant respects, the objectives have been met, with the exception of Objectives A and J. Despite these, progress has been made, and I am satisfied that the Council is operating sound control procedures over its finances and is carrying out its responsibilities effectively.

I would stress that removing the CGC’s business from your bank account is a priority.

Have comments from the internal audit 2022-2023 been addressed?

Recommendation 2022-2023	Comment
Order of AGAR signing off	No further comment required – see above
Certificate of Exemption minute referencing	No further comment required – see above
Accounting Statement incorrect	Check 23/24 is correct
Minuting bank reconciliations & balance	Done
Adopt a separate Complaints policy	Done

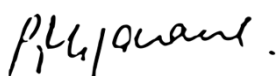
Areas in the 2023-2024 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

	Reason
A	AGAR's 23/24 Accounting Statement incorrect due to inclusion of CGC balance.
B	
C	
D	
E	
F	
G	
H	
I	
J	AGAR's 22/23 Accounting Statement incorrect – did not add up – error in Box 6.
K	
L	
M	
N	
O	

Recommendations for action 2023-2024

Areas for consideration or improvement	Recommendation
Accuracy of accounting records	Remove CGC from PC's bank account
Bank Reconciliations	To be signed by other than the Chair
Asset inspections	Formally minuted
Signing of minutes	Chair to initial all pages and sign the last
Agenda AOB	Consider replacing with "Items for future meetings" or similar
Email addresses	Use of gov.uk

Yours sincerely,



Stuart McDonald
Internal Auditor to the Council
sminternalaudit@yahoo.com

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	9,398	9,261
2. Annual precept	9,295	10,794
3. Total other receipts	1,466	1,527
4. Staff costs	2,908	3,266
5. Loan interest/capital repayments	0	0
6. Total other payments	7,990 restated	7,581
7. Balances carried forward	9,261	10,735
8. Total cash and investments	9,261	10,735
9. Total fixed assets and long-term assets	145,157	145,157
10. Total borrowings	0	0