

## Internal Audit Report

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

|                           |                             |                         |                               |
|---------------------------|-----------------------------|-------------------------|-------------------------------|
| Name of council:          | Bengeo Rural Parish Council |                         |                               |
| Name of Internal Auditor: | Nikki Bugden                | Date of report:         | 15/6/2024                     |
| Year ending:              | 31 March 2024               | Date audit carried out: | 11/4/2024 and Email follow up |

*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 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:

Firstly, I would like to thank the clerk for her hard work in supplying all required information to me in an efficient and timely manner.

I firstly examined the publicly available information displayed on the council's website including the council's policies, procedures, agendas, minutes, financial and other records. I sought evidence that the previous year's internal audit report had been properly reported to and actioned by the Council. I then examined the council's arrangements for the management and control of its business in the areas of bookkeeping, due process (i.e., compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control, and year-end procedures. It should be noted that the scrutiny was of a sample number of documents and processes.

Where necessary, I requested and was provided with supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the Annual Internal Audit Report (AIAR) that forms part of the Annual Governance and Accountability Return (AGAR). This supplementary information was provided in the form of written and verbal answers to the questions raised together with scanned documents or sight of the original documents.

## General

BRPC and their clerk have worked hard over the year to bring the financial administration into line with proper practices. The adherence to legislation, policies and proper practices has evolved over the course of the year.

Policies and procedures, including risk assessments have been put in place and I must commend the clerk on the standing agenda item that was used as a means of reviewing and addressing many of my recommendations from last year. Going forward it remains for the council to continue to embed these practices in line with those laid down in their own policies but also those referred to in The Practitioners Guide and the relevant legislation. My observations below should assist them in that regard.

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| <b>A. Appropriate accounting records have been kept throughout the Year.</b> | <b>YES</b> |
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BRPC comply in most significant respects.

Excel sheets are used. These are easy to understand and appropriate for a council of this size. The regular reconciliation by the clerk ensures that the opportunity for human error is minimal. Financial sheets are shared with all councillors at every meeting.

## Recommendation

Independent scrutiny of reconciliations (and evidence of this) must be in place. (Financial Regulations (2.2) It is expected that the relevant statement be signed along with the cashbook to evidence this action has taken place.

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| <p><b>B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.</b></p> |  | <p><b>NO</b></p> |
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NALC model Financial Regulations are now in place and BRPC should now ensure that all actions contained within are embedded into their regular practices. Care should be taken to ensure that adequate evidence via agenda items and the subsequent minutes is documented to support these actions.

VAT is appropriately accounted for.

Whilst BRPC comply in many respects I have been unable to answer this assertion in the affirmative for the reasons listed below. It may be that a number of these processes may already be being undertaken informally but currently there is not the relevant documentary evidence in place to support this.

It is my recommendation that the agenda content be considered to ascertain which 'standing items' could be included on every agenda to ensure that correct practises are being adequately followed, approved, and evidenced.

- There is inadequate segregation between duties-currently the clerk loads and releases all bank payments.
- There is no evidence that quotes are correctly approved (the minutes *March 2024* state that quotes are 'noted' rather than approved and the amount of any quotation is not listed in the minutes.
- It is unclear if there is a periodic review of contractors terms and pricing (Financial Regulations 11.1 (h))
- BRPC do not fully comply with their own financial regulations.

### **Recommendation**

BRPC should consider the updated and recently released NALC Model Financial Regulations as they may be more appropriate for this council to ensure full compliance with all required actions.

Quotes should be reviewed, and a clear resolution passed for approval with the minutes detailing this, along with the contractor appointed, terms and the expenditure agreed.

BRPC should consider financial regulation 11.1 (h) in relation to all contractors being used.

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| <b>C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b> | <b>YES</b> |
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BRPC comply in most significant respects.

Annual playpark inspections are undertaken. Council considered my narrative report from last year and determined that additional weekly or monthly inspections are not required.

A management and financial risk assessment is now in place.

Council should determine whether they require sight of contractor insurance policies and risk assessment.

As reported last year all local authorities' financial decisions are controlled by statute. All expenditure must be covered by legislation. Therefore, appropriate decision-making processes need to be in place to ensure that all activities undertaken fall within an authority's 'powers to act. 'I was unable to confirm evidence of this process in the minutes or accounting sheets, although the action was noted as closed on the internal audit summary.

There was no specific agenda item detailing the statutory annual 'review of effectiveness of internal controls' however the standing agenda item reviewing my recommendations from last year, along with the implementation of a financial management risk assessment did evidence scrutiny of this area. Council MUST ensure that this statutory obligation is clearly defined on an agenda for the new financial year to prevent any ambiguity going forward. I refer to paragraphs 1.1 of Practitioners guide March 2023

## **Recommendation**

### Playpark Inspection

My recommendation would be that BRPC should ascertain whether their insurer deem an annual inspection as sufficient to mitigate the risk of any claims without additional, regular visual inspections.

### Powers To Spend

Council should evidence the consideration of the lawfulness of appropriate 'powers to spend' and the understanding of the range of powers available when discharging their duties. S.137<sup>i</sup> funds should be accounted for separately in the cashbook. The clerk should seek advice from HAPTC if necessary, in this area.

### Contractors

It is usual practice to seek proof of contractor insurance and risk assessments and to evidence this scrutiny to mitigate risk to council I the event of any accidents/injury/neglect

and subsequent claims The insurer should be able to confirm their minimum requirements in relation to this.

#### Councillor Email Addresses.

It is a recommendation of the Practitioners Guide 5.205 that councils should hold secure email addresses for all councillors to comply with GDPR. Advice should be sought in relation to this.

#### Annual Review of the Effectiveness of Internal Controls

Specific agenda item to be included during 2024/25

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| <b>D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.</b> | <b>YES</b> |
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BRPC comply in most significant respect.

There was no budget setting document for 2023/24 due to the changeover of staff.

The clerk has provided a budget document for 2024/25, to council for scrutiny showing expenditure prior to regarding the precept figure. It should be noted that due to the lack of supplementary narrative reports it is unclear why the surplus is required. Currently the documents provided show a surplus of £4016 and whilst the amounts are not listed in the minutes it is my understanding from speaking with the clerk that these will be for the accrual of reserves for the play area update.

The statutory process for determining the precept is set out in the Local Government Finance Act 1992 Section 49A1. This specifies the matters that must be considered, how they are to be applied, and the formula for calculating the precept. The process specified will result in a balanced budget.

#### **Recommendations**

Ensure that budget and precept figures are noted in the minutes

Ensure that the budget balances and the reason for any surplus/deficit is clear (ie include a transfer to or from reserves line if this is the purpose)

Upload budget reports to the supporting meeting papers to comply with The Transparency Code for Smaller Authorities.

Ensure there is evidence of scrutiny of expenditure against budget (Financial Regulations section 3 onwards).

Evidence that reserves have been considered and reference should be made to the Practitioners Guide 1.13 to ensure that this is addressed.

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| <b>E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.</b> | <b>YES</b> |
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BRPC continue to bank and hold funds for a separate community organisation. This is accounted for separately and control measures are in place however it remains my recommendation that the parish council should not be holding funds for any other community organisation.

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| <b>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.</b> | <b>NA</b> |
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No petty cash held.

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| <b>G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.</b> | <b>NA</b> |
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New clerk was unpaid for 12 months as they previously served as a councillor. (s112(5) LGA 1972 S.116 LGA 1972).

Clerk has now been appointed for the new financial year and at the time of writing this report the contract was being drawn up. This should be attended to as a matter of urgency to ensure that BRPC comply with employment legislation.

The interim locum clerk was effectively a contractor, with BRPC not undertaking any payroll function therefore expenditure has been moved to line 6 in line with guidance set out in the Practitioners Guide 2.15.

#### **Recommendation**

Contract to be completed, signed by all parties, and approved by full council via an agenda item formally appointing Victoria as clerk and RFO.

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| <b>H. Asset and investment registers were complete and accurate and properly maintained.</b> | <b>YES</b> |
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An asset register is held. Whilst some 'gifted' assets are correctly registered with a nominal value care should be taken to ensure that the value for insurance purposes accurately reflects replacement costs and that sufficient cover is held (if BRPC are liable for replacement in the event of loss or damage).

#### **Recommendation**

That the replacement values for the telephone boxes are correctly registered with the insurer and that the overall cover is confirmed as sufficient. The clerk may find it useful for management purposes to include a column on the asset register for insurance values.

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| <b>I. Periodic bank reconciliations were carried out throughout the year.</b> | <b>YES</b> |
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BRPC comply in most significant respects to this assertion.

Bank reconciliations are undertaken by the clerk and the documents are provided to all councillors at every meeting. It is a separate agenda item. There is insufficient documentary evidence currently on file to support these actions.

Recommendation

Clerk to ensure that the bank statement is signed along with the relevant cashbook periodically in compliance with process laid out in Financial Regulations 2.2

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| <b>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</b> | <b>YES</b> |
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The excel sheets used are accurate, appropriate for the size of the council and easily understood.

Invoices should be scrutinised and signed off at each council meeting along with the payment schedule, prior to payments being released (Financial Regulations 5.2)

The clerk should ensure that all invoices, supporting the cashbook are available for scrutiny by the internal auditor.

Recommendation

That invoices are initialled, prior to payment, when the payment schedule is signed off at each meeting.

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| <b>K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.</b> | <b>YES</b> |
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The thresholds were checked back to the underlying accounting records.

Council should be mindful that they are close to the exemptions threshold and regard should be given to ensure that funds are held in reserve should an external audit be required in future years.

Council should also be aware that in addition to my comments at point E above relating to the holding of community funds that transactions relating to this impact on their inc/exp levels and therefore affect the thresholds.

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| <b>L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation</b> | <b>NO.</b> |
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Council must abide by the Freedom of Information Act 2000. There is a requirement to publish information under the Information Commissioners Office (ICO) Model Publication Scheme. This is currently not in place. BRPC should seek advice from the ICO as a template document is provided. BRPC hold ICO membership.

As reported last year the council should abide by all requirements of The Transparency Code for Smaller Authorities 2015<sup>ii</sup>. Council do comply in a large part to the code, however, to fully comply all supporting papers for agenda items and subsequent minutes should be uploaded.

In addition to the Transparency Code the 'relevant legislation' includes, but is not limited to, the Accounts and Audit Regulations 2015. It is noted that the wording of this section of the AGAR was recently changed and the guidance in the 2022 edition of the Practitioners Guide refers to the previous wording.

The requirements under 13(1)(a) of the above regulations remains unchanged therefore you must display the preceding years papers (2021/2022) on your website to be compliant.

However, I also refer the Council to paragraph 13(2) of these regulations. It specifies that documents identified in 13(1)(a) of the regulations must be 'made available' for a period of not less than five years.

It has recently been asserted by the advisory group for internal auditors that 'made available' requires that the documents in question are published on the website.

This is potentially open to an alternative interpretation, and, at the current time, the matter has not been definitively resolved.

There is no evidence of the historic AGAR's being available on the website. Compliance with this may be affected by the lack of historic paperwork and therefore this remains outstanding until there are the relevant number of years in place.

#### Recommendation

Clerk and BRPC to familiarise themselves with the legalisation referred to above.

All supporting papers to be uploaded to the website alongside the agendas and minutes.

ICO publication scheme to be adopted and published (and documents contained within to be published as appropriate)

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| <b>M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit regulations.</b> | <b>YES</b> |
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| <b>N. The authority complied with the publication requirements for the prior year AGAR.</b> | <b>YES</b> |
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| <b>O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee.</b> | <b>NA</b> |
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Council is not a trustee.

This concludes my narrative report to support the AIAR and please do not hesitate to contact me should you require any further information or clarity in line with the comments made.

I do hope that you find the recommendations useful to support council and Victoria and I would like to thank Victoria for her assistance in enabling me to conduct my review.

I have attached your signed annual internal auditor report.

Yours sincerely,

*Nikki Bugden*

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**Internal Auditor to the Council**  
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The figures submitted in the Annual Governance and Accountability Return are:

|                                     | <b>Year ending<br/>31 March 2023</b> | <b>Year ending<br/>31 March 2024</b> |
|-------------------------------------|--------------------------------------|--------------------------------------|
| 1. Balances brought forward         | 12922                                | 19767                                |
| 2. Annual precept                   | 20000                                | 20000                                |
| 3. Total other receipts             | 4371                                 | 2332                                 |
| 4. Staff costs                      | 1740                                 | 0                                    |
| 5. Loan interest/capital repayments | 0                                    | 0                                    |
| 6. Total other payments             | 15786                                | 22682                                |
| 7. Balances carried forward         | 19767                                | 19416                                |

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| 8. Total cash and investments              | 19767 | 19416 |
| 9. Total fixed assets and long-term assets | 13490 | 14984 |
| 10. Total borrowings                       | 0     | 0     |

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2023)*. 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. A copy of the guide is available for free download from:

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<sup>i</sup> Local Govt Act 1972 s.137

<sup>ii</sup> [Transparency Code for Smaller Authorities](#)