

Internal Audit Report

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

Name of council:	Lubbesthorpe Parish Council		
Name of Internal Auditor:	Cathy Walsh	Date of report:	04 June 2024
Year ending:	31 March 2024	Date audit carried out:	04 June 2024

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 Chairman of the Council:

I completed the year-end audit of the council remotely on 04 June 2024. I would like to take the opportunity to thank Lisa Sly (Clerk and RFO) for her co-operation and assistance in delivering the council's internal audit.

In preparation for the audit, I 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 to confirm that the previous year's Internal and External Audit reports had been properly reported to the council and where necessary acted upon by the council.

During my audit I also examined the council's arrangements for the management and control of its business in the areas of bookkeeping, due processes (i.e. compliance with the proper practices as set out in the JPAG Practitioners Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control, year-end procedures and compliance with the publication requirements of the 2022/23 AGAR.

It is disappointing to find that several of the key issues drawn to the council's attention during last year's internal audit either have not been addressed or have recurred this year. Because I have answered 'no' to some of the questions in the AIAR, this report provides the reasons for those markings and as such, a copy of the report must be included with the AGAR when it is submitted to the External Auditor.

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

Recommendation 2022-2023	Comment
<p>Insurance Policy Schedule I noted discrepancies on the Schedule between items insured and those on the asset register. For example, the council has declared and insured playground equipment, sports equipment and mowers & machinery, which it does not own and contents insurance is disproportionately higher than actual contents owned.</p>	<p>I recommended the council undertook a review of the schedule and update it as necessary. This has not been addressed.</p>
<p>Quorum A councillor left during the meeting held on 13 June 2022, meaning that the meeting was no longer quorate. The meeting continued contrary to the council's Standing Orders.</p>	<p>No meetings became inquorate during 2023/24.</p>
<p>Financial Reporting It is considered good practice to record details of bank balances and reconciliation in the minutes on a regular basis.</p>	<p>This is now recorded and forms part of the financial reporting at meetings.</p>
<p>Section 137 The council made a number of Section 137 payments in the reporting period. I am unable to find evidence in the minutes to show that these payments were approved and a record of these payments.</p>	<p>The council is still failing to make and record Section 137 expenditure correctly.</p>
<p>Budget The council does not consider any income as part of its budget.</p>	<p>The council did not consider income when setting the budget for 2023/24.</p>

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

<p>Internal control objective:</p> <p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p> <p>The council did not carry out an Annual Risk assessment during 2023/24.</p> <p>I am unable to ensure that the authority has prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks. As the council has not met the expectation of the AGAR requirements I have answered 'No' to control objective C</p>
<p>G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied</p> <p>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.</p> <p>As part of the transaction spot check I looked at the clerk's payroll for October 2023.</p>

I was provided with October's payslip. The way the salary payments are made and recorded is difficult to understand and to reconcile. It was only from checking the clerk's payslips and P60 for the whole year that I was satisfied that PAYE and National Insurance were properly paid, despite not being properly recorded in the cashbook, paid in the proper manner or with an adequate audit trail.

The basic salary (gross amount) for October was paid by Standing Order. The overtime included on October's payslip was for hours worked in September. This was paid separately by BACS with PAYE, National Insurance and Pension contributions deducted from the month's total gross pay (basic and overtime) and recorded in the cashbook as a lump sum.

There is significant room for error when making payments in this way. It is not clear exactly what the payments relate to, deductions are not clearly recorded in the cashbook. Salary payments should be always be made as a net amount with considerations given to variances in PAYE and National Insurance. As such I have answered 'No' to control objectives G and J.

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.

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website:

Before 1 July 2024 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- Section 1 - Annual Governance Statement 2023/24, approved and signed, page 4
- Section 2 - Accounting Statements 2023/24, approved and signed, page 5

Not later than 30 September 2024 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review

The council failed to publish any of the required information on its website and so I have ticked 'No' to control objective L.

M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (*during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set*).

The period for the exercise of public rights was not published on the council's website and so I have ticked 'No' to control objective M.

N. The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes).

Under the Accounts and Audit Regulations 2015, authorities must publish specific information (as detailed under control objective L.

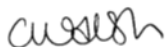
The council failed to publish any of the required information on its website and so I have ticked 'No' to control objective N.

Recommendations for action 2023-2024

Areas for consideration or improvement	Recommendation
The Council did not publish any information it is required to do so as part of the Annual Governance and Accountability Return 2022/23.	Under the Accounts and Audit Regulations 2015, authorities must publish this information on the authority website (see AGAR Page 1 Guidance Notes).
Publish the narrative Internal Audit Report on the council's website alongside the Annual Governance and Accountability Return (AGAR).	It is recommended as best practice and to avoid any potential confusion by local electors and interested parties that all councils publish the full narrative Internal Audit Report on their websites with the AGAR.
The council does not consider any income as part of its budgeting process. (During 2023/24 the council's level of income was £7,061).	<p>The council should follow best practice guidance and assess levels of anticipated income when setting the budget to ensure that key stages in the budgeting process are met. The council should explain its reasons if it chooses not to follow this guidance.</p> <p>The key stages in the budgeting process are:</p> <ul style="list-style-type: none"> • assess levels of income; • bring together spending and income plans; <p><i>Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide March 2024: para 5.27.</i></p>
The council authorised a grant payment of £5,000 to 'Lubbesthorpe Alive'. Which was retrospectively allocated under Section 137 expenditure. This was not recorded in a separate account of expenditure nor was it authorised by resolution and clearly minuted.	All expenditure made under Section 137 must be authorised by resolution and clearly minuted. The council must keep a separate account of expenditure made under the section.
VAT reclaim for 2021/22 and 2022/23.	The council has not reclaimed the VAT is paid during 2021/22 and 2022/23. It is recommended that this is reclaimed on an annual (or more frequent) basis in future.
In the sample of minutes I checked the minutes for the meeting held on 12.02.24 were only signed on the first page.	If the minutes are kept in loose leaf form, each page must be consecutively initialled by the person presiding at the meeting at which the minutes are approved. (LTN 5E Parish Council Meetings [England] (Para 68).
The Terms of Reference for the Planning Committee were adopted in September 2021. These have not been reviewed. The Terms of Reference for the Staffing Committee are still In draft form and have not been adopted.	Review the Planning Committee Terms of Reference and adopt Terms of Reference for the Staffing Committee.

<p>In last year's audit and again during this year's audit, I noted discrepancies on the insurance Schedule between items insured and those on the asset register. For example, the council has declared and insured playground equipment, sports equipment, a war memorial and mowers & machinery, which it does not own and contents insurance is disproportionately higher than actual contents owned.</p>	<p>I recommend the council undertakes a review of the schedule and updates it as necessary. I also recommend that the council considers including Business Interruption cover.</p>
<p>The council did not carry out an Annual Risk assessment during 2023/24</p>	<p>An authority must have appropriate arrangements in place. As a minimum, an authority must identify and assess risks, and address those identified risks by mitigating or managing them.</p>
<p>During the transaction spot check I asked to see the paper trail for a payment made by Direct Debit. The clerk advised that the bill was not readily available as she does not routinely access/download them.</p>	<p>Periodic checking of Direct Debit payments are advisable.</p>
<p>The clerk has been using her own money for the market's cash float.</p>	<p>This is not advisable and the council should look at introducing the use of petty cash if it regularly requires the use of cash.</p>
<p>The way the salary payments were made and recorded throughout the year is difficult to understand and to reconcile.</p> <p>The basic salary (gross amount) payments were made by Standing Order. Overtime payments including deductions for PAYE, National Insurance and Pension contributions paid by BACS and not itemised properly in the cashbook.</p>	<p>There is significant room for error when making payments in this way. It is not clear exactly what the payments relate to, deductions are not clearly recorded in the cashbook. Salary payments should be always be made as a net amount with considerations given to variances in PAYE and National Insurance.</p>

Yours sincerely,



Cathy Walsh
Internal Auditor to the Council
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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	51,617	58,421
2. Annual precept	38,299	42,500
3. Total other receipts	1,636	7,061
4. Staff costs	11,349	17,731
5. Loan interest/capital repayments	0	0
6. Total other payments	21,782	28,219
7. Balances carried forward	58,421	62,032
8. Total cash and investments	58,421	62,032
9. Total fixed assets and long-term assets	16,126	17,949
10. Total borrowings	0	0