



## Internal Audit Report

This audit report is to read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return.

Council:	Scothern Parish Council
Internal Auditor:	Stacey Knowles
Year Ending:	March 2024
Date of Report	15 <sup>th</sup> December 2023

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-today 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 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.**

# Lincolnshire Association of Local Councils

## Internal Audit Report

### To the Chairman of Scothern Parish Council

I have examined council business including policies, agendas & minutes, accounting and financial statements and other documents relevant to this audit.

Several areas have been identified where action is recommended. I have discussed these with the Clerk/RFO and they are detailed in the report below.

### Key Governance Review

- Policy documents are up to date and the recommended policies from the previous audit have been adopted.
- There are a couple of brackets [] within the Financial Regulations that still need to be tailored to the council – particularly in respect of FR11.1h.

### Transparency

- Councillor responsibilities are shown on the website. However, it is not clear what the scope of each role is or the terms of reference. What is it that individual councillors do in the respective roles and are these duties/responsibilities compliant with the council's policies such as Financial Regulations?

### Accounting

- The clerk/RFO, being new in post, was unable to confirm that the cashbook was maintained and up to date or that it was arithmetically correct. These areas will be picked up at the next audit meeting.
- The council has some internal controls in place. However, some changes are recommended so that these are thorough and effective controls for the safeguarding of the council's governance and finance. There are three signatories for the council but only one has access to the online banking to authorise payments. Whilst two wet ink signatures are obtained for invoices, the council should ensure that it has dual authorisation in place for payments made online. In the interim, if this cannot be achieved, it should ensure that the person authorising payments on the online bank is rotated each time. This provides separation of duties.
- VAT is recorded and noted on each invoice, however, it is recommended that a suitable system is put in place for recording this in the cashbook. This helps to ensure that VAT reclaims are accurate and arithmetically correct. As per the JPAG Practitioner's guide section 1.9, this is the responsibility of the RFO who should 'put in place effective procedures to accurately and promptly record all financial transactions and maintain up to date accounting records throughout the year, together with all necessary supporting information'
- In regard to s137 expenditure, a poppy wreath was purchased. The council resolved to incur this expenditure in September 2023 but did not record the amount agreed.
- Personal debit and credit cards are being used regularly for council purchases. This is contrary to the council's Financial Regulations 6.19. Whilst the use of personal cards should be avoided, the council should ensure that if this situation arises, it follows its own expenses policy, that the expenditure is authorised by the council in advance and that expense claims are transparent to all council members before they are paid.

### Bank Reconciliation

- The clerk/RFO could not confirm the process in place as she does not have access to all the documents.

### Asset Control

- The clerk/RFO could not confirm the process in place or provide evidence inspections such as written records as she does not have access to all the documents.

### Risk Management

- A number of donations are made and included in the monthly finance report. It is recommended that these are made as grants, not donations, and that an application form is completed by the receiving group or organisation. This is the council's evidence that it is managing and spending public money appropriately. The council has a grant awarding policy in place already.

### General

- The use of fireproof storage is recommended for the council's paper records and for storing the hard drive.

### Proper Process / Practice

- The agendas for meetings often include items which appear to be for information only 'to note...' but resolutions resulting in expenditure are being made under these items. For complete transparency and clarity, the council should include agenda items which detail the intended motions. For example, in October 2023 the following item was resolved:

***To note updates in relation to Christmas events***

*Christmas Live Advent Calendar, JJ reported the need to advertise the Christmas decoration event for the best decorated house/garden and a window. Residents will need to register by email before 6th December and have their decorations in place by 8th December. Residents to judge 9th -18th December. After discussion, it was approved to have 2 prizes, £25 for the winners to be funded from the Community Engagement Fund. Prizes to be awarded 20th December, approved. **Resolved***

- Purchasing is not always in line with Financial Regulations. For example, benches from TDP Ltd were included on the list of payments in September and October minutes. However, the IA could not locate the minutes in which the council resolved to incur this expenditure. The payment was listed in both September and October minutes – different values were reported. Without an item resolving to incur the expenditure or specify the chosen supplier, the council has not followed its Financial Regulations in relation to procurement or authority to spend – receipt of three quotations (FR 11.1h), authority to spend (FR 4.1).
- There are two working groups for the council – Neighbourhood Plan and the Grange Park working group. Terms of Reference for Grange Park WG are minuted to have been 'approved in principle' but not resolved to adopt in January 2023. The ToR for the Grange Park WG is not published on the website. A paper copy was seen by the IA.

The ToR gives delegated powers for the working party to incur expenditure up to agreed budgets on behalf of the council. A working party or group should not have this type of delegation. A committee may be used if delegation is needed, however, it would need to

comply with the council's Standing Orders – by holding public meetings, issue of formal agendas and minutes and have a quorum of three members of council. A working group of this nature should refer all of its reports and recommendations for consideration at meetings of Full Council to ensure that the decisions taken are fully transparent to the public.

- There seems to be some confusion around the role of the Proper Officer of the Council and the elected members. For example, the clerk, as proper officer is employed to carry out the actions resolved by the council and it should be the clerk, as proper officer who incurs expenditure on behalf of the council (where authorised or using appropriate delegation as prescribed by the council's Financial Regulations). Councillors are not permitted to incur expenditure on behalf of the council without specific and express delegated permission to do so. To avoid ambiguity and to give clarity to each role, it is recommended that the council adopts an employee/ councillor protocol.
- Interests are not always declared appropriately by Members even when a payment is being made to them for expenses for example.

#### **Transactional checks**

- Three transactional checks were carried out. A salary payment to a former member of staff was both recorded and paid in gross. Deductions were identified on the payslip but not made. A payment to Flag and Bunting Store reported as Little Eskimo in the minutes was made in April 23. The resolution to make this payment was not explicit in the minutes. The IA found a resolution in April 2023 which is assumed to be the authorisation to incur this expenditure:

#### ***08/04/23 To discuss Community events and/or arrangements for the Coronation of King Charles III (ALL)***

*a) To hear any updates about Parish Council involvement and potential costs*

*The Council had been awarded funding specifically for the Coronation of £742.00 and would work with community groups to support events. Spirit of Scothern - SOS committee were currently discussing plans for the event and requested support purchasing bunting, for meeting the costs of advertising, producing programmes for events, and purchasing portable PA system equipment. It was voted upon and unanimously **RESOLVED** to purchase requested items from grant funding. Scothern Village Hall kindly agreed to store equipment following the Coronation, which would be made available to any other community groups in the future, on application to the Council. Cllr. Nicoll to liaise with SOS and report back to Council.*

Thank you to Lisa for meeting with me to complete this audit.

Yours sincerely

Stacey Knowles

Internal Auditor

Lincolnshire Association Local Councils

Date: 15<sup>th</sup> December 2023