

Internal Audit Report

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

Name of council:	Sandon Parish Council		
Name of Internal Auditor:	James Parker	Date of report:	30/3/2023
Year ending:	31 March 2023	Date audit carried out:	30/3/2023-28/4/2023

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-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:

Introduction

As requested I have examined the operation and accounting of the Council and make the following comments, with reference to guidance for Internal Audit provided in the Practitioners Guide 2022. This report should be read in conjunction with the attached certificate (page 3 of the AGAR) which represents my assessment of the extent to which the Council has met the specified internal control objectives.

I am required to assess, for each objective, whether 'in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.' It is important to note that there is some subjectivity in the definition of 'significant'; and 'adequate' and others may apply different criteria. In particular the Council should be aware that, where I make comments below but nevertheless give a 'yes' answer to the related control objective, I have given the 'yes' answer on the basis that I consider that the objectives are met in all *significant* respects and/or to a standard *adequate* to meet the needs of the authority. This is somewhat subjective and the Council should consider, when assessing any risk referred to in my comments, that others may take an alternative view.

This report should also be read in conjunction with guidance laid out in The Practitioners' Guide 2022.

Section 1, 2 and 3 of the guide represents the proper accounting and governance practices ('proper practices') referred to in statute.

Section 4 of the guide sets out the non-statutory best practice guidance relating to internal audit which authorities are required to consider.

Section 5 of the guide provides supporting information and practical examples to assist smaller authority officers to manage their governance and financial affairs and is not mandatory.

By using this guide to refer to the proper practices referred to in statute and considering the non-mandatory guidance you can ensure that the systems and procedures you have in place are robust and offer a secure framework of governance and accountability.

These comments and the attached certificate will inform the authority's response to Assertion 2 and Assertion 6 in the annual governance statement.

General

It is clear from inspection of records presented to me, discussion with the Clerk and RFO, and inspection of the Council's website, that the Council's business is generally well managed and recorded, with high standards generally applied. The documentation was both on the website and in terms of the submissions made in response to audit questions was, for the most part, well organised and the Clerk and/or RFO were quickly able to respond to questions. Below I make some observations on improvements which could be made however, unless specifically stated, these should be regarded as advisory ie they represent best practice, not an indication of departure from acceptable standards. The headings are taken from the Practitioners Guide 2022.

C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council's most significant asset, the Village hall, has not been re-valued recently (the date of the most recent valuation was not known). Whilst the insured value is up-rated annually inline with general building indices, the value of individual properties can depart from these. Council should consider commissioning a revaluation at the earliest possible opportunity and thereafter at intervals of not less than five years. Some insurers have been known to offer such a valuation free of charge, most frequently at the commencement of a contract.

The management of the village hall, including insuring it, is entrusted to a 'Village Hall Committee' which appears not to be a formally constituted Committee of the Council nor to have formal terms of reference or written relationship with the Council. It is strongly recommended that Council consider putting this relationship on a more formal basis to avoid the risks associated with this informal relationship. Possible ambiguities both in both the validity of the insurance cover (does the management committee actually have an insurable interest?), and what would happen should a major event occur (eg a fire or liability event) should be carefully considered and if there is any doubt either professional advice sought and/or the cover transferred to the Council.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

The statutory process for determining the precept is set out in the Local Government Finance Act 1992 Section 49A1. There is no evidence from the format of the budget document that this process

1 <https://www.legislation.gov.uk/ukpga/1992/14/section/49A>

was followed and the minutes record only 'The 2022-23 budget was agreed with the Precept request to remain the same – resolved' not the actual figure.

In order to minimise the possibility of challenge it is recommended that Council consider adopting a format for the budget document which more clearly demonstrates that the statutory process was followed.

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

I am advised that Petty Cash is not in use so have marked this 'not covered'.

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.

The Employment Rights Act 1986 specifies that employees *must* be given a written statement of the main terms of employment within 2 months of their start date, and *must* be given a statement of any change within one month of that change. The most recent contract for the Clerk, signed on 9th November 2022, specifies an actual salary (to be reviewed annually).

It is understood that salary payments are checked by members at a Council meeting and made by cheque signed at the same time. I have compared the Clerk's payslip for January 2023 with the contract, and I am unable to reconcile the two.

It is further understood that the accepted practice is that both and holiday entitlement should vary in line with nationally negotiated conditions. The award made nationally in November 2022 was backdated to April 2022 and it is therefore likely that the variance is due to the nationally agreed uprating. If this is the case, the Clerks contract should be amended to reflect the intention to uprate automatically and/or letters of variation issued each time the conditions of employment change.

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.

The requirements for publication are set out in the [Transparency code for smaller authorities](#) (December 2014) which became mandatory under [The Smaller Authorities \(Transparency Requirements\) \(England\) Regulations 2015](#), together with [The Accounts and Audit Regulations 2015](#). This list may not be comprehensive.

It appears that the Council was compliant, on the date its website was inspected, in all respects with the requirements under the transparency code *except* that the internal audit report for 2021/2022 did not appear. The Council must take care to comply with all applicable aspects of the transparency regulations.

It appears that the Council was compliant, on the date its website was inspected, with the requirement under 13(1) of The Accounts and Audit Regulations 2015.

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. I was unable to find the documents in question.

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

On the basis that this matter currently remains unresolved and was notified late in the audit process HAPTC has decided that it should not impact on the completion of your internal audit report for this year. We would however strongly recommend that you ensure that you observe this guidance at the earliest possible opportunity to prevent any impact in subsequent years.

Yours sincerely,

James Parker
Internal Auditor to the Council
01279 724235
jwparker@cantab.net