

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:	13/04/2024
Year ending:	31 March 2024	Date audit carried out:	Feb 2024 & Apr 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 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 2023. 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 can confirm that the Clerk has been given the opportunity to comment on a draft of this report to minimise the risk of factual misunderstandings.

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.' 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 2023.

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 inspection of the Council's website, that the Council's business is generally well managed and recorded, with high standards applied. The documentation, 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 was quickly able to respond to questions. However there are a small number of areas of concern, where I believe that the Council must consider taking action; these are identified below.

It should be noted that the comments represent the position at the time the relevant assertion was audited. It is understood that some changes have already been made following the interim report referred to above; the Clerk and Council are to be commended for this prompt response which will likely be reviewed by the auditor during the audit for 2024-2025.

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

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 formal basis to avoid the significant 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. Written confirmation from the insurers of the status should be sought.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. (NO)

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.

There is no evidence from the budget document that this process was followed, and the budget for 2023-2024 is in deficit. Furthermore there is no record in the minutes that the budget was in fact approved and the precept demand on the District Council includes an additional grant (CTRS grant) which does not appear in the budget provided to me.

In view of all the above I am unable to answer this assertion in the affirmative.

Members and officers are reminded that the precept, set by the Council, is a compulsory tax which must be paid, and for which non-payment may attract a custodial sentence. It is thus incumbent upon the Council to be able to demonstrate that the rate of taxation was determined by a robust method, as set out in the legislation referred to.

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 and it is noted that a change to the format has been made for 2024-2025 which clearly sets out the reserves position. It is also essential that the decisions made are clearly recorded in the minutes.

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

It is understood that petty cash is not in use. This section has therefore been marked '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. (YES)

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. It is pleasing to note that the recommendation made last year that formal letters be issued to employees upon change of salary (or other employment details) has been adopted.

It is understood that salary payments are checked by members at a Council meeting and made by cheque signed at the same time.

There is a small discrepancy between the amount paid to Caroline Scott in December 2023 and a calculation of the amount due based on the pay review letter dated 18th January 2024 (which I presume is intended to be backdated to include December 2023). The difference amounts to either 2 or 14 pence, depending on the method used to calculate the amount due. I am advised that software is used to prepare the payslips; the difference is not material in my judgement and it is not uncommon for there to be small differences between alternative calculations of pay due.

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

Nevertheless, for the protection both of the Council and the employee, it would be highly desirable if this difference was reconciled and the method by which the figure on the payslip is calculated transparent.

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. (NO)

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](#) as well as the [Freedom of Information Act 2000](#). This list may not be comprehensive.

It appears that the Council was compliant, on the date its website was inspected (21/02/2024), with the requirements under the transparency code. It also 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 was asserted by the advisory group for internal auditors that 'made available' requires that the documents in question are published on the website. The regulation is, however potentially open to an alternative interpretation, and, at the current time, the matter has not been definitively resolved. I was able to find, on the date of inspection, some but not all of the documents in question, in particular the internal audit report for 2021/2022 did not appear and no 'year end' documents were present for the year 2020-2021. The Council must take care to comply with all applicable aspects of the requirements.

Under the section 19 of the Freedom of Information Act 2000 the Council is required to adopt and publish a scheme of publication approved by the Information Commissioner. I am unable to find any evidence that the Council has adopted or published a scheme as required by law. A model scheme is available from the website of the Information Commissioners Office.

It is further noted that minutes of Council meetings refer to documents (background papers) which are not displayed and thus it is, in many cases, not possible for a member of the public to determine what was decided. It is further noted that the ICO, in its guidance to local authorities on the interpretation of the model publication scheme, expressly states that background papers are considered *part of the agenda* and thus should be made available on the website at the same time as (or attached to) the agenda.

Having regard to the importance of transparency of decision making and to the above **I am unable to answer this assertion in the affirmative.**

O. Trust funds (including charitable)

It is understood that the Council is not the trustee of any trusts. This section has therefore been marked 'not covered'.

Yours sincerely,

James Parker
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