



## 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:	<b>Minting &amp; Gautby Parish Council</b>
Internal Auditor:	Andrew Everard
Year Ending:	31 <sup>st</sup> March 2023
Date of Audit Report	23 <sup>rd</sup> May 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 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.

In conducting the internal audit I have applied the Joint Panel on Accountability and Governance Practitioners' Guide issued in March 2022 applying to the 2022-23 financial year. This sets out the Proper Practices small authorities should follow in Section 1 and 2 and internal audit in Section 4.

**The council is required to consider and take appropriate action on all matters raised in reports from 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, Responsible Financial Officer and Councillors of Minting & Gautby Parish Council.**

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

Management & governance of the council was found to be satisfactory but some weaknesses have been identified that are the responsibility of the parish council to address.

Several areas were identified where action was recommended and are offered as suggestions for improvement. I have discussed these with the Acting Clerk, see below.

Internal Audit report for 2021-2022 conducted on 24<sup>th</sup> May 2022 was available for me to read and some items recommended on that report have not been implemented at the time of my audit this year.

I confirm that I am independent of the parish council and its members, and I have taken no operational activity or decision-making in relation to the parish council in the past or currently.

<b>AGAR Certificate reference</b>	<b>Findings and recommendations</b>
A. Appropriate accounting records have been properly kept throughout the year. AND I. Periodic bank account reconciliations were properly carried out during the year.	<b>The Council has maintained records necessary for it to comply with this requirement and regular bank reconciliations have been completed, however, it is <i>recommended that bank account reconciliations are checked by a parish councillor not on the bank signature mandate.</i></b>
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.	<ul style="list-style-type: none"><li>• <b>A number of payments were checked and one did not have an invoice – this is because it was a grant made to an individual to cover defibrillator energy costs and another was made to the village hall for similar costs.</b></li><li>• <b>The Acting Clerk is carrying out the duties of the RFO (specified in Financial Regulations section 5 and 6 in preparing invoices and payments). The RFO is not carrying out the financial duties themselves.</b></li><li>• <b>Two payments were made to the Acting Clerk in respect of sums that were paid by him personally from his own personal bank account in respect of the ICO, Minting Village Hall hire, and NS Computer Services. These could have been paid directly by cheque from the parish council bank account in accordance with the Scheme of Delegation and it is possible for payments to be made between meetings if the expenditure has already been</b></li></ul>

	<p>approved in the budget. A pro-forma expenses claim could be used. I recommend that the parish council's Financial Regulations are updated.</p> <ul style="list-style-type: none"> <li>• The Acting Clerk is one of only two signatories on the council's bank account and is signing payments of which he is a beneficiary which is failing to follow paragraph 6.4 of the parish council's Financial Regulations which prohibits signatories being the beneficiary of authorised payments. I would recommend that the parish council have more than two signatories on the bank account to avoid this conflict of interest arising.</li> <li>• VAT is being accounted for and reclaimed (apart from small amounts according to the Acting Clerk). The Council must assure itself that this is satisfactory.</li> <li>• Most of the financial responsibility rests with the Chair/ Acting Clerk and little separation of duties is evident.</li> </ul>
<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<ul style="list-style-type: none"> <li>• A risk assessment has been completed in March 2023. It's contents were not reviewed during this audit.</li> <li>• Councillor(s) are checking play equipment, defibrillators, playing field and other assets (the Council must be assured that all checks are documented or minuted as in the event of an incident the insurers or claimant will ask to see these documents – verbal assurances will not be sufficient) as per adopted Financial Regulations 14 and 15.</li> <li>• Play equipment should be checked at least annually by an external qualified inspector.</li> </ul>
<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> <li>• Progress against budget was not monitored as specified in section 4 of the Parish Council's Financial Regulations.</li> <li>• Budget-setting process and reserves were minuted.</li> <li>• Approved precept was received.</li> </ul>
<p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.</p>	<p><b>Satisfactory.</b></p>
<p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for</p>	<p><b>Not covered – no petty cash held.</b></p>
<p>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.</p>	<p><b>Not covered - no employees.</b></p>

H. Asset and investment registers were complete and accurate and properly maintained.	<b>The Parish Council is maintaining an Asset Register but not consistently recording the purchase /gift cost and has applied depreciation of 25% to electrical items which is not recommended.</b> <ul style="list-style-type: none"> <li>• <b>Recommend reviewing the value / purchase costs included in the Asset Register taking into account the guidance in The Practitioners' Guide.</b></li> </ul>
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>Satisfactory.</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>Satisfactory.</b>
L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with any relevant transparency code requirements	<b>Satisfactory.</b>
M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	<b>Satisfactory.</b>
N. The authority complied with the publication requirements for the prior year AGAR.	<b>Satisfactory.</b>
O. Trust funds (including charitable) - the Council met its responsibilities as a trustee	<b>Not applicable</b>

### Other recommendations

- The Parish Council's Standing Orders and Financial Regulations have not been reviewed and updated for several years. It is mandatory to have Financial Regulations and the Standing Orders contain much of the statutory legislation parish councils must follow. They contain the instructions and procedures to ensure the parish council complies with the law. More up to date templates are available from LALC website.
- The Code of Conduct was not displayed on the website and the Acting Clerk added, during the audit, an LGA model Code of Conduct which all District Councils have adopted in Lincolnshire. It is mandatory that the parish council has a Code of Conduct under S.27(2) and (3) Localism Act 2011 and may adopt the ELDC Code of Conduct at one of their meetings and it should be minuted when this is done.
- Pecuniary interests were declared by the Chair/ Acting Clerk and others in meetings during the financial year but S.31(4) Localism Act 2011 requires

The member or co-opted member may not—

(a) participate, or participate further, in any discussion of the matter at the meeting, or

(b) participate in any vote, or further vote, taken on the matter at the meeting,

The model Code of Conduct would require the councillor with the pecuniary interest to leave the room while the debate and vote takes place. It is also covered in the Council's Standing Orders

'Code of Conduct and Dispensations' section. Failure to comply with S.31(4) may be a summary level 5 offence as stated in S.34 Localism Act 2011. The departure and arrival time of a councillor during a meeting or at least their absence from the room during a specific agenda item should be minuted so their presence during debates and votes is transparent.

- The Parish Council may wish to consider allowing Direct Debits and online payments when reviewing its Financial Regulations to reduce payment delays and administrative time and costs for payment of utilities and the ICO which offers a £5 a year discount.
- Repeating last year's internal audit recommendation, the 'Contact' details in the parish council's website menu are missing. Recommend contacting the Lincolnshire County Council parish council website officer to fix the webpage. (Contact details are shown on the 'Council Business' webpage but not on the 'Contact' webpage – this reduces transparency.)
- A Publication Scheme is mandatory and should be published on the website to comply with the Freedom of Information Act 2000.
- At the time of the audit there was no Register of Interests on display on the parish council's website. S.29 Localism Act 2011 requires that a parish council displays its Register of Interests. Councillors must complete their Register of Interests Form and these must be provided by the Proper Officer (Acting Clerk) to the Monitoring Officer at East Lindsey District Council and then displays the link to the Register of Interests on the parish council's website. This is mandatory and should be addressed urgently.
- Had the Register of Interests been displayed it is good practice for the parish council to minute that they reminded themselves of their duty to review and update their Register of Interests (possibly annually) as an inadvertent failure to update their Register of Interests within 28 days of a change may be an offence under the Localism Act 2011.
- Cash book should have a column to record any S.137 payments (grants and donations that are not covered by any other statutory power specifically to benefit all or part of the community) and the Council should consider adopting a 'Grants and Donations Policy'.
- The Asset Register should have a date column recording when the item became a parish council asset. It is recommended that the Asset Register is reviewed so that the figures are consistent with the guidance in The Practitioners' Guide.
- There were no Declarations of Acceptance of Office held by the Acting Clerk for any elected or co-opted Councillors during 2022-23 financial year or earlier years in the last council term. These must be signed in accordance with Section 83(4) Local Government Act 1972 before or at the meeting before the individual takes part in the meeting as a Councillor. The signed Declarations of Acceptance of Office must be held by the Proper Officer (the Clerk/Acting Clerk) throughout their 4-year term of office on election or from the date of co-option until ordinary elections. Failure to sign a Declaration of Acceptance of Office means the seat is vacated, the individual is not a councillor and a casual vacancy process, once notified to the Elections team at East Lindsey District Council, is triggered. (Declarations of Acceptance of Office were found to be held for the Chair, RFO and Vice Chair. Only the Declaration signed by the Chair on taking office each year is required by law S.83(4) Local Government Act 1972 although many councils do ask the Vice Chair to sign one too.) Holding Declarations of Acceptance of Office is mandatory and the parish council must ensure this is addressed for the new council immediately before any debates or votes are taken.
- The parish council meeting cannot be chaired at any time by a person who is not a parish councillor. It is noted that the election of Chair of the Minting and Gautby Parish Council has not complied with S.15 Local Government Act 1972 the last few years since 2021. The Chair of the Parish Council should remain in the Chair until his/her successor is elected and may nominate themselves for re-election. If he/she resigns the Vice Chair takes over to preside for the election of the role of Chair. In the event there is no Vice Chair present then parish councillors must elect from their number a

parish councillor to preside over that item. In the event of an equality of votes for nominees the person in the chair for the election of Chair of the Parish Council MUST use their casting vote. There is no requirement to declare an interest in their own nomination and election of the role of Chair of the Parish Council. District and County Councillors are not members of the parish council and may not take the Chair if it is vacant.

- In reviewing risks the password (s) for the council laptop and electronic back-up in the cloud should be placed into a signed, sealed envelope and held by the Vice Chair / RFO and in the event that it should have to be opened in an emergency/ unforeseen incident this action should be minuted at the next meeting.
- Councillors should ensure they have undertaken training sufficient to be aware of their duties and responsibilities, to understand the council's powers and how they hold their Proper Officer, RFO and the council accountable and transparent.
- The parish council should consider the Annual Internal Auditor's Report and this narrative report and minute the steps they take to implement the recommendations following the guidance in the JPAG Practitioners' Guide 2022 (see paragraphs 4.21-4.25) and should carefully consider their decision as to Assertion 2 and Assertion 6 in the Annual Governance Statement to be decided by this parish council in the light of Internal Audit findings.
- Internal Audit should be a two-part process so I recommend an intermediate audit in the Autumn/Winter and an end-of-financial-year audit. This allows time for any anomalies or errors to be corrected within the financial year and can improve the AGAR outcomes.

Yours sincerely

*A.C. Everard*

Andrew Everard

Internal Auditor

Lincolnshire Association Local Councils

Date: 23/5/2023