



## 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:	Pointon & Sempringham Parish Council
Internal Auditor:	Andrew Everard
Year Ending:	31 <sup>st</sup> March 2022
Date of Report	19 <sup>th</sup> August 2022

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.

**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

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### To the Chairman of Pointon & Sempringham Parish Council

I have examined council business including policies, agendas & minutes, accounting and financial statements and other documents relevant to this audit. Management and governance of the council during 2021-22 financial year and I have identified some weaknesses in internal controls.

Moreover, the council did not seem to have acted upon the recommendations made by the internal auditor in 2020-21.

Several areas have been identified where action is recommended for improvement. I have identified and discussed these with the Clerk.

The council has employed a competent and experienced Clerk and, in my opinion, this should allow the council to address many of the weaknesses identified if the council is willing to accept the guidance and advice that the new Clerk offers. LALC will be willing to provide further advice and support if this is necessary.

### Key governance controls

- Up to date Councillor Code of Conduct and Complaints Policy needs to be put into place.
- Standing Orders and Financial Regulations have just been reviewed and adopted which is good practice and the processes contained in them should be implemented in practice.
- A standing HR or Staffing Committee with clear Terms of Reference and delegations should be established.
- The Council needs to establish a risk register to manage its risks and review the insurance policy cover.
- All Contracts, bank statements and accounting documents should be retained by the Clerk/RFO to be compliant with mandatory Freedom of Information Act, Data Protection Act, Audit and Accounting Regulations.
- Internal Audit should take place mid-year and end of year prior to the approval of AGAR.

### Transparency

- The employment of a competent, experienced Clerk is addressing weaknesses in this area.
- The Council should comply with the requirements of the *Transparency Code for Smaller Authorities*, Accounting and Audit Regulations and the Freedom of Information Act which are mandatory. The Council has affirmed in its annual returns (AGAR) that it complies and is therefore exempt from limited assurance review by external audit.

### Accounting

- The appointment of an experienced and competent Clerk will strengthen this area.
- VAT reclaim needs to be completed.
- Petty cash is not covered by the internal audit as the Council does not use petty cash.

### Budget and Budgetary Control

- Ensure budget approval and budgetary control are implemented in accordance with Financial Regulations.

## **Bank Reconciliation**

- Implement regular bank reconciliations that are minuted in accordance with Financial Regulations.

## **Asset Control**

- Review the Asset Register and ensure it complies with the Practitioners Guide
- Ensure that the Insurance Policy has been reviewed and covers all assets.

## **Risk Management**

- The Council should maintain a risk register and review it regularly to ensure it has taken steps to reduce risks and insurance policy cover is adequate.

## **Proper Processes and Practices**

- Councillors should ensure that their Declarations of Interests records are up to date through a specific agenda item and this is minuted.
- Declarations of Interest applicable to specific items should be recorded in minutes and the point at which Councillors leave the meeting and return should be minuted.
- Establish a HR/Staffing Committee to manage employment matters and to reduce the risks of failing to adhere to good employment practices.
- Declarations of Acceptance of Office should be held by the Clerk
- Draft minutes should be approved and minuted at council meetings to be signed by the Chair and held by the Clerk as a permanent record.
- The names of non-councillors and members of the public should not be recorded in the minutes as this may have data protection implications.

## **Payroll & HR**

- Establish a HR/Staffing Committee to manage employment matters and to reduce the risks of failing to adhere to good employment practices and ensure that sufficient councillors have undertaken training in HR/employment management.
- Ensure that the Council complies with its statutory duties with The Pensions Regulator and HMRC to reduce the risk of penalties and prosecution.
- Decisions relating to appointments of staff, pay scales and reviews should be minuted in either Committee or Council meetings.
- Expenses should only be paid for claims with associated receipts (for accounting and VAT purposes), except for approved non-receipted items such as mileage or working at home allowances.
- A training policy for councillors and employees is recommended and if appropriate you may support your Clerk in obtaining CILCA.

Yours sincerely

*Andrew Everard*

Internal Auditor

Lincolnshire Association Local Councils

Date: 18<sup>th</sup> September 2022