



## 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:	Sturton by Stow Parish Council
Internal Auditor:	Stacey Knowles
Year Ending:	March 2024
Date of Report	13 <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-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 Sturton by Stow Parish Council

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

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

Internal Audit for 2022-2023 was not available so I was unable to refer to any areas raised.

### Key Governance Review

- Standing Orders and Financial Regulations still have some areas with optional brackets [ ] which have not been tailored to the council. It is recommended that these documents are reviewed and tailored appropriately.
- An HR committee has been set up. However, the committee does not have a terms of reference to clearly identify the responsibilities of the committee and its delegated authority to act on behalf of the full council.
- The council does not have a publication scheme on its website. During the audit, only an old copy of this document could be found (2008). It is recommended that this is produced and adopted as a priority as it is a legal requirement to publish this document on the website.

### Transparency

- The council correctly published its AGAR documents on the website within the prescribed period of time.
- The council should ensure that it has separate agenda items to approve the relevant sections of the AGAR in the order as shown in the detailed instructions provided by the external auditor. These items should have a different minuted resolutions for inclusion in the signed AGAR documents – Annual Governance Statements, Annual Accounting Statements. ‘Approval of the Annual Return’ is not adequate wording to ensure that this item has been properly approved.
- The asset register is not published on the website. This was raised in the audit for year ending March 2023.
- Details of the councillor roles i.e. chairman and vice chairman are identified on the website. Some members of council are not listed on the website.
- The formatting of documents and information is not always clear on the council’s website. The council should seek assistance in setting up and publishing on it’s website to ensure transparency.

### Accounting

- It is recommended that the RFO provides opportunities for the signatories to view the original invoices received by the council. This is an internal control which enables councillors to verify that the payments listed for approval are genuine payments, going to the correct beneficiary and the amount listed are correct.
- It is recommended that s137 expenditure is identified as such in the minutes of meetings at the point at which the council is resolving to incur the expenditure.

### Budget

- The budget and precept was approved by the council in December 2022. However, the approved budget was not minuted. This should be included in the minutes for transparency and evidence that the budget supports the precept request agreed by the council.

- It is not clear whether the council holds earmarked reserves. The RFO advised that money was held in respect of a s106 agreement. The council should clearly present its earmarked reserves and the purpose of the reserves in its accounts.

### **Bank Reconciliation**

- It is recommended that the bank reconciliation review is minuted at meetings of the full council. As discussed at the internal audit ending March 2023, it is recommended that the bank reconciliation reviews are rotated between councillors to ensure separation of duties. As per the council's adopted standing orders, this should not be the chairman of the council. It is best practice that signatories also do not carry out the reconciliation review, however, it is accepted that in a small council it is more difficult to achieve this.

### **Asset Control**

- The asset register exists and is reviewed. This was seen by the auditor and was recommended that a separate valuation entry is made for insurance purposes. This ensures that the council's insured amounts are in line with the insurance valuations recorded in the asset register.
- Inspections of assets are carried out. However, contemporaneous records of these inspections are not made or retained. It is recommended to set up a checklist for inspecting the council's assets and retain these records. This information may be requested by the insurance company in the event of a claim involving the council's asset.

### **Proper Process / Practice**

- The register of interests linked through to West Lindsey District Council are not up to date for all councillors, some being signed in 2019. The clerk reports that updated forms were completed but do not appear to have been uploaded to the website by WLDC. It is recommended that this is followed up as soon as possible as it is a reputational risk to the council.
- Similarly, interests are not always declared at the beginning of meetings. Whilst it seems repetitive to declare the same interests at every meeting, it is important to do so. It is not sufficient to rely on an interest being declared at the beginning of the year or at a previous meeting as this does not provide adequate transparency.
- The HR committee set up only has two members appointed to it. The committee will be unable to make any decisions as per Standing Order 4d viii which states that the minimum quorum shall be no less than 3.

### **Payroll & HR**

- The council does not have sufficient HR policies in place. As a minimum of the council, should adopt a Grievance policy and a Disciplinary policy.

Three transactional checks were carried out during the audit. There was an audit trail from authority to incur expenditure through to receipt of invoice and payment.

Thank you to Stacey for meeting with me and assisting with this interim audit.

Yours sincerely

Stacey Knowles

Internal Auditor

Lincolnshire Association Local Councils

Date: 13<sup>th</sup> December 2023