

Waddington Parish Council

Internal Audit

Year Ended 31st March 2024

Summary

I have carried out an internal audit of Waddington Parish Council's governance & financial affairs for the year 2023.24

It is noted that the improvements made since the new Clerk / RFO was appointed have continued and again it is advised that Councillors undertake training themselves, potentially through Lancashire Association of Local Councils and Ribble Valley Borough Council. The Internal Audit has been carried out over a shorter period than I would have preferred, as I awaited instruction then books & records & a review during the year may be advantageous. The Proper Officer may wish to make response to some of the comments in this Report & I am happy to discuss this with her and the Council. I would again strongly recommend that "The Good Councillor Guide" is made available to all Councillors who can therefore fully understand separation of roles. A firm start has been made on scrutiny, however Councillors are reminded that Clerk / RFO has a role to guide, but decisions are made by Council, working as a body and never acting alone. It is important to ensure that approval is resolved for any Councillor to act on behalf of the Parish Council prior to such action & that such approval is minuted. Again this has been demonstrated not to have occurred on all occasions which could give rise to future issues.

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return.

As a reminder of why I have been deemed "competent" to carry out this audit, my relevant experience is as follows:

- Parish Councillor in Samlesbury & Cuerdale for 12 years, up to 2002
- Qualified in 2005 (but not practising) Accounting Technician
- Qualified Parish Clerk & Responsible Finance Officer to Mellor Parish Council from June 2015 to December 2022 and to Bolton by Bowland, Gisburn Forest & Sawley Parish Council from July 2016 to August 2021, Interim Acting Parish Clerk and Responsible Finance Officer to Balderstone Parish Council between September 2019 & August 2021
- Former Secretary of Ribble Valley Area Committee of Lancashire Association of Local Councils

This report is prepared for the Council and Parish Clerk & RFO for use in fulfilling their statutory obligations.

Audit Process

Bank statements, minutes, accounts, cashbook, Standing Orders, Code of Conduct and Financial Regulations and Finance Committee Terms of Reference were all studied. In future, it would enable easier scrutiny if a complete backup was provided by memory stick in a complete file, rather than in different formats, some hard copy, some on line, whilst some are duplications. It is pleasing to note that in almost all cases Minute approval has been demonstrated for actual expenditure, however improvements to procurement would be strongly advised, with sufficient quotes being obtained, the preferred quote as well as amount being referenced in Minutes as a resolution.

Findings

I note that the Parish Council took the decision not to have an external audit for the year 2022.23, the expenditure not being such as to require one and that an exemption certificate was issued, however I also noted that the Annual Governance & Accounting Requirements process includes these must be published on Parish Council's website, together with AGAR forms, once approved. This is a duty of Clerk / RFO to ensure correct procedures within timeframe and in order.

It is noted that there has not been a single record of training for Councillors, which is less than that to be recommended. No evidence of an Induction Process for new Councillors was evidenced – again this is a strong recommendation.

The following is a commentary on the completion of the formal assessment for the Annual Internal Audit Report 2023.24.

Ref	Audit Area	Comments
A	Appropriate accounting records have been properly kept throughout the financial year.	Marked Yes, which is an obvious improvement on earlier years
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	There have been several occasions when Council has not followed its Financial Regulations and Finance Committee Terms of Reference which I will detail to Clerk / RFO for full consideration by Council. VAT has been appropriately accounted for in cashbook.
C	This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Financial Risk Assessment was deemed to be adequate, but compliance with Financial Regulations has not always been demonstrated: The insurance policy has been examined and does not concur with the current Asset Register; this may therefore be inadequate / inappropriate. It is understood more work is being undertaken to establish the Assets held. Minutes suggest that Clerk / RFO & three un- named Councillors are signatories to payments, but approval of payments by Staff is considered to lack internal controls & it is suggested that Section 5 of Finance Committee Terms of Reference is critically and urgently reviewed and any alterations approved and minuted.
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	The Minutes confirm that a budgetary process was carried out, with a subsequent Precept Order. This could be simplified, thereby assisting easier overall scrutiny. Finance Committee Minutes have been published: therefore progress against budget is demonstrated, but needs improvement as projects are being carried out. More frequent monitoring of the current expenditure against ongoing budget would be indicated as advisory. In view of the reasonable level of precept, expenditure and suitable processes for budget setting this year, this section is marked as compliant. Greater scrutiny was recommended last year.
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	The precept was as per expectations, and a number of grants were sourced, the work for this carried out by Councillors (rather than Clerk / RFO) hence marked as compliant. Ribble Valley Borough Council again has further funding sources which may be applicable in future, and Rural Funding Digest is a monthly newsletter detailing numerous sources.

		It is noted that in respect of cash received, Section 9.9 of Waddington Parish Council Finance Regulations was not followed. A full reconciliation of the Allotments Account has given improvement.
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Noted that petty cash has been used, for allotments and events, and “double handed” counting would be advisable for the future in order to comply with internal financial controls. It is a requirement that any cash drawn is approved prior to its use, clearly showing an audit trail. An anonymous donation is verbally noted, but should be minuted as such.
G	Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.	It is noted that recommendations from 2022.23 Internal Audit regarding issues caused by previous Clerk / RFO have been addressed & current Clerk / RFO is to be praised for her diligence in this work. Staff costs are monitored against budget, and recompense to Clerk / RFO for use of home for office as recommended that Home Working allowance (non taxable) for Clerks is now applied. PAYE & NI requirements were met. There appears to be no record of Member expenses being taken. Internal Audit 2021/22 commented on the need for registration with Pensions Regulator (even if no pension scheme is needed or appropriate) but this action has again not been evidenced.
H	Asset and investments registers were complete and accurate and properly maintained.	Asset Register has been provided (but still out of date) and this is a requirement, including regular review and publication. Hence an asset register could also have a column for insurance / replacement valuation. Clarity of ownership of assets is necessary as a priority. Despite recommendation 2022.23, this action still needs to be carried out.
I	Periodic and year-end bank account reconciliations were properly carried out.	While there was no evidence seen of bank account reconciliations during the first part of the year, “periodic” is not a defined term and as a full reconciliation has been made for this year and previous years, this has been marked as compliant.
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	Accounting statements for previous year were supplied with books & records for 2023.24 Cash book completed comprehensively for the year. End of year accounting statements presented, awaiting approval & signature. In a few instances, less than adequate records have been presented throughout the year, however in order to fully comply, a full audit trail of payments made during the year is needed. It is noted that detailed approval with breakdown of approved payments, in addition to current bank balances is normally recorded in Minutes. As previously recommended for a Parish Council of this size & expenditure, a simple Microsoft Excel spreadsheet, reconciling to bank statement is adequate and used, without cost. Hence, this has been marked as compliant but improvement in process is needed.
K	If the authority certified itself as exempt from a limited assurance review in 2022.23, it met the exemption criteria and correctly declared itself	An Exemption Certificate was submitted for 2022.23 year, however it was not published on Parish Council’s website The Parish Council is not able to identify itself as Exempt this year, since the threshold of £25,000 turnover for the year 2023/24 has been exceeded and therefore greater scrutiny will be required.

	exempt. (“Not Covered” should only be ticked where the authority had a limited assurance review of its 2022.23 AGAR)	
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.	This was carried out during the summer of 2023, however whilst supporting evidence was published on the website, approved AGAR forms and Certificate of Exemption were not published as required.
M	In the year covered by this AGAR, the authority correctly provided for a period of the exercise of public rights as required by the Accounts and Audit Regulations (<i>during the 2023.24 AGAR period were public rights in relation to the 2022.23 AGAR period evidenced by a notice on the website and / or authority approved minutes confirming the dates set</i>)	The advisory dates for the Exercise of Public Rights 2022.23 were acceptable for due legislation, properly published and hence marked as compliant.
N	The authority has complied with the publication requirements for 2022.23 AGAR (<i>see AGAR page 1 Guidance Notes</i>)	Full compliance was not followed, hence marked as Not Compliant
O	(For Local Councils only) Trust Funds (including Charitable) the Council met its responsibilities as a Trustee	Previous AGAR for Waddington Parish Council suggest that no Trust Funds are under the control of the Parish Council, but confirmation is required for this to be not applicable.

Recommendations

- 1 As recommended in 2022.23, No record has been noted of bank signatories or terms of bank mandate .e.g. any two of the four named signatories. It is possible that, if signatories are not recorded, incorrect banking arrangements may occur, particularly over time following changes of Councillors and / or Clerk.
- 2 Concern is expressed regarding new projects, their accountability & a full Audit Trail. It is highly laudable that individual Councillors wish to enhance the Parish, however greater care must be taken in order to safeguard against acting alone & thereby bringing the Council into disrepute. A resident may consider that, even with the use of grant funding, their Council Tax is being improperly used and make at least an official complaint against the Council.
- 3 Minutes – It is advisable (under GDPR) to not name residents within Minutes, better to note e.g. “A Main Street resident” Under GDPR all Declarations by previous Cllrs. must be shredded as they must not be held, since term of office has expired. Similarly, Freedom of Information requests are confidential & should not be referred to in Minutes, especially when not Parish Council business.

- 4 No evidence was seen of comparable quotes for significant expenditure e.g. signage at Playing Field, repairs to paths. It is noted that an Annual Playground Inspection is carried out and periodic checks during the year; these may have been done, but should be regularly logged. RoSPA has guidance on this with a downloadable checklist. Again, this action was recommended in 2022.23, not actioned.
- 5 All Councillors should have some understanding of the roles and responsibilities of being Councillor and an employer and being responsible for their actions as a corporate body. NALC publish various guides, including “The Good Councillor” and “The Good Councillor's guide to being a good employer” which may assist with this. Hard copies can be obtained here: <https://www.nalc.gov.uk/publications>.
- 6 Risk Assessment suggests that financial loss is the responsibility of Clerk – this is incorrect, finances are the responsibility of the corporate body i.e. Parish Council. Note that Actual Finance Terms of Reference are to be actioned, not ignored.
- 7 Financial Regulations 5.11 should be amended “... shall be approved in writing by a Member” since no Member may act alone. Instructions for making payments should be reviewed at 6.7, 6.8 & 6.9 as this may cause anomalies following an election year. No evidence has been seen that this has been actioned.

Report Completed by: Teresa Taylor **Date:** 08 May 2024