



19<sup>th</sup> September 2024

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## **2024/25 Interim Internal Audit Report for Warboys Parish Council**

### **BASIS OF REPORT**

This internal audit report is based upon the Practitioners Guide (Joint Panel on Accountability and Governance) Governance and Accountability for Smaller Authorities in England 2024 publication.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls and was outlined in the original Letter of Engagement. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes. The Internal Audit Reports should therefore be made available to all Members to support and inform them when they consider the Council's approval of the annual governance statement.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

Please note: it would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. Smaller authorities are required by the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'. An internal audit is therefore a periodic independent review of a Council's internal controls resulting in an assurance report designed to improve 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 staff and Councillors and not left for internal audit. (Source: Governance and Accountability for Smaller Councils - A Practitioners' Guide 2024 – Section 4).

As Internal Auditor for Warboys Parish Council, I confirm that I am independent from the management of the financial controls and procedures of the Council and do not have any conflicts of interest with the Council, nor do I provide any management or financial assistance to the Council.

### **INTERIM AUDIT REPORT**

I reviewed the documents provided and met with the Senior Clerk, Clerk and Assistant Clerk, on 11<sup>th</sup> September 2024 and finalised the information on 13<sup>th</sup> September 2024.

The Senior Clerk and Clerk have only been in post for approximately a year, with the Assistant Clerk recruited in April. At present there is no Council office from which to work from.

AUDIT POINT	AUDIT FINDINGS	RECOMMENDATIONS & ACTIONS
<b>A. Appropriate accounting records properly kept throughout the financial year</b>		
<p>Book Keeping Arrangements</p>	<p><i>Appropriate books of account are being kept properly and are well maintained but there are some improvements that could be made with regard to audit trails to indicate the dual control system currently in place.</i></p> <p><i>The Council have moved to the Scribe Accounting system and this is being used appropriately.</i></p> <p><i>Council minutes are up to date and have been appropriately signed.</i></p> <p><i>Records for the building project are being kept proficiently but the same improvements could be made with regard to audit trails.</i></p>	<p>Due to the building project, staff are working in difficult circumstances at present and going above and beyond what is expected of them to implement new systems and make improvements to internal controls.</p> <p>Whilst I am satisfied that there is an audit trail, I would recommend that further procedures are put in place to evidence that invoices are verified and certified on receipt by the Senior Clerk, either by signature or stamp. Whilst the Clerk adds the minute reference to the Scribe system, to aid with internal checks, it would be advantageous to add the minute reference to the invoice.</p>

<b>B. Financial Regulations complied with, payments supported by invoices, expenditure approved, VAT appropriately accounted for</b>		
<p>Document reviews, review of internal controls and decision making.</p>	<p><i>The Council's Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure.</i></p> <p><i>Payments were supported by invoices, and whilst expenditure was approved in the minutes there was no physical evidence on the invoices that Council had approved the payments. VAT is appropriately accounted for.</i></p> <p><i>The Council is now operating on an I&amp;E basis due to expenditure increasing above £200k.</i></p> <p><i>The Council has 3 signatories for the banking mandate which has not been reviewed for sometime.</i></p> <p><i>The Council have recently acquired a debit card and are introducing internal controls.</i></p> <p><i>The Council's has adopted up to date model versions of Standing Orders and Financial Regulations but they do not specify the same tender thresholds.</i></p> <p><i>There was evidence of the Council approving a grant.</i></p> <p><i>It was noted that the Senior Clerk is project managing the new Parish Hall build saving the Council a significant amount of money on fees.</i></p> <p><i>There is evidence that Council make grants to external parties</i></p>	<p>In accordance with the Council's Financial Regulation 6.1, Council should review the banking arrangements annually. There is no evidence that Council have undertaken this in recent times. Staff are experiencing difficulties with only 3 bank signatories. It is recommended that a review be undertaken and this number be increased to at least 5.</p> <p>Whilst the Clerk adds the legal power relating to the expenditure on the Scribe system, Financial Regulation 5.2 does indicate that the legal power should be recorded in the Minutes and this should now be incorporated into working practices.</p> <p>Invoices need to be verified that they are approved for payment and the dual authorisation of payments online evidenced.</p> <p>It is recommended that members of the Finance Committee (perhaps on a rotating basis) select quarterly and at random, a month of expenditure and verify that two Councillors have evidenced their approval for each item of expenditure.</p> <p><b>The internal controls for the debit card will be reviewed at the final audit.</b></p> <p>It is recommended that Standing Orders and Financial Regulations quote the same tender thresholds.</p> <p>To ensure conformity in considering and authorising grants, it is recommended that Council formulate a Grants Policy</p>

<b>C. Risk management &amp; Insurance</b>		
<p>Review of internal controls</p>	<p><i>The Council does not have a Risk Management Strategy/Policy nor has it undertaken an annual Risk Review. However, this is currently being formulated ready for presentation to Council prior to year-end.</i></p> <p><i>An insurance review is currently being undertaken as the insurance is due for renewal October 2024.</i></p> <p><i>An annual external risk review is undertaken on the Council's playground assets.</i></p> <p><i>There is no evidence of regular visual checks being undertaken though by the Council's Handymen although attempts are being made to introduce this. This is a risk to Council.</i></p> <p><i>There is no evidence of any tree survey having been undertaken in the past.</i></p> <p><i>The Council were unable to review the effectiveness of the 23/24 internal audit as none was provided.</i></p> <p><i>The Senior Clerk and her team are being proactive in ensuring new systems of internal control are being put in place to lessen any risk to Council.</i></p>	<p>Implement a Risk Management Strategy and undertake a Risk review prior to 31<sup>st</sup> March 2025. <b>This will be checked at Final Audit.</b></p> <p>It is recommended a further insurance review is undertaken upon completion of the Parish Hall to ensure insurance values are appropriate.</p> <p>Implement operational risk registers for all Council assets where appropriate e.g. buildings and playgrounds and ensure this is reviewed annually.</p> <p>The Council's Handymen need to embrace the system being implemented for safety checks and ensure they complete appropriate paperwork and maintenance schedules. This will ensure there is evidence that Council is seeking to lessen risk.</p> <p>A tree survey needs to be undertaken.</p> <p>The Senior Clerk has identified a risk to cash flow regarding the build project. I am satisfied that this is being considered by Council and it will heed best advice and support the fund raising efforts to alleviate the potential problem that was not recognised at the time of setting the project budget (which was prior to the current administration team of the Council).</p>

<b>D. Budget, Precept and Reserves</b>		
<p>Review of internal controls, monitoring and decision making</p>	<p><i>The annual Precept was only approved at Committee level and by a percentage increase. It does not appear that the budget was first set to gage the appropriate precept requirement of Council.</i></p> <p><i>The budget was not resolved until March 2024.</i></p> <p><i>Progress against the budget is being monitored and evidenced in minutes.</i></p> <p><i>Any reserves held at present are Capital Reserves but Earmarked Reserves will be introduced in time.</i></p> <p><i>The budgeting process for 2025/26 will commence in September and will be approved prior to the setting of the precept.</i></p>	<p>I am satisfied regarding the reasons surrounding the setting of the precept and budget. The Senior Clerk and her team are aware that this is not the best practice procedure but proved necessary in the circumstances of the Council’s commitment to a Public Works Loan.</p> <p>Reserves should be formally considered by Council at the year end and published.</p> <p>It is recommended that the Council introduce a Reserves Policy.</p> <p>It is recommended a formal budget setting process be adopted to regularise the process.</p>
<b>E. Income</b>		
<p>Review of internal controls, banking and VAT accounting</p>	<p><i>Expected income was fully received and properly recorded.</i></p> <p><i>It was not possible to verify that the precept received during the year agrees to the precept raised by Council</i></p> <p><i>The allotment fees and charges do not appear to have been reviewed for some time by Council.</i></p> <p><i>There are minimal cash transactions for income but the current practice without the Parish Hall is putting staff at risk as at least one hirer is just putting cash through a letter box.</i></p> <p><i>It was noted that the Senior Clerk has secured significant grant funding for the new Parish Hall build.</i></p>	<p>In future, Council (not a committee) need to formally resolve the annual precept as a total amount, preferably stating the Band D equivalent and the variation as a percentage.</p> <p>It is recommended a review is undertaken of allotment fees and charges along with the deposit system.</p> <p>It is recommended that whilst there is no Parish Office, any cash received to pay hall hire or for allotment rent is now only collected on the days when Staff are operating from the Library and dual control is possible.</p> <p><b>A review of the new Parish Hall will be undertaken once the system is transferred to the Scribe system and the Hall operational</b></p>

<b>F. Petty Cash</b>		
Review of internal controls, decision making and VAT accounting	<p><i>Petty cash is not operated by the Council.</i></p> <p><i>A very small balance remains from a previous system but this will be accounted for in the near future.</i></p>	
<b>G. Payroll</b>		
Review of process, internal controls and decision making	<p><i>Staff have contracts of employment and right to work checks are carried out.</i></p> <p><i>Handymen are employed on contractual hours and yet account for all hours, not just those in excess of their contractual hours. This looks to have caused at least one payment issue due to a Bank Holiday.</i></p> <p><i>Payroll software is used.</i></p> <p><i>No pension contributions are being made as staff have informally opted out of the Nest scheme.</i></p> <p><i>Salaries to employees were paid in accordance with Council approvals.</i></p> <p><i>Staff appraisals are not currently undertaken</i></p>	<p>It is recommended that the Handymen are paid in accordance with their contractual hours and only hours in excess of this are recorded on a time sheet. This will avoid mistakes and improve administration.</p> <p>With 6 employees it is recommended that the Council consider switching to a payroll provider. This will lessen the administrative burden and potentially prove more cost effective for Council.</p> <p>Staff need to formally opt-out of the Nest pension scheme so an appropriate record is kept.</p> <p>It is recommended that an appraisal scheme be introduced for all staff.</p>
<b>H. Assets, Investments and Loans</b>		
Review of registers, policies and records	<p><i>The Council are moving the asset register onto the new Scribe system.</i></p>	<p><b>This will be reviewed at the final audit</b></p>
<b>I. Bank Reconciliations</b>		
Review of internal controls	<p><i>Monthly bank reconciliations are being undertaken by staff but there is no evidence that Councillors are undertaking internal control checks.</i></p>	<p>In accordance with the Council's Financial Regulation 2.6, Council should evidence that this internal control is being undertaken. A system needs to be implemented for Councillors to undertake this important internal control.</p>

<b>J. Accounting Statements</b>		
Review of process		This will be undertaken at the final audit review
<b>K. Limited Assurance Review</b>		
Criteria review	<i>The Council does not meet the exemption criteria.</i>	
<b>L. Transparency Code</b>		
Review of published information on website	<p><i>Warboys Parish Council needs to comply with the Local Government Transparency Code 2015 as expenditure exceeds £200k.</i></p> <p><i>The Council's website does not conform to the Accessibility Regulations</i></p> <p><i>Five years of finance information including the AGAR is not available on the website.</i></p> <p><i>There is no Privacy Notice published to the website</i></p>	<p>The Council's website does not conform to the Accessibility Regulations and needs to be addressed.</p> <p>The Council need to ensure that they meet the expectations of the Code e.g. Expenditure exceeding £500 should be published separately to the Council's website; an organisation chart should be published at least annually. Easy to understand details of what should be published can be found here</p> <p><a href="#">Transparency - Weymouth Town Council   Weymouth Town Council</a></p>
<b>M. Exercise of Public Rights</b>		
Review of 2023/24	<i>The Council published the exercise of public rights notice on the website and noticeboard with the following dates: 17<sup>th</sup> June to 26<sup>th</sup> July inclusive. This appropriately included the first 10 working days of July.</i>	
<b>N. AGAR publication</b>		
Review of 2023/24	<i>The Parish Council has to date complied with the publication requirements for the 2023/24 AGAR, although it still awaits Conclusion of the Audit by the external auditor</i>	<i>The Senior Clerk is aware that conclusion of the 2023/24 Audit needs to be published by 30<sup>th</sup> September 2024. This will be reviewed at the final audit.</i>
<b>O. Trust Funds</b>		
Review if applicable	<i>The Parish Council does not operate as a trustee</i>	

<b>Transparency Compliant</b>		
<b>PROCESS</b>	<b>FINDINGS</b>	<b>RECOMMENDATIONS &amp; ACTIONS</b>
<b>1. Review of Internal Audit 2023/24 considered and actioned</b>		
Good Practice	<i>The Internal Audit had not been reviewed the previous year.</i>	This was out of the control of Staff as no report provided by the previous Internal Auditor
<b>2. External Audit recommendations 2023/24 considered and actioned</b>		
Good Practice	<p><i>The Conclusion of Audit report had been received for 23/24 and had been published on the website.</i></p> <p><i>Qualifications addressed (if relevant)</i></p> <p><i>Findings:</i></p>	To be reviewed at the Final Audit as it had not been received from PKF
<b>3. Compliance with Transparency Code</b>		
Good Practice / Legal conformity	<i>This is a work in progress</i>	To be reviewed at the Final Audit

#### **Further Recommendations:**

Some training had been undertaken by the administrative team and there is a wish to progress to CiLCA in due course. The Staff should be supported in training that will eventually lead to a CiLCA qualification as it will be of great benefit, not only to professional development, but to the Council, with the potential to adopt the General Power of Competence.

Council may wish to consider paying a Homeworking Allowance at this time to help towards costs of administration staff working from home. This would be £6 per week.

#### **Conclusion**

The above are recommendations to help the Council improve its processes and in no way detract from the work it, and the Senior Clerk and her team have already done. The Council are to be commended for employing a dedicated and able administrative team.

Warboys Parish Council has an electorate in the region of 3271 and the Precept for the year 24/25 was set at £188,040

In general, I believe that the Council in the last year has begun to introduce competent arrangements to satisfy itself that its systems of internal financial control are becoming transparent and effective. There are approval and authorisation controls to minimise risk, albeit these are not fully evidenced as yet. Councillors do need to take an active role in ensuring they complete the relevant parts of their internal controls responsibilities. I feel sure the audit and management trail for financial transactions will be improved.

This report should be noted and taken to the next meeting of the Council for minuting to inform them of the Internal Audit work carried out.



My thanks are given to the Senior Clerk and her staff in providing documents on time and for their assistance which has ensured the smooth progress of the review process. The staff are going over and above to ensure that during the build of the new Parish Hall, they are accessible and disruption to working practices kept to a minimum.

I hope that this report is of help to the Council. If you would like any further assistance or clarification, please do contact me.

*Helen Simmons*

Legra Internal Audit Service  
Internal Auditor