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29th May 2022

The Chairman
Sporle with Palgrave Parish Council

Dear Chair,

Internal Audit for the year ended 31st March 2022

I would like very much to thank the Council for appointing me to carry out the internal audit for the 2022 accounts, and to thank the Clerk for her time.

I would point out that, according to the Governance and Accountability for Local Councils, the purpose of internal audit is to review the effectiveness of a council's risk management, control and governance processes; neither the internal nor the external auditor can be expected to look for fraud.

My purpose is not to give an opinion on the accounts, I am required to review controls and give recommendations.

I carried out the following work on the Council's records on 8th June 2021 having previously been provided documents electronically and in hard copy by the Clerk:

1. Proper Bookkeeping:

- checked payments from the cashbook to minutes.
- checked receipts from cashbook to cheque books and bank statements.
- I note that no VAT reclaim has been submitted, this was brought to Council attention last year - I am informed by the clerk that a claim for 2020/21 and 2021/22 will be claimed this year.
- I note from the accounts that Council continue to make payments on the pavilion and playingfield. Council should note that this is not Council expenditure, but effectively a 'donation' to the charity. Caution should be taken with regard to the legislation used for the payments, or whether it would be considered S137 payment.

2. Financial Regulations and Policies:

- S137 payments are correctly separated within the accounts however they are not noted within the minutes as S137 payments.
- Financial Regulations were reviewed by the Council in July 2020 according to the copy within the file I was provided and also the website. These will need reviewing

given the changes that occurred in January 2021. This was brought to Council's attention last year in the internal audit.

- The Council must, by law, consider a General Reserves Policy.

3. Risk Arrangements:

- I have reviewed minutes for unusual items and find no inconsistencies.
- The minutes reflect that the asset register was assessed during the year.
- The Council has a Risk Policy on the website.
- Standing orders are now superseded by a newer version and should be updated.

4. Budgetary Controls:

- The precept is set after consideration of expected costs and future projects and considering a detailed budget prepared by the Clerk. This was undertaken on 11th November 2021, item 7.c.

5. Income Controls:

- reviewed receipt of precept.
- reviewed income during year.

6. Charity

- The charity return was completed on time. The Charity accounts were not available to me but I understand they are independently audited.
- I would recommend that Council takes appropriate advice concerning the reclamation of VAT on charity expenditure.

7. Payroll Controls:

- No pension contributions are made, alterations to the Clerk's payroll are considered at full council and documented.

8. Asset Controls:

- Minutes do not reflect Council considering the Insurance Schedule, merely that payment was made. I would recommend that Council satisfies itself that all items are covered under the insurance policy at renewal. This is particularly relevant as some items are charity owned and may not be covered in the event of an accident taking place. Council should seek written confirmation that cover is in place – being clear that the Charity is not a committee of the Council, but a separately convened legal entity.
- Asset value should be the purchase value only and only fluctuate with items being removed or added. I would recommend this is restated. Council should be sure not to include any items owned under Charity ownership. These are not Parish Council Assets.

9. Bank Reconciliation:

- is carried out regularly and minuted.

10. Year-end Procedures:

- reviewed year-end bank reconciliation

- reviewed accounts for unusual items
- annual return is prepared using receipts and payments method.
- The adoption of last year's AGAR does not appear to be minuted within this year's records and item 7d on 10th June 2021 appears incomplete. The minutes should reflect separate items;
  To receive the internal audit and take the following actions in response:
  To resolve to approve Section 1 of the AGAR The Annual Governance Document.
  To resolve to approve section 2 of the AGAR The Accounting Statements.
  To receive the analysis of variances.
  To receive the bank reconciliation as at 31.3.22.
  To note the period of the exercise of public rights (This should contain the agreed dates).

The above tests and review work showed the accounts agree to year end bank statements. There is evidence to show that the Council is involved in the financial management and governance of the Council and payments are taken to all meetings. I am however concerned that the internal audit from last year was not made available to council and minuted as reviewed. There are a number of items which have not been addressed by Council.

Day to day accountancy management remains consistent and excellent. I would suggest though that there are processes which are inadequate and policies and procedures not up to date. This should be addressed.

I have therefore signed the internal auditor's part of the Annual Return.

Yours faithfully,

Sarah Hunt