Sporle with Palgrave Parish Council

Internal Audit Report

For Sporle with Palgrave Parish Council

Financial Year 2022/23

Including Explanatory Notes for Annual Return
(where a 'no' has been marked)

Prepared by Catherine Moore
21st May 2023

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I have completed an internal audit of the accounts for Sporle with Palgrave Parish Council for the year ending 31st March 2023. My findings are detailed below using the tests provided in the Governance and Accountability document. I would like to thank the Clerk / RFO for providing me with all the information required for the Internal Audit.

Internal Control	Test	Observations / Recommendations
Proper bookkeeping	Is the cash book maintained and up to date?	Yes
	Is the cash book arithmetically correct?	Minor corrections made
	Is the cash book regularly balanced?	Yes
Standing Orders, Financial Regulations, and Payment Controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	October 2022
	Date Financial Regulations last reviewed	June 2022
	Has a Responsible Financial Officer been appointed with specific duties?	Yes – Parish Clerk
	Have items or services above the de minimus amount been competitively purchased?	N/a
	Are payments in the cash book supported by purchase orders, invoices, authorised and minuted?	Yes
	Has VAT on payments been identified, recorded and reclaimed?	Yes
	Is S137 expenditure separately recorded and within statutory limits?	Yes
	Have S137 payments been approved and included in the minutes as such?	Yes
Risk Management Arrangements	Does a review of the minutes identify any unusual financial activity?	
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	Yes – March 2023
	Is insurance cover appropriate and adequate?	No – see recommendation

Internal Control	Test	Observations / Recommendations
	Are internal financial controls documented and regularly reviewed?	Yes
Budgetary Controls	Has the Council prepared an annual budget in support its precept and has this been minuted as being approved?	Yes
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the Council?	No – see recommendation
	Has the Council agreed a General Reserve Policy and is this figure reflected in the ‘free balance’?	Yes – building towards the figure
	Are there any significant unexplained variances from budget?	No
Income Controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority’s notification?	Yes
	Are security controls over cash and near-cash adequate and effective?	Yes
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices / receipts?	N/a
	Is petty cash expenditure reported to each Council meeting?	N/a
	Is petty cash reimbursement carried out regularly?	N/a
Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the Council?	Yes
	Are salaries above the National Living Wage / Minimum Wage?	Yes

Internal Control	Test	Observations / Recommendations
	Are other payments to employees reasonable and approved by the Council?	Yes
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes
Asset Controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Are the assets and investments registers up to date? When were these last reviewed?	No – last reviewed March 2021 – see observation
	Does the asset insurance valuations agree with those in the asset register?	Yes
Bank Reconciliation	Is there a bank reconciliation for each account and is this reported to Council?	Yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis? (Receipts and Payments **or** Income and Expenditure)	Yes – Receipts and Payments
	Do accounts agree with the cash book?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	N/a
Procedural	Is eligibility for the General Power of Competence properly evidenced?	N/a

Internal Control	Test	Observations / Recommendations
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Some
Transparency: For smaller councils with turnover under £25,000	Are minutes for the whole year on the website?	N/a
	Are agendas for the whole year on the website?	N/a
	Are payments over £100 detailed on the website?	N/a
	Have electors' rights been correctly advertised on the website, including explanatory notes?	N/a
	Are councillors' responsibilities detailed on the website?	N/a
	Is the last financial year's Annual Return on the website?	N/a
	Are the land and building asset details on the website?	N/a
Councils that are Burial Authorities	Are fees levied in accordance with the Council's approved scale of fees and charges?	N/a
	Have fees for the cemetery been reviewed and agreed by the Council?	N/a
	Were comparisons made with other cemeteries prior to setting the fees?	N/a
	Have burial books been kept up to date and are they safely stored?	N/a
Councils with Allotments	Has a list of allotment holders with amounts paid to Council been submitted?	N/a
	Have fees for the allotments been reviewed and agreed by Council?	N/a
Councils with Charities	Are all Charities up to date with Charity Commission filing requirements?	Yes
	Has the Council been named as Sole Trustee on the Charity Commission Register?	Yes

Internal Control	Test	Observations / Recommendations
	Is the Council acting in accordance with the Charity Trust Deed?	Not seen
	Are the Charity meetings and accounts recorded separately from those of the Council?	No – see observation
General Data Protection Regulation	Has the Council adopted a Data Protection Policy?	Yes
	Has the Council put in place Privacy Notices?	Yes
Miscellaneous	Is the Council registered with the Information Commissioners Office?	Yes
	Does the Council's website meet accessibility requirements (random sample)	Yes

Summary of Recommendations:
The Pavilion building is only insured for £87,238. Underinsurance could result in a percentage reduction of any claim against the value of the insurance rebuild, in the event of a total loss. I recommend that the Council has an insurance valuation on the Pavilion and increases the insurance value to that sum.

I do not feel that there is adequate evidence that the Council was monitoring the financial management processes, some further narrative is below in 'observations'. I note that with the change of Clerk new internal controls have been brought in, and I would expect to see evidence of this being implemented at future audits.

Observations
I note that the Council distributed funds on behalf of Norfolk County Council for the Household Support Fund. As the Council has not adopted the General Power of Competence it did not have the power to make these payments (totalling £3,200) which would be considered 'ultra vires'. This fund should have been administered by a local charity, or the opportunity declined as it was at other councils who did not have the General Power of Competence. The minutes do not note how applications were assessed or note approval of funds being paid out, and I have not seen a scheme of delegation allowing the Clerk to make these payments without reference to the Council. Therefore I must tick 'No' to Box B on the internal audit report.

I note that the previous Clerk was sometimes paid up to three months in advance, recording the payments with HMRC as being paid on the 6th of the month and drawing a cheque which was then cashed immediately. The Clerk should be paid according to their contract, and any cheques dated the date of the payment recorded to HMRC.

Date on HMRC PAYE (pay date)	Cheque No	Date Cashed
05/04/2022	102170	20/04/2022
06/05/2022	102179	16/05/2022
06/06/2022	102182	17/05/2022
06/07/2022	102196	01/06/2022
06/08/2022	102197	01/06/2022
06/09/2022	102198	13/06/2022
06/10/2022	102216	12/09/2022
06/11/2022	102223	14/10/2022
06/12/2022	102232	14/11/2022

A donation was made to Friends of Sporle Church for £157.54 – Councillors should be satisfied that this donation relates to the maintenance of a burial ground, which is the only permitted donation that can be made to a church.

I note that the Charity paid a sum of money to the Parish Council for the play equipment. Council should ensure that they take specialist advice relating to the VAT position between the Charity and the Council.

The asset register should be updated annually prior to insurance renewal, to ensure that the insurance schedule is adequate.

The Clerk has identified that she has been paid for her January pay run twice, due to a cancelled cheque subsequently being cashed. I can see a note in the papers saying that this will be corrected in the new financial year.

Although a very minor point, I note that at the May meeting the Election of Chairman was the second item of business after apologies – it is a legal requirement for this to be the first item of business at the Annual Meeting.

Although the minutes show that the clerk was reporting that 'the council were operating within budget' I have not been supplied any copies of regular reports to Council, so I cannot be satisfied that there was adequate financial reporting in place.

The dates for the Exercise of Electors Rights for 2021/22 were not adequate. The Council approved the Annual Governance Annual Return on Thursday 16th June 2022, but the minutes show the period of electors rights as Tuesday 14th June 2022 to Monday 23rd July 2022 (assuming a typo as Monday was 25th July). The published Notice of Electors Rights is dated Monday 13th June 2022 and shows the period as Tuesday 13th June 2022 (again a typo) to Monday 25th July 2022. The accounts and electors rights cannot be published before they have been signed off by Council. The earliest the council could have given notice was Friday 17th June 2022, therefore the period would have been Monday 20th June 2022 to Friday 29th July 2022. Therefore I must tick 'No' to Box M of the internal audit report. An addendum to Page 3 accompanies the AGAR and must be submitted.

The contact details for the Clerk need to be updated with the Information Commissioners Office.

I would like to thank the Clerk for a well presented set of accounts and audit documents.

Signed:...   Date: ....

Notes to accompany the Internal Audit Report – to be published alongside Page 3 of the Annual Governance Annual Return

Statement B – the Household Support Grant was administered without any reference to Council, or an approved Scheme of Delegation to the Clerk. There was no adequate financial reporting to Council during the year.

Statement M – the period of electors rights was not correctly advertised, the period began two days before the accounts were signed off by Council.

I recommend that the Council ticks ‘No’ to Boxes 2, 3, 4, and 7 for the following reasons:

Box 2 – there was no financial reporting or internal checking of the accounts during the year.

Box 3 – the Council did not have the General Power of Competence and was therefore not entitled to administer a Household Support Fund which gave money to individuals.

Box 4 – the period of electors rights was not correctly advertised, the period began two days before the accounts were signed off by Council.

Box 7 – the lack of power to administer the Household Support Fund was raised at the last Internal Audit but the Council chose to go ahead with this. A number of other issues of note were raised but were not acted upon.

Catherine Moore
Internal Auditor
21st May 2023