

Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

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| Name of council: | Therfield Parish Council | | |
| Name of Internal Auditor: | James Parker | Date of report: | 10/5/2023 |
| Year ending: | 31 March 2023 | Date audit carried out: | 30/3/2023 & 10/5/2023 |

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 in order 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. A draft of this report was provided to the Clerk prior to issuing it, in order that the Clerk could produce, for consideration, any evidence which had not been made available and which might affect the conclusions.

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.

To the Chairman of the Council:

Introduction

As requested I have examined the operation and accounting of the Council and make the following comments, with reference to guidance for Internal Audit provided in the Practitioners Guide 2022. This report should be read in conjunction with the attached certificate (page 3 of the AGAR) which represents my assessment of the extent to which the Council has met the specified internal control objectives.

I am required to assess, for each objective, whether 'in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.' It is important to note that there is some subjectivity in the definition of 'significant; and 'adequate' and others may apply different criteria. In particular the Council should be aware that, where I make comments below but nevertheless give a 'yes' answer to the related control objective, I have given the 'yes' answer on the basis that I consider that the objectives are met in all *significant* respects and/or to a standard *adequate* to meet the needs of the authority. This is somewhat subjective and the Council should consider, when assessing any risk referred to in my comments, that others may take an alternative view.

This report should also be read in conjunction with guidance laid out in The Practitioners' Guide 2022.

Section 1, 2 and 3 of the guide represents the proper accounting and governance practices ('proper practices') referred to in statute.

Section 4 of the guide sets out the non-statutory best practice guidance relating to internal audit which authorities are required to consider.

Section 5 of the guide provides supporting information and practical examples to assist smaller authority officers to manage their governance and financial affairs and is not mandatory.

By using this guide to refer to the proper practices referred to in statute and considering the non-mandatory guidance you can ensure that the systems and procedures you have in place are robust and offer a secure framework of governance and accountability.

These comments and the attached certificate will inform the authority's response to the assertions in the annual governance statement.

A. Appropriate accounting records have been kept throughout the Year & Periodic bank reconciliations were properly carried out during the year.

Although I have found no evidence of discrepancy, I am advised that bank statements are not produced when the accounts are independently verified during the year. It is recommended that all supporting evidence, including in particular the relevant accounts, bank statements and any explanation of variances, necessary to support periodic bank reconciliations, are produced when these are independently verified by members.

No evidence was found to confirm the appointment of the Clerk also as RFO. The Council should ensure that it fully complies with section 1.9 of JPAG and Section 151 of the Local Government Act 1972.

B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Financial regulations specify limits for triggering of competitive procurement processes which are incompatible with national requirements. This is currently academic, as the Council does not currently make procurements of this scale, but the regulations must be reviewed and care taken to conform to all applicable regulations should a larger scale procurement occur.

C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

No evidence was found that a risk assessment was carried out during the financial year or within a reasonable period in the recent past. I am therefore of the view that the authority cannot answer 'yes' to assertion 5 on the AGAR. An example template for risk assessment appears in the practitioners guide and Council should consider this matter at the earliest possible opportunity.

I have confirmed that regular inspections of play equipment are carried out and particularly impressed that these are published. I would compliment this example of best practice in this area.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

The statutory process for determining the precept is set out in the Local Government Finance Act 1992 Section 49A1. There is no evidence from the format of the budget document that this process was followed. In order to minimise the possibility of challenge it is recommended that Council consider adopting a format for the budget document which more clearly demonstrates that the statutory process was followed.

Although there is no evidence of material deviation, it appears that Council is not presented with regular reports from which it can readily monitor spend vs budget. It is recommended that a spend vs budget report be presented to Council not less than each quarter.

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for

I am advised that Petty Cash is not in use so have marked this 'not covered'.

G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.

The Clerk is treated, for tax/NI purposes, as self employed (ie outside the scope of PAYE) yet the contract between the Council and the Clerk has the form of a regular contract of employment, and it appears that the expectations of the Clerk in relation to attendance etc are those which would normally be expected of an employee.

Based on the evidence produced I believe it to be highly likely that the Inland Revenue would conclude that the Clerk is in fact an employee and that a court would reach the same conclusion.

In order to avoid the risk that the Council is unexpectedly required retrospectively to pay tax or National Insurance contributions, it should consider either treating the Clerk as an employee for tax purposes or taking specialist advice in relation to the legitimacy, risks and mitigations of the current treatment.

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

The requirements for publication are set out in the [Transparency code for smaller authorities](#) (December 2014) which became mandatory under [The Smaller Authorities \(Transparency Requirements\) \(England\) Regulations 2015](#), together with [The Accounts and Audit Regulations 2015](#). This list may not be comprehensive.

It appears that the Council was compliant, on the date its website was inspected, in all respects *except* that the internal audit report for 2021/2022 did not appear. The Council must take care to comply with all applicable aspects of the transparency regulations.

It appears that the Council was compliant, on the date its website was inspected, with the requirement under 13(1) of The Accounts and Audit Regulations 2015.

However, I also refer the Council to paragraph 13(2) of these regulations. It specifies that documents identified in 13(1)(a) of the regulations must be 'made available' for a period of not less than five years.

1 <https://www.legislation.gov.uk/ukpga/1992/14/section/49A>

It has recently been asserted by the advisory group for internal auditors that 'made available' requires that the documents in question are published on the website. I was unable to find the documents in question.

The regulation is, however potentially open to an alternative interpretation, and, at the current time, the matter has not been definitively resolved.

On the basis that this matter currently remains unresolved and was notified late in the audit process HAPTC has decided that it should not impact on the completion of your internal audit report for this year. We would however strongly recommend that you ensure that you observe this guidance at the earliest possible opportunity to prevent any impact in subsequent years.

Yours sincerely,

James Parker
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