

May 4, 2023

Millbrook Parish Council Internal Audit Report 2022/23

Testing was carried out using sampling where appropriate and covering a range of financial, risk and governance assessed as appropriate for a council of this size and complexity. The findings are reported below:

✓ Governance and Control

All councils of whatever size are required to annually prepare and consider:

- A general and financial risk assessment covering the council's activities.
- A statement of internal control.
- Annually review any charges for services whether or not they are increased and record this in minutes.

Councils should ensure compliance with the new rules regarding General Data Protection Regulations (GDPR), which came into effect in May 2018.

Councils should have in place and periodically review:

- Standing orders for the conduct of council meetings are required by law and should be periodically review and changed to reflect current legislation.
- Financial regulations for the control of its financial administration are required by law and should be periodically reviewed for either changes in legislation or internal control procedure changes.
- Any Council moving away from 2 cheque signatories by Councillors and utilising online banking, should have procedures and controls in place to establish appropriate safeguards.

Satisfactory, although, the council should ensure that potential costs are quantified where legal action is considered and the decision fully minuted.

It was confirmed that appropriate arrangements are in place for online banking transactions.

✓ Precept, Budgets and Reserves

The precept was agreed to the minute setting the precept, the principal authority tax collecting authority records. The receipt was traced and agreed to bank and cash book records. The precept was set after consideration of a budget and consideration of an appropriate level of free reserves (the General Fund) which is generally accepted should lie between 3 and 12 months' expenditure.

Satisfactory. The balances in hand are high, however, there are earmarked reserves, which the council consider as part of their budget setting and precept process, the council will continue to monitor their finances.

✓ **Other Receipt or Income**

A sample of other receipts were tested to ensure that, as appropriate:

- That grants and interest were correctly recorded in the cash book and agreed to bank statement
- Chargeable services were correctly and promptly charged to the beneficiaries of those services and that arrangements were in place to pursue late payment.

Satisfactory. See below for matters arising from the overview of parish council burials.

✓ **Staff Cost**

Testing was carried out as appropriate to ensure that:

- Rates of pay were as approved by Council.
- Additional hours worked were approved and supported by time records.
- Employees are paid in accordance with contractual obligations and on the correct pay date.
- Employees have a written statement of principal terms and conditions.
- That PAYE and NI are operated and paid promptly.

Satisfactory. No issues.

✓ **Payments including Bank and Petty Cash**

A sample of payments were tested as appropriate to confirm:

- Payments are made in accordance with financial regulations
- Payments are supported by invoice, receipt, expense claim, petty cash voucher or other appropriate documentation.
- Grant payments are subject to a proof of need assessment, are required to be evidenced as spent for the approved purpose, and unless having the general power of competence are made within permitted powers.
- Cheque payments are promptly cleared.
- Where payments are made other than by cheque with 2 councillor signatories the council has considered and actioned the requirements of appendix 10 of Governance and Accountability and have documented the process followed and annually review the control of wider definition "money".

Generally satisfactory, subject to the following:

- **At a previous audit, it was recommended that all car-parking income is banked and cash not utilised for petty cash purposes. This has been significantly reduced in line with best practice, however, it is accepted that limited access to cash has meant this has been necessary. No errors were found in the accounting of the petty cash.**
- **VAT was claimed promptly, although with the clerk could vary the timings of claims to ease agreement with the accounting system and year-end reconciliations.**
- **A VAT claim for the period 1/12/21 – 28/2/22 for £459.25 was claimed from HMRC on 7/3/22. The clerk should clarify that this amount has been received.**

✓ **Insurance**

Insurance cover was reviewed as appropriate to confirm

- Adequate Fidelity Guarantee cover in place
- Range of cover in place has been reviewed at renewal and this has been recorded in the council minutes
- By sample test that assets other than land that appear on the Fixed Asset Register are insured or if not that there has been a decision not to cover them (for example because the excess is greater than the asset value insured).

Generally satisfactory, however, as highlighted at the last audit, the level of Fidelity Guarantee cover is not sufficient at £150k. Guidance would suggest that the cover should be in the region of £255k (balances at 31st March 2023, plus half the precept). The insurance policy has an endorsement relating to the skate park. The council should consider this endorsement and mitigate any risks.

✓ **Fixed Assets**

Tests were carried to confirm as appropriate

- fixed asset register is up to date
- additions have been correctly identified and a system exists for the identification of fixed assets
- that the disposal by scrapping, selling or part exchange of assets has been approved by council
- that where an insurance value has been used as the cost of an asset was unknown that the value is not increased as the insured value increases.

Satisfactory. The asset register should be amended to include the location of deeds and licences where appropriate.

✓ **Burials**

As part of the audit, a detailed and comprehensive review was carried out on the burial function by the parish council. It was identified that prior to the current internal auditor's review, one had not taken place for a number of years. The council have implemented a number of recommendations arising from the last two audits, including a review of the burial charges and terms and conditions.

Following on from this, in September 2022, the council decided that there would be a tightening of cemetery procedures, to include the circumstances whereby an Exclusive Right of Burial (EROB) had not been granted, but monuments were installed and potentially second burials had taken place.

Subsequently, in March 2023, it was agreed that the clerk would be delegated to finalise the Cemetery Management Regulations to include a process for the issue of EROB.

Arising from detailed audit testing, it is recommended that:

- ***The terms and conditions should confirm that it is necessary to purchase the grave in order to have a second burial, re-open the grave or erect a memorial and the council sets a date after which EROB is required to conform with the new regulations.***
- ***The council should approve the new regulations as a matter of urgency.***

- ***The system whereby an individual may ask the undertaker to reserve a burial plot without purchasing or receiving a formal EROB certificate. This arrangement should cease, as there is risk of burial in incorrect spaces.***
- ***Burials without disposal certificates should not take place and undertakers should only carry out burials when all documentation has been provided to the council, formal approval has been granted and full payment made.***
- ***Burial registers should be updated promptly as they are statutory records. A few anomalies were identified to the clerk, who agreed to make the necessary amendments.***

Please provide copies of the signed and authorised AGAR forms once this has been completed. Refer to the audit checklist and request clarification for any of the audit points if necessary.

Many thanks for your assistance in the completion of the audit and your hospitality at the Village Hall, Millbrook.

Kind regards
Julie