



RESPONSES AND PLANS BY THE PARISH COUNCIL FOLLOWING THE INTERNAL AUDIT IN MAY 2023

26 MAY 2023

Following the publication of the Internal Audit report under by Internal Audit (Yorkshire) Ltd, the Council wishes to both respond to minor points raised in the report as well as the specific recommendations as stated in the report.

Out of 15 specific Internal Control Objectives to which the Internal Auditor specifically reviewed, there was as follows:

- **Nine objectives were marked as met**
- **Three objectives were not applicable as they did not apply to Spaldington Parish Council**
- **Three were marked as not met, although the majority of these were quite minor**

A) Points mentioned in the report:

i) It was noted that one invoice from the Payroll Bureau was inputted as gross without VAT which meant that when the VAT reclaim from HMRC was made it was not included.

This was an administration error and thus the gross and net of the invoice has now been updated on the end of year financial year records and the £10 VAT will be included in the next VAT claim.

ii) The IA noted there was no cashbook opening balance - this has been answered in POINT 1 on the points below

iii) The IA noted that there is no invoice stamp for the approved invoices - this has been answered in POINT 3 on the points below

iv) The IA noted that the internal risk assessment needs to be more robust and reviewed more often - this has been answered in POINTS 5 and 6 on the points below

v) It was noted that no insurance document was provided and thus could not ascertain if there was sufficient or appropriate cover.

The Council can confirm that the appropriate insurance for all the necessary risk items is in place and it was renewed on the 17 May 2022 (as well as 17 May 2023) as is published on the Parish Notice Board for any review. Please note the IA did not ask for a copy of the insurance.



vi) It was noted that there was there was insufficient reserves or marked appropriately.

It is technically correct that the reserves marked in the financial reports were not sufficient to meet the NALC guidelines as specific non-marked reserves. This is because the amounts of funds marked in the financial reports were for the payment of the very significant external auditor cost that was due to be presented during the financial year.

It was agreed by the Council that because of the estimated £9.5k cost of the external auditor, it would be inappropriate to raise the precept to a level to not only meet the external auditor cost as well as the reserves guideline level. Thus the Council decided that they would ensure that some reserves were retained (around 2-3 months of the precept).

In regard to the aspect of the reserves needed for any contested election, while the Council did not want to make specific reserves amount specific for the election, they did ensure that the overall reserves for 2023-24 would be sufficient should there be a contested election. It is noted that there was no subsequent contested election.

To conclude the reserves as marked in the financial reports for 2023-24 meet the NALC guidelines.

vii) It noted that the asset register was unclear in regard to the removal and adding of assets.

It was noted that it was no clear detail on additions and removals. This is partially incorrect as the date for addition of the new noticeboard at a cost of £1,500 (not £1,499 as stated in the report) is dated as 01 March 2023 which clearly shows it was included in the particular financial year. It is agreed that that the actual cost was £1,538 - the incorrect figure will be amended on the asset register.

It is agree that the date of the disposal of the old noticeboard (which was beyond repair) was not included. The Council can confirm it was 28 February 2023 which was the day before the new noticeboard was installed.

viii) It was note that the new audit regulations requiring previous five years of AGAR and all audit reports being publicised on the website was not met - only four years have been published.

It is note that these are new regulations. Whilst the AGAR normal documents are published on the website, there was no external auditor report for 2019/20 that was issued in mid 2022 following the conclusion of the external auditor investigation.

It can be confirmed that the external auditor report for 2019/20 has now been published on the website.

ix) It was noted that while the Council had a Freedom of Information policy, there was no ICO approved Model Publication Scheme - this has been answered in POINT 8 on the points below.



x) **It was noted that the Council's obligation for the public's inspection of council records was not fully met.**

It can be noted that the 30 day period was inadvertently not met due to a calendar review error - the records were available for inspection for 28 days. The Council note there was no deliberate intention to shorten the period - it was an administration error. The period of inspection was also not noted in the minutes following a discussion with the Council - whilst this is not specifically required as the duty falls on the Responsible Financial Officer and part of their legal obligation, this has been corrected for 2023-24 to meet best practice.

B) Internal Audit recommendations:

Point 1 *Opening Balances are entered into the cashbook to ensure that it is up to date and records the Council's opening position*

The Council uses receipts and payment records rather than the traditional single cashbook. The opening cash position is clearly shown on financial reports in the bank reconciliation. The monthly cash position of the Council is clearly detailed in the bank reconciliation as it shows the bank balance position against the income and receipt reports position. Thus, not only does the full financial report show the cash position of the Council every month but also links to the budget positions. While the Council can understand that the cash balances could be included in the receipt and payments cashbooks, as it is detailed in the financial reports it is felt not needed in the cash book as well.

Responsibility: RFO

Recommendation: That the operational process is continued as it meets the requirements of the Council and is very clear to the community in their inspection of the Council's financial operations.

NO ACTION RECOMMENDED.

Timescale: N/A.

Point 2 *That consideration be given to adopting the latest NALC model Financial Regulations to incorporate/merge the councils Management and Budgeting Policy and Procurements Contracts Policy.*

The Council are scheduled to review all the policies and the standing orders in the summer of 2023 – as part of the reviews the Council will ensure that the recommended adoptions are brought into the review to ensure full compliance. The recommendation of merging the two policies into one will be taken and brought into the overall policy review.

Responsibility: Clerk

Recommendation: Clerk to ensure the policy review includes the NALC policy recommendations

Timescale: 2-3 months



Point 3 *That a suitably designed accounts authorisation stamp should be used for all invoices, for providing evidence of checks as required by the councils Financial Regulations Policy.*

As there are very few hard copy invoices, the Council will need to consider an alternative to a physical stamp as it would be a misuse of resources to print all digital invoices just to have a stamp used.

Responsibility: Clerk

Recommendation: The Clerk to investigate the use of a digital stamp and make a recommendation to the Council.

Timescale: The Clerk has found a recommended digital authorisation software for use after the Council has approved the invoice at the Parish Council Meeting.

Point 4 *That the outstanding VAT for the period ending 31 March 2023 be reclaimed to coincide with the financial year end.*

As there one invoice to which the VAT was not included, the VAT for the applicable invoice will be included in the next tranche of VAT claims. The financial data has been updated on the end of financial year record - and this has been published on the website.

Responsibility: Clerk

Recommendation: The Clerk to ensure that the VAT of the accountancy invoice is included in the next VAT claim

Timescale: 3 month

Point 5 *That the council formally considers the corporate risk assessment register and that the review outcome be formally documented in the council minutes.*

The Council recognises to ensure that he systems are effective they must be fully reviewed - this will require a specific meeting to go through the processes used to ensure that not only the processes fit with the policies, but that it is also good governance.

LINKED TO POINT 2

Responsibility: Clerk

Recommendation: The Clerk to ensure that either through an EOM or a SPC Full PC meeting, the main operational processes are reviewed for effectiveness. The aim is to have this later summer.

Timescale: 4-5 months



Point 6 *That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement.*

The Council will need to review how the governance is managed in the Council operations and to ensure that the processes are effective and robust.

Responsibility: Clerk

Recommendation: The Clerk to review the processes involved and produce a recommendation for the Council to consider.

Timescale: 3-4 months

Point 7 *That the bank reconciliation for the reserves account at the 31st March 2023 be carried out again to record the correct bank balances as per bank statement.*

This was an admin error in regard to the draft end of year financial reports uploaded to the system used by the IA in preparation of the end of year review. The financial reconciliation which included the correct end of March figure was uploaded but may not have been cleared labelled.

Responsibility: Clerk

Timescale: Already completed

Point 8 *That the council adopts a model publication scheme (template available from the ICO website) and ensures that the information as per scheme is published on the website.*

The Council recognises the need for ensuring that it complies with the law in regard to publication of information - both in detail and in the spirit of the law. Whilst all the information that the model publication scheme is available, it does appreciate that to absolutely ensure compliance that the adoption of the Model Publication Scheme as detailed by the ICO is appropriate and it has been followed.

The Model Publication Scheme has now been published on the website.

Responsibility: The Clerk

Timescale: Already completed