

## **St Bees Parish Council**

### **Internal Audit Report 2022/23**

This report sets out the conclusions of the internal audit of the Parish Council in respect of the 2022-23 financial year, recommendations for action by the Council and summary findings from the audit work.

#### **1. Basis of audit**

The basis of the audit was guided and directed with reference to :-

- i. Joint Panel on Accountability and Governance Practitioners Guide - March 2022.

The Council's Financial Regulations and Standing Orders identify the activities that the council routinely undertake to ensure that governance, and financial and risk management are maintained. The documents used for audit review :

- i. St Bees Parish Council Financial Regulations – 15 November 2021
- ii. St Bees Parish Council Standing Orders – 15 October 2018

#### **2. Scope of the audit.**

The scope of the audit was agreed with the Parish Council and identified the following areas for review:-

- A. Book-keeping.
- B. Adoption of, and compliance with, Standing Orders and Financial Regulations.
- C. Payment controls.
- D. Risk management arrangements.
- E. Anti-fraud measures
- F. Budget setting and budgetary controls.
- G. Income controls.
- H. Petty cash procedures
- I. Payroll controls
- J. Asset controls
- K. Bank reconciliations
- L. Year-end procedures

#### **3. Areas of good practice and recommendations for action**

**I have reviewed the evidence provided by the Council and I am satisfied that in all significant respects the objectives of internal control relating to governance and financial and risk management are concluded to a standard adequate to meet the needs of a Parish Council.**

**In brief, the Councils financial regulations do align with national guidance and Council representatives do routinely and diligently apply these activities in all areas of financial and risk management.**

**The audit resulted in no formal recommendations being made.**

Several areas of good practice have been identified.

### Areas of good practice

- i. A knowledgeable and diligent RFO.
- ii. A knowledgeable, experienced, and fully functioning FRAG.
- iii. Excellent and regular communication through a well-maintained website.
- iv. Excellent transparency between payments, cashbook entries and PC minutes.
- v. The monthly review of financial matters at Council.

**The Council has identified one outstanding action which will complete all areas of the audit.**

- i. Complete the redrafting, review and adoption of the council’s financial regulations, due March/April 2023.

Henry Miller Strong

Internal Auditor for St Bees Parish Council

### 4. Summary findings of the Audit

Fin Reg	Audit Area			Comments and Recommendations
		Yes	No	
<b>A .</b>	<b>Book-keeping</b>	Yes	No	
1.11	The accounting records determined by the RFO shall in particular contain entries from day to day of all sums of money received and expended by the Council and the matters to which the income and expenditure or receipts and payments accounts relate.	Yes		The St Bees Cashbook records and collates all income receipts, outgoing payments, and associated VAT payments. Income and expenditure are totalised and used to produce detailed monthly and quarterly variance reports and financial summaries which are routinely used at full council to support financial decision making. Bank account balances are calculated and used for reconciliation with bank statements. VAT is calculated aiding VAT reclaim from HMRC. The 2022/23 cashbook reviewed was dated 31 January 2023. Cashbook entries tally with those recorded in Council minutes. Subtotals and summary reports tally with calculated values in the income and expenditure worksheets.
4.8	The RFO shall regularly provide the Council with a statement of receipts and payments to date under each budget heading. A comparison of actual expenditure against budget showing variances to be prepared at least every quarter. The Parish Council cashbook records all receipts and payments and FRAG will review cashbook entries every quarter. (See also Standing Order Section 17)	Yes		The RFO produces a thoroughly detailed quarterly budget and an income and expenditure variance report directly from the cashbook. This is examined and debated at a FRAG meeting, with the reports, conclusions and recommendations then delivered to full council. The full council meetings then show a good level of understanding, debate, and decision making and overall good financial management. Sample : FRAG 8 November 2022, Council 21 November 2022. FRAG 10 January 2023, Council 16 January 2023.
6.13	Regular back up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off-site.	Yes		The Councils cashbook and supporting financial documents reside on the council owned laptop and are routinely backed-up to an external hard drive which is stored remotely to ensure that critical council financial data is not lost. Additional information security is ensured when the cashbook is routinely distributed for review. For example: FRAG members, quarterly reconciliation reviews.

6.14	The council shall ensure that computers used for the council's financial business have, anti-virus, anti-spyware, software with auto update and a high level of security.	Yes		The Councils laptop, on which the primary copy of financial information resides, has been installed with Panda Dome Essential security software which provides total antivirus protection. Current cover extends to December 2023.
<b>B.</b>	<b>Adoption of, and compliance with Standing Orders and Financial Regulations</b>			
1.12	The accounting control systems determined by the RFO shall determine procedures that :- <ul style="list-style-type: none"> <li>Financial transactions are recorded asap.</li> <li>Enable the prevention of inaccuracies.</li> <li>Duties of officers.</li> <li>Enable bad dept management</li> <li>Risk is managed.</li> </ul> ( See also Standing Orders Section 18 )		No	The council is currently reviewing the requirement for these additional procedures. An amendment to 1.12 is planned for the redrafting of the financial regulations due in March/April 2023.
18.1	It shall be the duty of the Council to review the Financial Regulations of the council from time to time.		Mar /Ap 23	The financial regulations were last reviewed by FRAG 10 March 21, and have not been reviewed thus far this year, however, the regulations are currently undergoing a significant rewrite to include the revised banking arrangements. A review of the regulations will be included in this rewrite process.
App 1	FRAG review of financial control measures – q4 activity.		Mar /Ap 23	The financial regulations were last reviewed by FRAG 10 March 21, and have not been reviewed thus far this year, however, the regulations are currently undergoing a significant rewrite to include the revised banking arrangements. A review of the regulations will be included in this rewrite process.
JPAG 1.13	The council needs to have regard to the need to put in place a General Reserve Policy.	Yes		The RFO, with FRAG, have produced a Council Reserves Policy in alignment with the guidance given in JPAG 1.13. This policy was debated and approved at full council – 21 November 2022.
<b>C.</b>	<b>Payment Controls</b>			
4.1	Expenditure over £1000 shall be approved at Council, below a £1,000 by clerk plus chairman.	Yes		The expenditure spending limits are applied to all council payments and procurements ie spending above £1000 is approved at full council.
5.2	The RFO shall prepare a schedule of payments requiring authorization, forming part of the agenda for the meeting and together with the relevant invoices, present the schedule to council.	Yes		For all monthly full council meetings, the RFO circulates, as part of the agenda, a schedule of payments for authorisation. The schedule shows the cheque number, the payee and the value. This schedule, with the schedule of payments made since the last meeting are debated and when agreed, a record made in the minutes. Sample : April 2022, June 2022, October 2022, January 2023.
6.4	Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by two members of council...	Yes		Cheque signatories for the Council were agreed as Councillors Sim, Argyle, Monaghan, Millington and Taylor. Full Council minutes 23 May 2022. All cheque payments made from the Council require two of these signatories. In addition, the signatories countersign each cheque stub as a record. As the move to online banking progresses it has been agreed that the two signatories' rule will be still be required for all payments. Signatories agreed at full council 16 January 2023 are Sim, Taylor, Argyle, and Millington.
6.5	To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall also initial the cheque counterfoil.	Yes		Cheque signatories for the Council were agreed as Councillors Sim, Argyle, Monaghan, Millington and Taylor. Full Council minutes 23 May 2022. All cheque payments made from the Council require two of these signatories. In addition, the signatories countersign each cheque stub as a record. As the move to online banking progresses it has been agreed that the two signatories' rule will be still be required for all payments. Signatories agreed at full council 16 January 2023 are Sim, Taylor, Argyle, and Millington.
6.8	Are bank transfers being used? Are they available?	Yes		The RFO with FRAG have explored the option of the use of online banking for all Council transactions. FRAG, 8 November 2022, recommended the movement to a Natwest Community account, with full online services. This was approved at full council 21 November 2022. The Council is currently transitioning to these new arrangements with four councillor signatories identified.

10.1	An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate.	Yes		See 11.1h regarding the commercial approach and documented scope of work. A formal order to the successful bidder will follow this procurement process
11.1 h	When it is to enter into a contract of between £3,000 and £25,000 the council will decide if sealed bids will be used to obtain competitive quotations. For lower value the clerk will obtain three estimates.....	Yes		Currently the contract for grass-cutting for the council is going through the procurement process. Being one of the few contracts with a cost greater than £3,000 sealed bids are being employed to obtain competitive quotes for the work. FRAG reviewed and agreed the schedule of work before seeking competitive bids via Facebook FRAG 10 January 2023. This commercial approach was debated and approved at full council. 16 January 2023
2.2	On a regular basis, at least once in each quarter, and at financial year end, a member of the Council will verify bank reconciliations for all accounts produced by the RFO.	Yes		A councillor independent of the FRAG routinely carries out a bank reconciliation of both current and reserve accounts. He checks account transactions and totals against the current version of the council cashbook. Sample : 26 August 22, 21 November 22.
<b>D.</b>	<b>Risk Management Arrangements</b>			
17.1	FRAG with the RFO shall prepare, for approval by the Council, risk management policy statements in respect of all activities of the Council.	Yes		The Councils Risk and Opportunity process is robust and supports the production of the Councils Risk and Opportunities Register. Sample : 16 November 2022. FRAG at each of their quarterly meetings review and update this register and pass recommendations to council for approval. Whilst FRAG minutes record routine register reviews there is less minuted evidence of Full Council discussion.
17.1	Risk policy statements and consequential management arrangements shall be reviewed by the Council at least annually.	Yes		The risk management policy was reviewed at FRAG meeting 10 January 2023 with no changes being made. Agreed at full council 20 February 2023..
17.2	When considering any new activity the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by council.	Yes		The clerk and councillors routinely produce risk assessments for any new activity. Sample : Assessment for Jubilee Walk 31 May 22. Assessment for Jubilee Tea Party 5 June 22. All councillors are now rightly involved in the production of these risk assessments
15.1	Following the annual risk assessment the RFO shall effect all insurances and negotiate all claims.	Yes		The council negotiated a three-year insurance policy with BHIB to cover council activities and the items identified on its asset register. The policy started in May 2021, and following debate at full council, 23 May 2022, regarding the annual risk assessment and asset register the policy was renewed for 2022/23.
JPAG 4.20c	Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches. Reviews to be undertaken by appropriately trained external inspectors or officers or members with appropriate training.	Yes		The Council has a system in place to ensure that both the Beach and Outrigg play areas are inspected every week, with risks and actions identified. Each month CBC carry out a detailed play area inspection. Sample – 19 January 2023. ( The contract for these inspections has been extended for a further year – Council : 20 February 2023 ) In addition, the Council has its own weekly inspection rota, where councillors/helpers identify and formally record risks and actions. Sample : 16 January 2023.
<b>E.</b>	<b>Anti-fraud measures</b>			
2.2	On a regular basis, at least once in each quarter, and at financial year end, a member of the Council will verify bank reconciliations for all accounts produced by the RFO.	Yes		A councillor independent of the FRAG routinely carries out a bank reconciliation of both current and reserve accounts. He checks account transactions and totals against the current version of the council cashbook. Sample : 26 August 22, 21 November 22.
6.4	Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by two members of council...	Yes		Cheque signatories for the Council were agreed as Councillors Sim, Argyle, Monaghan, Millington and Taylor. Full Council minutes 23 May 2022. All cheque payments made from the Council require two of these signatories. In addition, the signatories countersign each cheque stub as a record. As the move to online banking progresses it has been agreed that the two signatories' rule will be still be required for all payments. Signatories agreed at full council 16 January 2023 are Sim, Taylor, Argyle, and Millington.
6.8	Are bank transfers being used? Are they available?	Yes		The RFO with FRAG have explored the option of the use of online banking for all Council transactions. FRAG, 8 November 2022, recommended the movement to a Natwest Community account, with full online services.

				This was approved at full council 21 November 2022. The Council is currently transitioning to these new arrangements with four councillor signatories identified.
11.1 h	When it is to enter into a contract of between £3,000 and £25,000 the council will decide if sealed bids will be used to obtain competitive quotations. For lower value the clerk will obtain three estimates.....	Yes		Currently the contract for grass-cutting for the council is going through the procurement process. Being one of the few contracts with a cost greater than £3,000 sealed bids are being employed to obtain competitive quotes for the work. FRAG reviewed and agreed the schedule of work before seeking competitive bids via Facebook FRAG 10 January 2023. This commercial approach was debated and approved at full council. 16 January 2023
<b>F</b>	<b>Budget setting and Budgetary Controls</b>			
3.2	FRAG with the RFO will by December prepare detailed estimates of receipts, payments, reserves and funding to help form next years budget.	Yes		The Council began its 2023/24 budget setting process in October by requesting possible project spends to be identified. Full council 17 October 2022. The RFO then prepared a 2022/23 year end forecast plus three year income and expenditure forecast which enabled the production of the draft 2023/24 budget. This draft budget plus supporting documents was debated at full council ( 19 December 2022 ) following which :- <ul style="list-style-type: none"> <li>• The draft budget was approved.</li> <li>• It was agreed to maintain allotment and grazing rights unchanged.</li> <li>• The precept for 2023/24 be set at £54,000.</li> </ul>
3.3	The council shall consider annual budget proposal in relation to the councils three year forecast.	Yes		See 3.2
3.4	The council shall fix the precept based on 3.2 budget estimates	Yes		See 3.2
JPAQ 5.33	Recommends a General Reserve minimum level at between three to twelve months of net revenue expenditure.	Yes		A Council reserves policy was drafted, agreed at FRAG 8 November 2022 and adopted at full council 21 November 2022. This reserves policy gives a parish aim to maintain a general reserve of between three to twelve months of annual net revenue expenditure, as advised by JPAG
<b>G</b>	<b>Income Control</b>			
9.3	The council will review all fees and charges at least annually, following a report of the clerk.	Yes		See 3.2
9.5	All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the council's bankers within such frequency as the RFO considers necessary.	Yes		The Council continues its policy to encourage payees to transfer funds by electronic transfer. However some payments and donations are made by cash, and these with any cheques are deposited within a week of receipt.
<b>H</b>	<b>Petty Cash procedures</b>			
6.22	The RFO will arrange a petty cash float of £150.00 for use of the Village in Bloom committee of the council for the purpose of defraying operational and other expenses.....	Yes		The RFO meets with the Village in Bloom committee approximately twice per year and reconciles the payment receipts against the balance in the petty cash float. The RFO then makes the addition to bring the Petty Cash balance to £150.00. All transactions are recorded in the Cashbook, under ViB, and in full council minutes Sample £136.91 19 December 2022
<b>I</b>	<b>Payroll Controls</b>			
4.4	The salary budgets are to be reviewed annually.....	Yes		Councillor Taylor met with the Clerk to confirm her 2022/23 salary based on the national salary award for local government officers.
7.4	Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in separate confidential record .....		N/A	With only one member of staff the Council have decided not to employ a confidential record. All staff payments, expenses and deductions are visible to FRAG members as they are listed in the Councils yearly cashbook, and to full council as they are recorded in the payments section of the council minutes. Sample , 23 May 2022, 21 November 2022.
7.5	The total of such payments in each calendar month shall be reported with all other payments as made as may be required under the financial regulations, to ensure that only payments due for the period have actually been paid.	Yes		All salary and expenses payments are approved and reported monthly at Council. The payment values, cheque numbers and payee are recorded in Council minutes. Cashbook entries that coincide with these payment details are made and these details are visible to the RFO and FRAG members. Sample : 21 February 2022, 18 July 2022, 16 January 2023.

<b>J</b>		<b>Asset Controls</b>		
14.1	The RFO ensures that a record is maintained of all properties held by the Council, recording location, extent, reference, purchase detail, interest and tenancies.	Yes		The council's asset register records the description, location, acquisition value, market/replacement value and the custodian of any title. Sample: Asset Register 23 : 31 march 2023
14.6	This register is verified at least annually.	Yes		The council's asset register has been reviewed, verified and reissued annually. Full council 23 May 2022
<b>K</b>		<b>Bank reconciliations</b>		
2.2	On a regular basis, at least once in each quarter, and at financial year end, a member of the Council will verify bank reconciliations for all accounts produced by the RFO.	Yes		A councilor independent of the FRAG routinely carries out a bank reconciliation of both current and reserve accounts. He checks account transactions and totals against the current version of the council cashbook. Sample : 26 August 22, 21 November 22.
<b>L</b>		<b>Year End procedures</b>		
1.5	Prior to the approval of the annual governance statement the council must review the effectiveness of its system of internal control.		Mar /Ap 23	FRAG with the support of the RFO reviewed the Risk management policy and health and safety policy, FRAG minutes 10 January 2023 and at Council 20 February 2023. The standing orders were also reviewed and readopted at this meeting. The financial regulations have not been reviewed thus far this year; however, the regulations are currently undergoing a significant rewrite to include the revised banking arrangements. The review recommendations with a copy of the assurances required for the Annual Governance Statement will be circulated to full council for debate at the APC meeting in May 2023.
2.3	The RFO shall complete the annual statement of accounts, annual report and any related documents of the council contains in the annual report.	Yes		The RFO circulated a draft copy of the annual accounting statement with a detailed breakdown of income and expenditure for 2021/22. Following debate, it was agreed that the annual accounting statement be approved and signed by the chairman. Full council meeting , 23 May 2022
	Publish Annual Governance Statement, Accounting Statement and External Auditor Report	Yes		The Councils St Bees Parish website, st.bees.org.uk, displays ready access to the 2021/22 Annual Governance Statement, Annual Accounting Statement and External Auditor Report. Sampled : 9 February 2023.
2.9	The RFO shall make arrangements for the exercise of electors rights in relation to the opportunity to inspect the accounts and supporting data.	Yes		The Notice of Electors Rights were placed on the parish council's website. 13 June to 22 July 2022.