



Internal Audit Report.

Council:	Bardney
Internal Auditor:	Tony Shaw
Year Ending:	31 st March 2024
Date of Report	12/06/2024

This internal audit has been conducted in accordance with JPAG The Practitioners' Guide - March 2023 - Section 4 'Internal Audit'. It is recommended that a council completes an intermediate mid-year audit which allows any weaknesses in governance and internal controls to be corrected during the financial year and an end-of-financial-year audit.

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 to detect error or fraud. This report is based on the evidence made available to me and sampling tests undertaken by me and consequently the report is limited to those matters set out below.

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 further audit enquiries being raised and the external auditor issuing a qualified opinion.

Lincolnshire Association of Local Councils

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To the Chairman of Bardney Parish Council

I have examined council business documents including policies, agendas and minutes, accounting and financial statements and other documents relevant to this internal audit.

The results of this internal audit are recorded on the next page. If any part of the audit was found to 'unsatisfactory' I have provided recommendations to improve the weakness identified.

Context

It is clear from examination of the council's records that 2023-24 has been a challenging period for the council. The year commenced with the resignation of its Clerk and a significant number of new councillors elected in May.

There has been much unrest evidenced within the minutes, with public forums dominating proceedings. It would appear that conflict between some residents, including ex-councillors, and serving councillors has put the council under strain. Several matters, such as the use of a Solicitor in the previous financial year, and the cancellation of a key event, have been raised repeatedly for answers from the council. It is not the role of the Auditor to make any judgment on these matters, but clearly relationships throughout the year have been a key feature.

Three other members of staff have undertaken acting or locum clerk duties in the year, which is a serious impairment to stability and continuity.

Website

Throughout this audit, extensive use has been made of the council's website. It was noted that this requires an overhaul to bring it up to date. Documents are difficult to locate because, for example, the home page has links to 2023 agendas and minutes, whilst 2024 documents can be found by clicking into "View All Council Business".

Previous Audit Recommendations

The previous Internal Audit report from April 2023, as published on the council's website, is Page 3 of the Annual Governance and Accountability Return (AGAR). This indicates satisfactory performance in all areas and there is no separate written report. I have been unable to audit whether any previous recommendations existed and have been acted upon.

Key Governance

Published versions of key documents, such as Standing Orders and Financial Regulations, show they were last reviewed in April 2022. These should be reviewed annually and newer model versions of these documents exist.

Recommendation: Urgently review all policies. Renew where updated versions exist.

Transparency

Agendas and minutes have been published correctly but the end of year accounts were not published by 1 July. The council's asset register (as at the end of 2022/23) was also not published.

Recommendation: Ensure all documents are published by 1 July, as per AGAR guidance.

Accounting

Mid-year the council adopted the use of Easy PC to maintain its accounts. The ledger is up to date and end of year balances match to the bank statement as at 31 Mar 2024. VAT has been correctly recorded.

However, a sum of petty cash was discovered that had not been accounted for in the previous year's accounts. As a consequence, the closing balance of 2022-23 will need restating on the AGAR and an adjustment made to the "Other Receipts" figure.

It has not been possible to audit the effectiveness of Internal Controls because the published minutes do not contain an approved Schedule of Payments. A resolution to approve the payments is minuted but the list of payments is not embedded within the minutes or included as an Appendix. Most minutes contain links to the schedule as an external document, but these links do not work.

Recommendation: All payments approved at a meeting should be included within the text of the minutes and not saved as an external document. Links to files are easily broken, especially if work is done to restructure the council's website.

Recommendation: Restate the 2022/23 end of year balance on the 2023/24 AGAR. Make appropriate adjustment to the "Other Receipts" figure (Box 3).

Budget

The setting of the precept for 2024/25 was supported by a budget exercise and approved in the minutes of 21 Nov 2023. However, the precept demand (amount) was not properly minuted.

The Clerk confirmed that reserves of approximately £43K exist, but there is no evidence how this money is allocated or whether the reserves are reviewed.

Recommendation: Council should document its earmarked reserves and identify the amount allocated to each. The annual budget exercise should consider whether the reserves are adequate.

Bank Reconciliation

There is insufficient evidence that satisfactory bank reconciliations have been carried out. Whilst the minutes demonstrate that bank reconciliations have been approved, the published documents labelled "Bank Reconciliation ..." are in fact lists of payments.

Recommendation: At least quarterly the council should approve a bank reconciliation, which shows the balance on the accounts matches to the bank statement balance.

Asset Control

I have been advised that an Asset Register exists but this has not been published at year end. There is no evidence it has been reviewed.

Recommendation: Review the Asset Register as soon as possible, ensuring the council's level of insurance cover is adequate.

Risk Management

In respect of financial risk, it is not possible to say that reporting to council has been done in line with financial regulations. As mentioned previously, the minutes do not contain evidence of correctly approved payments and bank balances have not been minuted.

It has been noted that the minutes are verbose and not in keeping with best practice. The minutes should be a concise record of decisions with enough narrative to understand what has been agreed.

The council's minutes read like a story book of "He said, she said" and as a result are very confusing in places. There are several drawbacks to this approach:

- Quoting what people have said in minutes can easily be misinterpreted by a reader, compared with the interpretation of someone in attendance. There is evidence of the minutes being challenged by individuals (councillors and residents) who disagree with what has been stated.
- Some of the council's resolutions are preceded by paragraphs that are poorly written, and as such it is unclear what the exact nature of the resolution is. If narrative is included, by way of explanation, then the resolution should include an unambiguous statement.
- In places, the minutes digress into opinions and defamatory remarks towards individuals.

This style of minute writing can lead to unnecessary complaints and at worse, litigation.

Recommendation: The council adopt a concise style of minute recording, which is based on fact and clear statements of resolution.

It was also noted that the use of "Closed Session" was sometimes questionable. This should be reserved for truly confidential matters, as opposed to "Provide an Election update" or to discuss a "GDPR Policy". The outcome of Closed Sessions was invariably not documented. Decisions taken must be minuted, whilst taking into consideration the non-disclosure of a confidential element.

Confusion is evident in the minutes between the respective roles and powers of a "Committee" and a "Working Group". There is also reference to the role of "Portfolio Holder", which does not exist within Parish Councils.

Recommendation: Encourage Councillor training for any newly appointed members.

General

Until May 2023 the council was operating under General Power of Competence by virtue of employing a CiLCA qualified Clerk. From May onwards it is no longer eligible to do this.

Recommendation: The council reviews its activities to ensure it is operating within legal powers.

Transaction Spot Checks

Six transactions were selected for inspection. I was able to match invoice amounts to the bank statements but in all cases it was impossible to evidence their approval within the minutes, due to aforementioned issues with broken links to a Schedule of Payments.

Summary

The core ingredients of what the Council should have in place do exist but appear to have been neglected for some time, with a lack of review. The implementation of internal controls is not adequately evidenced, in part because of the way the minutes have been prepared.

The appointment of a permanent Clerk and the establishment of a committee to deal with recommendations from the LALC Governance review, will hopefully enable the council to move forwards.

Thanks to the Clerk for their assistance in providing necessary documentation.

Yours sincerely

Tony Shaw
Internal Auditor
Lincolnshire Association Local Councils

Date: 12 June 2024