



Internal Audit Report

This audit report is to read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return.

Council:	Cranwell, Brauncewell and Byards Leap
Internal Auditor:	Stacey Knowles
Year Ending:	March 2023
Date of Report	10 th March 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 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.

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.

Lincolnshire Association of Local Councils

Internal Audit Report

To the Chairman of Cranwell, Brauncewell and Byards Leap Parish Council

I have examined council business including policies, agendas & minutes, accounting and financial statements and other documents relevant to this audit. The Internal Audit report for 2021-2022 was made available. The council has actioned some of the recommendations from the previous audit including introduction of debit card transaction limits, adoption of terms of reference for its committee and conducting co-options within the public session of the council.

During this interim audit, some areas were identified where action is recommended. These matters are offered as suggestions for improvement and have been discussed with the acting Clerk and RFO.

- **Council management and activity** - Many council policies have been reviewed since May 2022.

Key documents

Financial Regulations - updated in May 2022. It is recommended that at the next review, the council adopts the most recent model Financial Regulations. The threshold for public supply and public works contracts noted on page 13 is missing the relevant footnote which identifies the limits accordingly.

Standing Orders - last reviewed in May 2022. The council may wish to consider adopting the most recent model standing orders (April 2022).

Complaints Procedure - The council readopted its complaints procedure in May 2021 but the policy is not published on the website. As a key document for the council, it is recommended that this is published.

HR Policies

The council is recommended to adopt a suite of HR policies. As a minimum this should include Grievance policy and Disciplinary policy. Adoption of such policies ensure that HR matters can be dealt with swiftly and fairly.

GDPR policies

The council has adopted a Data Protection Policy in November 2022. This policy refers to a Subject Access Request Procedure but this has not yet been adopted by the council. The council would also benefit from adoption of a record retention policy.

Staffing committee

The council should consider the introduction of a staff or personnel committee. Using a separate committee to consider any staffing issues helps to ensure other members of the council are able to consider any staffing appeals or review decisions made by the committee.

- **Internal controls** - The council has a system of internal control in place including the minuted scrutiny of payments to be made and a bank reconciliation process. The council could improve its internal controls with the following recommendations:

Budget review - The council should consider introducing a periodic review of the budget within a council meeting (agenda item and any concerns noted in the minutes). Best practice would be to carry this out at least quarterly. In doing this, the council will be better able to spot any budgetary concerns at an early stage.

Bank reconciliation - The council already carries out a bank reconciliation which is reviewed and signed by the chairman. This process could be improved by providing the whole council with a copy of the cashbook entries and reconciled bank statements. Although the council adheres to its financial regulations (by the chairman reviewing and signing the bank reconciliation), the council would benefit from adopting the standard and model document wording for Financial Regulations. Using the wording from the model

document will ensure separation of duties and increase the skills of the whole council in financial management.

On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman and signatories shall be appointed to verify bank reconciliations (for all accounts) produced by the Clerk/RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council.

Payment authorisation - In reviewing payments to be made, it is recommended that signatories are provided an opportunity to review the original invoices to check they match the list of transactions which has been presented to the council for payment. This internal control helps the council to avoid mistakes and prevent fraud.

Signatories - The council has recently reviewed its signatories so that additional members act as a signatory in line with the bank mandate. Currently, the employed clerk and unpaid RFO are both signatories. The council should ensure it has separation of duties. The person presenting the payments to be made should not act as one of the two signatories.

- **Transparency**

Members registers of interests - It is recommended that Members' interests are made available on the authority's website. For ease the council may wish to provide a link to North Kesteven District Council's website which has a complete record of parish councillor interests.

Closed session of the council - The council should ensure that it records any resolutions made within the closed session of the council within its public minutes. The resolution should avoid divulging personal information within the minutes but should give sufficient information so that the decision of the council is recorded accurately. *For example: It was resolved that the council offer a contract of employment to xx for the fixed term of x months.*

Website – It is recommended to ensure that the website documents are kept up to date including publication of the terms of reference for committees and the various policies. See checklist for details.

I would like to thank Cllr Mike Pears, acting clerk and RFO, for accommodating this interim internal audit and ensuring that all documents were made available as needed.

Yours sincerely

Stacey Knowles

Stacey Knowles
Internal Auditor
Lincolnshire Association Local Councils
Date: 10th March 2023