

Date: 14 August 2024

Subject: RFO's report to the Corporate Governance Committee (the 'CGC')

This report includes the RFO's direction to the CGC regarding: the proper administration of the Stanway Parish Council's financial affairs; the form of accounting records and supporting records; and the financial control systems.

1. Overview of financial matters

- Overall expenditure was in line with budgets at the end of the July, and income was slightly ahead of budget.
- Cash at hand was adequate to support both the Earmarked Reserves and the General Reserve. However, the counterparty exposure to Unity Trust Bank is above the maximum threshold permitted by the Financial Regulations. Measures are in hand to address this, discussed further under 3.
- Following the introduction of simpler Financial Regulations in May 2024, there has been a noticeable improvement in compliance with internal controls; however, noncompliance still occurs and the CGC should decide if further measures are warranted.

2. Financial summaries

The appended summaries reflect the financial position as of end July.

Summaries of income and expenditure (Appendix one)

The key takeaways are as follows.

- Revenue expenditure and the corresponding revenue income are on track with budgets, but individual spending under some cost codes is already ahead of the halfway mark.
- In the absence of corresponding capital income from loans or grants, unbudgeted capital expenditure of £2,266 pushed the capital account into deficit. This deficit is unlikely to recover before yearend.

Payments and receipts (Appendix two)

Reflecting a change in operational procedures, the 'Payments & Receipts List' shows income received and expenditure incurred during the period 1–31 July 2024. The expenditure was routine except for £835 paid for new assets for which there was no budget or corresponding income (discussed further under 4).

3. Bank reconciliation and commentary on cash investments

Bank reconciliation (Appendix three)

As of end July, there was £327,578 cash at hand of which £3,043 was owed to creditors. A further £167,700 was ringfenced in Earmarked Reserves, with the General Reserve making up the balance.

Cash investments

All funds are deposited with Unity Trust Bank allocated between a current account and deposit account. In October 2023 the council voted to mitigate the counterparty credit risk by distributing funds across three institutions. Having subsequently discovered the proposed accounts with Cambridge & Counties Bank and Redwood Bank are not suitable, investigations are ongoing to identify alternatives that meet the council's investment objectives and operational requirements.

4. Compliance with financial controls

The RFO has insufficient delegated powers to discharge his statutory duty¹; therefore, the council itself must ensure observance of internal controls, including those described in the Financial Regulations.

Recently the Community Assets Committee voted to incur £825 of capital expenditure without a budget or sufficient income from grants or loans (contrary to 14.3. and 14.4. of the Financial Regulations). While the committee's decision may have been predicated on a mistake, liability for the debt was unavoidable by the time non-observance with controls was discovered.

Given unrestrained and unfunded spending led to deficits in three of the last six years, the CGC should decide if it is appropriate to delegate spending decisions to committees and officers without the necessary mechanisms to ensure observance of controls.

5. Non-financial matters

Internal auditor's report (Appendix four)

In July the council accepted the internal auditor's report for the 2023–24 financial year. There are two recommendations in the report for the CGC to review and decide if further actions are warranted. For ease the recommendations are extracted verbatim from the report.

- *'Review the level of Fidelity Cover (Fraud and Dishonesty).'*
- *'The Council should evidence that they have correctly provided for a period for the exercise of public rights either by displaying the Notice on the website or in Council approved minutes confirming the dates set.'*

Review of internal audit process (Appendix five)

The council commissioned Local Council Consultancy to review the internal audit of the 2022–23 financial year — in effect, an audit of the audit process. There are three recommendations in the draft report for the CGC to review and decide if further actions are warranted. For ease the recommendations are extracted verbatim from the report.

- *'Based on the evidence examined during this review, the Internal Audit process for Stanway Parish Council did not always work effectively. Not all the reports of the Internal and External Auditors are considered by the council. And their findings do not always appear to be fed into future audit work.'*
- *'Actions raised within the Internal Audit sometimes took too long to be addressed, this is an issue which has been raised in previous years.'*
- *'For 2022/2023 the External Auditor gave a qualified audit opinion and raised an "other matters" report. This should have been considered by the council, this is an important part of the audit process.'*

References to legislation in this report

¹ §4 of the Accounts and Audit Regulations 2015 states *'The responsible financial officer for a relevant authority must ensure on behalf of that authority that the financial control systems determined by that officer . . . are observed [emphasis added]'*. In legislation *'are observed'* does not mean *'are watched carefully'*, *'are noticed'*, or *'are commented on'*; it means *'are obeyed'*.

Appendices

- 1. Financial summary reports**
- 2. Payments list**
- 3. Bank reconciliation and lists of creditors and debtors**
- 4. Internal auditor's report**
- 5. Draft report of the review of the internal audit**

1

Summary of Receipts and Payments

Cost Centre Group - Revenue Account (Between 01/04/2024 and 31/07/2024)

A1 Revenue Income

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
1	Precept	364,200.00	182,100.00	-182,100.00				-182,100.00 (-50%)
2	Wayleaves	1.00		-1.00				-1.00 (-100%)
6	Credit Interest	750.00	343.48	-406.52				-406.52 (-54%)
53	Community Events	1,000.00	475.60	-524.40				-524.40 (-52%)
55	Burial Ground	4,000.00	5,526.00	1,526.00				1,526.00 (38%)
77	All Other Revenue Income							(N/A)
SUB TOTAL		369,951.00	188,445.08	-181,505.92				-181,505.92 (-49%)

B1 Staff

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
8	Salaries (inc. employee's tax, NI				146,700.00	43,637.22	103,062.78	103,062.78 (70%)
9	Employers' NI Contribution				13,600.00	4,350.46	9,249.54	9,249.54 (68%)
10	Non Salaried Benefits				950.00	847.00	103.00	103.00 (10%)
11	Employers' Pension Contribution				35,208.00	11,045.68	24,162.32	24,162.32 (68%)
13	Training, Membership Fees & St				5,000.00	1,004.35	3,995.65	3,995.65 (79%)
14	Travel & Subsistence				600.00		600.00	600.00 (100%)
SUB TOTAL					202,058.00	60,884.71	141,173.29	141,173.29 (69%)

B2 Office & IT

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
17	Office Supplies & Consumables				1,900.00	243.75	1,656.25	1,656.25 (87%)
20	Telephone & Broadband				2,300.00	573.86	1,726.14	1,726.14 (75%)
22	IT Hardware & Software (inc. sup				4,300.00	1,968.90	2,331.10	2,331.10 (54%)
SUB TOTAL					8,500.00	2,786.51	5,713.49	5,713.49 (67%)

B3 Banking & Finance

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
38	Bank Charges				200.00	58.05	141.95	141.95 (70%)
79	Capital Repayments				16,000.00	8,000.00	8,000.00	8,000.00 (50%)
80	Debit Interest				4,450.00	2,314.00	2,136.00	2,136.00 (48%)
SUB TOTAL					20,650.00	10,372.05	10,277.95	10,277.95 (49%)

B4 Professional Services

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
24	Internal Audit				1,600.00	255.00	1,345.00	1,345.00 (84%)
25	External Audit				1,100.00		1,100.00	1,100.00 (100%)

Summary of Receipts and Payments

Cost Centre Group - Revenue Account (Between 01/04/2024 and 31/07/2024)

40 Professional Fees		33,500.00	742.00	32,758.00	32,758.00 (97%)
SUB TOTAL		36,200.00	997.00	35,203.00	35,203.00 (97%)

B5 Other Admin

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
21	Communications & Advertising				1,200.00	205.00	995.00	995.00 (82%)
36	Insurance				10,000.00	7,227.77	2,772.23	2,772.23 (27%)
37	Corporate Subscriptions				2,000.00	1,524.91	475.09	475.09 (23%)
75	Chairman's Allowance				200.00	81.46	118.54	118.54 (59%)
998	Uncategorised Expenditure							(N/A)
999	Accounting Adjustment							(N/A)
SUB TOTAL					13,400.00	9,039.14	4,360.86	4,360.86 (32%)

CA1 Grounds

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
27	Buildings & Car Parks				9,000.00	200.00	8,800.00	8,800.00 (97%)
30	Play Areas				5,000.00	240.00	4,760.00	4,760.00 (95%)
31	Grounds Maintenance				17,500.00	5,163.10	12,336.90	12,336.90 (70%)
52	Tools and Consumables				1,000.00	208.67	791.33	791.33 (79%)
57	Burial Ground				2,500.00	2,182.07	317.93	317.93 (12%)
67	Misuse and vandalism				3,000.00	20.83	2,979.17	2,979.17 (99%)
94	Maintenance Vehicle				1,200.00	409.02	790.98	790.98 (65%)
SUB TOTAL					39,200.00	8,423.69	30,776.31	30,776.31 (78%)

CA2 Streets

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
50	Streetlights - ex. Electricity				6,000.00	1,574.70	4,425.30	4,425.30 (73%)
81	Street Furniture				3,500.00		3,500.00	3,500.00 (100%)
84	Streetlights - Electricity				15,000.00	1,532.53	13,467.47	13,467.47 (89%)
96	Footpaths				1,000.00		1,000.00	1,000.00 (100%)
SUB TOTAL					25,500.00	3,107.23	22,392.77	22,392.77 (87%)

CS1 Community Services

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
54	Community Events		6.65	6.65	6,000.00	995.72	5,004.28	5,010.93 (83%)
70	Grants				5,000.00	1,475.60	3,524.40	3,524.40 (70%)
91	Community Safety				4,000.00	322.95	3,677.05	3,677.05 (91%)
104	Community Services				500.00	100.00	400.00	400.00 (80%)
105	Road Safety				3,000.00		3,000.00	3,000.00 (100%)

Summary of Receipts and Payments

Cost Centre Group - Revenue Account (Between 01/04/2024 and 31/07/2024)

SUB TOTAL		6.65	6.65	18,500.00	2,894.27	15,605.73	15,612.38 (84%)
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Summary

NET TOTAL	369,951.00	188,451.73	-181,499.27	364,008.00	98,504.60	265,503.40	84,004.13 (11%)
V.A.T.		1.33			2,963.06		
GROSS TOTAL		188,453.06			101,467.66		

Summary of Receipts and Payments

Cost Centre Group - Capital Account (Between 01/04/2024 and 31/07/2024)

A2 Capital Receipts

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
3	Capital Grants & Other Donation							(N/A)
4	CCC Grants	1,000.00		-1,000.00				-1,000.00 (-100%)
5	Other Grants	203,741.00		-203,741.00				-203,741.00 (-100%)
7	LCTS Administration Subsidy	5,259.00	2,629.50	-2,629.50				-2,629.50 (-50%)
SUB TOTAL		210,000.00	2,629.50	-207,370.50				-207,370.50 (-98%)

Q Capital Expenditure

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
23	IT Equipment					1,440.43	-1,440.43	-1,440.43 (N/A)
103	Comm Assets - New Projects (su					825.30	-825.30	-825.30 (N/A)
207	Jansma Park				200,000.00		200,000.00	200,000.00 (100%)
209	Bus shelter corner of Holly Rd ar				10,000.00		10,000.00	10,000.00 (100%)
SUB TOTAL					210,000.00	2,265.73	207,734.27	207,734.27 (98%)

Summary

NET TOTAL	210,000.00	2,629.50	-207,370.50	210,000.00	2,265.73	207,734.27	363.77 (0%)
V.A.T.					453.15		
GROSS TOTAL		2,629.50			2,718.88		

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Stanway Parish Council

PAYMENTS LIST

5 August 2024 (2024-2025)

Voucher Code	Date	Minute	Bank	Cheque No	Description	Supplier	VAT Type	Net	VAT	Total
112	01/07/2024									
113	01/07/2024									
114	01/07/2024									
115	01/07/2024									
116	01/07/2024									
117	01/07/2024									
117	01/07/2024									
109	01/07/2024									
110	01/07/2024									
111	01/07/2024									
116	01/07/2024									
107	01/07/2024		1. Unity Trust XXXXX	STANDING ORDER	IT software and support	Saint IT Ltd	S	176.61	35.32	211.93
108	01/07/2024		1. Unity Trust XXXXX	STANDING ORDER	IT software and support	Saint IT Ltd	S	99.00	19.80	118.80
127	02/07/2024		1. Unity Trust XXXXX	DIRECT DEBIT	Bank charges	Lloyds Banking Group	X	6.00		6.00
131	02/07/2024		1. Unity Trust XXXXX		Charitable donation	The Royal British Legion	X	475.60		475.60
155	03/07/2024		1. Unity Trust XXXXX	DEBIT CARD	Gift	AMAZON ONLINE UK LIMT	S	17.48	3.50	20.98
124	04/07/2024		1. Unity Trust XXXXX	DIRECT DEBIT	Health and wellbeing	Health Assured Ltd	S	535.00	107.00	642.00
125	04/07/2024		1. Unity Trust XXXXX		Grounds maintenance	COUNTRYWIDE GROUNDS	S	466.67	93.33	560.00
126	04/07/2024		1. Unity Trust XXXXX		Grounds maintenance	COUNTRYWIDE GROUNDS	S	466.67	93.33	560.00
123	04/07/2024		1. Unity Trust XXXXX		Grounds maintenance	Tony Smithers t/a A Smith	X	85.00		85.00
132	09/07/2024		1. Unity Trust XXXXX		Defibrillator electrodes	Active Med Supplies Ltd	S	127.95	25.59	153.54
133	10/07/2024		1. Unity Trust XXXXX		Office consumables	Saint IT Ltd	S	16.32	3.26	19.58
134	10/07/2024		1. Unity Trust XXXXX	DIRECT DEBIT	Telephone and broadband	New Star Networks Ltd	S	121.29	24.26	145.55
136	11/07/2024		1. Unity Trust XXXXX	DEBIT CARD	Land Registry fees	HM Land Registry	X	6.00		6.00
137	11/07/2024		1. Unity Trust XXXXX	DEBIT CARD	Land Registry fees	HM Land Registry	X	6.00		6.00
138	11/07/2024		1. Unity Trust XXXXX	DEBIT CARD	Land Registry fees	HM Land Registry	X	6.00		6.00
139	11/07/2024		1. Unity Trust XXXXX	DEBIT CARD	Land Registry fees	HM Land Registry	X	6.00		6.00
135	15/07/2024		1. Unity Trust XXXXX		Maintenance consumables	Screwfix Direct Ltd t/a Trax	S	21.67	4.33	26.00
140	15/07/2024		1. Unity Trust XXXXX		Grounds maintenance	Tony Smithers t/a A Smith	X	175.00		175.00
141	15/07/2024		1. Unity Trust XXXXX		Waste collection	TBS Hygiene Ltd	S	218.00	43.60	261.60
143	17/07/2024		1. Unity Trust XXXXX		Maintenance consumables	Screwfix Direct Ltd t/a Trax	S	19.14	3.83	22.97
144	17/07/2024		1. Unity Trust XXXXX		Grant	East of England Ambulance	X	1,000.00		1,000.00
145	17/07/2024		1. Unity Trust XXXXX		CCTV	Panther Security Systems	S	825.30	165.06	990.36
147	19/07/2024		1. Unity Trust XXXXX	DEBIT CARD	Fuel	Sainsbury's Supermarkets I	S	12.55	2.51	15.06

Stanway Parish Council PAYMENTS LIST

Voucher Code	Date	Minute	Bank	Cheque No	Description	Supplier	VAT Type	Net	VAT	Total
156	Office Supplies & Consumables	20/07/2024	1. Unity Trust XXXXX	DEBIT CARD	Office consumables	Anazon EU S.a.r.L. UK Bra	S	11.45	2.29	13.74
146	Office Supplies & Consumables	22/07/2024	1. Unity Trust XXXXX	DEBIT CARD	Office consumables	Desert Poplar E-commerce	S	46.65	9.33	55.98
142	Community Events	24/07/2024	1. Unity Trust XXXXX		Event expenditure	SVHMC	X	32.00		32.00
148	Corporate Subscriptions	29/07/2024	1. Unity Trust XXXXX		Membership subscription	Colchester Association of L	X	35.00		35.00
149	Grounds Maintenance	29/07/2024	1. Unity Trust XXXXX		Grounds maintenance	M Basham	X	624.00		624.00
157	Play Areas	30/07/2024	1. Unity Trust XXXXX		Playground equipment	The Play Inspection Compe	S	240.00	48.00	288.00
154	Misuse and vandalism	31/07/2024	1. Unity Trust XXXXX		Repairs	Screwfix Direct Ltd t/a Trax	S	20.84	4.17	25.01
Total								20,908.19	688.51	21,596.70

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Stanway Parish Council
Uncashed payments/transfers out (All banks)
(Upto 31/07/2024)

Voucher	Date	Cheque No.	Description	Total	Bank
155	03/07/2024	DEBIT CARD	Gift	20.98	1. Unity Trust XXXXX053
124	04/07/2024	DIRECT DEBIT	Health and wellbeing	642.00	1. Unity Trust XXXXX053
125	04/07/2024		Grounds maintenance	560.00	1. Unity Trust XXXXX053
126	04/07/2024		Grounds maintenance	560.00	1. Unity Trust XXXXX053
133	10/07/2024		Office consumables	19.58	1. Unity Trust XXXXX053
134	10/07/2024	DIRECT DEBIT	Telephone and broadband	145.55	1. Unity Trust XXXXX053
136	11/07/2024	DEBIT CARD	Land Registry fees	6.00	1. Unity Trust XXXXX053
137	11/07/2024	DEBIT CARD	Land Registry fees	6.00	1. Unity Trust XXXXX053
138	11/07/2024	DEBIT CARD	Land Registry fees	6.00	1. Unity Trust XXXXX053
139	11/07/2024	DEBIT CARD	Land Registry fees	6.00	1. Unity Trust XXXXX053
135	15/07/2024		Maintenance consumables	26.00	1. Unity Trust XXXXX053
143	17/07/2024		Maintenance consumables	22.97	1. Unity Trust XXXXX053
147	19/07/2024	DEBIT CARD	Fuel	15.06	1. Unity Trust XXXXX053
156	20/07/2024	DEBIT CARD	Office consumables	13.74	1. Unity Trust XXXXX053
146	22/07/2024	DEBIT CARD	Office consumables	55.98	1. Unity Trust XXXXX053
149	29/07/2024		Grounds maintenance	624.00	1. Unity Trust XXXXX053
157	30/07/2024		Playground equipment	288.00	1. Unity Trust XXXXX053
154	31/07/2024		Repairs	25.01	1. Unity Trust XXXXX053
Total-----				3,042.87	

Stanway Parish Council
Uncashed receipts\transfers in (All banks)
(Upto 31/07/2024)

Voucher	Date	Cheque No.	Description	Total	Bank
			Total-----		

4

HEELIS & LODGE

Local Council Services • Internal Audit

Year End Internal Audit Report for Stanway Parish Council – 2023/2024

The following Internal Audit was carried out on the adequacy of systems of control in accordance with the requirements of the Audit and Accounts Regulations 2015 and the guidance and instruction in the Practitioners Guide 2023 and read in conjunction with the **Interim Internal Audit Report dated 23/10/2023**. The following recommendations/comments have been made:

Provisional Income: £427,127 Provisional Expenditure: £362,977 Provisional Reserves: £266,582

AGAR Completion:

Section One: [The AGAR was not available for the audit](#)

Section Two: [The AGAR was not available for the audit](#)

Annual Internal Audit Report 2023/2024: [Yes](#)

Certificate of Exemption: [No](#)

Proper book-keeping Cash Book, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

All were found to be in order. VAT is tracked and identified within the year end accounts. The Council hold the General Power of Competence and LGAs137 does not apply. The Council use Scribe accounting software and online banking. There were 2 cheques written during the year (No.300024 - £5,117.92 and No.300025 - £1,500).

The cashbook is referenced and audit trails were undertaken as part of the audit.

Financial regulations Standing Orders and Financial Regulations
Tenders
Appropriate payment controls including acting within the legal framework with reference to council minutes
Identifying VAT payments and reclamation
Cheque books, paying in books and other relevant documents

Standing Orders in place: [Yes](#)

Reviewed: [25/5/2023 \(Ref: 23.iii\)](#)

Financial Regulations in place: [Yes](#)

Reviewed:

[25/5/2023 \(Ref: 23.ii & iv\)](#), [28/9/2023 \(Ref: 16\)](#) and [30/11/2023 \(Ref: 14\)](#)

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VAT reclaimed during the year:

The RFO anticipates a reclaim of input VAT for 2023–24 will be submitted to HMRC once the accounting statements have been certified by the RFO and approved by Stanway Parish Council and after expiry of the period for 'exercise of public rights' in July 2024.

The sum of £35,777.58 VAT was refunded to the Parish Council by HMRC on 17/5/2023. The period for this refund is not known as the VAT 126 form was not available for the audit.

VAT Registered: No

There were 3 tenders for the period 1/4/2023 – 31/12/2023, none of which exceeded the £30,000 Public Contract Regulations threshold. Tenders exceeding £5,000 are listed on the Council's website.

The Council reviewed the following policies during the year at a Corporate Governance meeting held on 15/2/2024 (Ref: 8) prior to full Council on 28/3/2024 (Ref: 19):

- *Dignity at Work*
- *Equality, Diversity and Inclusion*
- *Co-option*

Risk Assessment

Appropriate procedures in place for the activities of the council
Compliance with Data Protection regulations

Risk Assessment document in place: Yes
Data Protection registration: Yes (Ref: Z2785850)

Data Protection

The General Data Protection Regulations have changed and the new Regulations came into force on 25 May 2018. It is likely that this will affect the way in which the Council handles its data. Due to the financial risk associated with the General Data Protection Regulations, the Council have included this in their Risk Assessment.

Privacy Policy published: Yes

Insurance was in place for the year of audit. The Risk Assessment was reviewed at a meeting held on 11/10/2023 (Ref: 10.ii)

The Council held a review of effectiveness of key controls on 8/2/2024 of which the Summary of Findings were as follows:

`This review assessed the effectiveness of Key Controls in only three areas of operation and, in respect of payments, reviewed only one quarter's information. Although no resultant losses were identified, Control Failures are apparent across the Council's operations, which indicates weaknesses in the system of

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internal control. Left unaddressed such weaknesses may lead to financial, reputational, legal, regulatory, security, and operational consequences. Of particular note is the ongoing failure of Key Controls relating to access to bank accounts which puts more than one third of the Council's current cash holdings at increased risk of loss. In light of the values at risk, this is regarded as a materially significant Control Failure. Related to the failure of the Key Controls for access to bank accounts, is the failure of the Key Controls to mitigate the risk of counterparty default, resulting in another third of the Council's cash holdings being exposed to increased risk of loss. The Corporate Governance Committee previously raised concerns regarding the failure of Key Controls for procurement and supplier engagement. This review found these operational activities continue to present challenges, with Control Failures identified in around one third of payments. Although many of the individual payments were less than £100, a total of £16,905 was at increased risk of loss during the last quarter of 2023.'

The Council have poor internal financial controls in place. The Clerk provides financial reports to council meetings and Councillors are provided with information to enable them to make informed decisions. However, Financial Regulations are not always adhered to as the Council have evidenced in their findings of the effectiveness of key controls.

Bank signatories were due to be reviewed on 28/3/2024, this was deferred to the Corporate Governance meeting in April 2024.

Fidelity Cover (Fraud and Dishonesty): £350,000

The level of Fidelity cover is below the recommended guidelines of year end balances plus 50% of the precept.

Recommendation: *To review the level of Fidelity Cover (Fraud and Dishonesty).*

Transparency

Under the **Transparency code for smaller authorities**, smaller councils with income/expenditure under £25,000 should publish on their website from 1 April 2015:

Smaller Council: No

Website: <https://www.stanway-pc.gov.uk/>

The Council is not subject to the requirements of the Transparency Code for smaller Councils. The Transparency Code for Councils with a turnover exceeding £200,000 is not covered as part of the Internal Audit.

Under **The Accounts & Audit Regulations 2015 15** councils must publish on their website:

External audit report

2023 Annual Return, Section One Published – Yes

2023 Annual Return, Section Two Published – Yes

2023 Annual Return, Section Three Published – Yes

Under **The Accounts & Audit Regulations** councils must publish on their website:

Notice of period for the exercise of public rights

Published – No

Period of Exercise of Public Rights

There was no evidence either in the minutes or on the Council's website that the Council correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (Internal Control Objective M).

Recommendation: *The Council should evidence that they have correctly provided for a period for the exercise of public rights either by displaying the Notice on the website or in Council approved minutes confirming the dates set.*

Under the requirements of the **Accounts and Audit Regulations 2015 13(2b)** council are required to display AGARs for the five years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 on their website.

The Council have met the publication requirements.

Budgetary controls supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: £353,793 (2023-2024)

Date: 26/1/2023 (Ref: 16)

Precept: £364,200 (2024-2025)

Date: 25/1/2024 (Ref: 13)

Satisfactory budgetary procedures are in place. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions. Budgets are considered by the Corporate Governance Committee and include a 5 year forecast prior to making a precept recommendation to full Council.

The precepts for 2023-2024 and 2024-2025 were agreed in full council and the precept amount has been clearly minuted. The Clerk ensures the council are aware of responsibilities, commitments, forward planning and the need for adequate reserves.

Income controls

Precept and other income, including credit control mechanisms

Income controls were checked and a sample of income received and banked cross referenced with the Cash Book and bank statements.

The Council reviewed Burial Ground fees at a meeting held on 5/12/2023 (Ref: 5.a).

Petty Cash

Associated books and established system in place

A satisfactory expenses system is in place with supporting paperwork. No Petty Cash held.

Payroll controls

PAYE and NIC in place where necessary.
Compliance with Inland Revenue procedures
Records relating to contracts of employment

PAYE System in place: Yes

Employer's Reference: Not evidenced P60s issued: Not evidenced

The Council continue to operate RTI in accordance with HMRC regulations. Payroll is outsourced. Limited supporting paperwork was available for the audit. Eligible employees have joined the nominated pension scheme, payments have been made to HMRC and pension contributions have been made.

It is noted that the Council undertook a review of salaries at a meeting held on 3/10/2023 (Ref: 6.b).

Asset control

Inspection of asset register and checks on existence of assets
Cross checking on insurance cover

The asset register at 31/3/2024 was not available for the audit. The asset register provided for the audit was for the year 2022-2023. The total value of assets could not be verified. The Council should verify that the figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR.

Bank Reconciliation

Regularly completed and cash books reconcile with bank statements

All were in order. Bank Reconciliations are carried out regularly. The bank statements reconciled with the end of year accounts and bank reconciliations for all accounts.

Bank Balances at 31 March were confirmed as:

<i>Unity Trust</i>	<i>xxxx6053</i>	<i>£192,243.08</i>
<i>Unity Trust</i>	<i>xxxx0933</i>	<i>£50,097.95</i>
<i>Nationwide</i>	<i>xxxx2427</i>	<i>Account closed 26/1/2024</i>
<i>Nationwide</i>	<i>xxxx2419</i>	<i>Account closed 18/3/2024</i>
<i>Barclays</i>	<i>xxxx9152</i>	<i>Account closed 26/2/2024</i>
<i>Barclays</i>	<i>xxxx1528</i>	<i>Account closed 26/2/2024</i>

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Reserves

General Reserves are reasonable for the activities of the Council
Earmarked Reserves are identified

The Council have adequate general reserves of £157,082 and have identified earmarked reserves of £109,500 in their year end accounts.

Year-end procedures

Appropriate accounting procedures are used and can be followed through from working papers to final documents
Verifying sample payments and income
Checking creditors and debtors where appropriate.

End of year accounts are prepared on an Income & Expenditure basis. Creditors and Debtors are identified within the year end accounts.

It is noted that the Finance Officer has confirmed that the annual accounting statements for 2023–24 provided for the audit have not been certified by the RFO, approved by Stanway Parish Council or audited by the local (External) auditor. The Finance Officer anticipates the audited accounting statements will be available in around September 2024. In the meantime, provisional, uncertified and unaudited accounting statements were provided in Exhibit Eight of the audit papers.

Internal Audit Procedures

The 2023-2024 Interim Internal Audit report was considered by the Council at a Corporate and Governance Committee meeting held on 8/11/2023 (Ref: 14) and at full Council on 30/11/2023 (Ref: 15).

External Audit

There was no evidence in the minutes that the External Auditor's report dated 27/9/2023 was considered at a meeting of the Council.

The following matters were brought to the attention of the Council:

2 External auditor's limited assurance opinion 2022/23

Except for the matters reported below, on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

The AGAR was not accurately completed before submission for review:

- The smaller authority has not restated the 2021/22 figure when revaluing assets in Section 2, Box 9. Please note that the Practitioners' Guide allows smaller authorities to use any reasonable valuation method, provided that the prior year figure is restated for consistency and comparability.

Other matters not affecting our opinion which we draw to the attention of the authority:

The smaller authority has not provided year end bank statements for two of the bank accounts to support the bank reconciliation to Section 2, Box 8. These were requested as part of our intermediate review procedures.

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Additional Comments/Recommendations

- There are no additional comments/recommendations to make in relation to this audit.
- I would like to record my appreciation to the Finance Officer and Clerk for their assistance during the course of the audit work.



Heather Heelis
Heelis & Lodge
8 June 2024

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LCC REPORT FOR
STANWAY PARISH COUNCIL
REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

14 July 2024

Ref: LCC 24-053

LCC Associate: Kate Houlihan

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Section 1 – Background and Scope of Review

1.1. Local Council Consultancy (LCC) was requested to carry out a desk-based review of the effectiveness of Stanway Parish Council's internal audit and provide a written report to its Corporate Governance Committee using the review process set out in Governance & Accountability for Smaller Authorities 2023 (the Practitioner's Guide).

1.2. Reviews should be evidence based, ideally with evidence gathered during the course of the financial year.

1.3. Evidence will include:

- Previous review and action plan
- Annual report by internal audit
- Reports of the external auditor
- Other reports from the internal auditor

1.4. The JPAG further advises that the review should be designed to provide sufficient assurance that standards are being met and that the work of internal audit is effective.

1.5. Other than complying with regulations and ensuring standards are met, the review ensures that the body and its councillors or committee are fully aware of the role and activities of the internal auditor. They can ensure that they are not only complying with the legislation, but also obtaining other benefits for the body from the internal audit. By understanding what is being done and when, the body can often ensure that it directs the internal auditor's work and then uses the reports of the internal auditor to make improvements. The internal audit may also highlight risks that need to be addressed. By ensuring the internal audit is effective, it becomes more than a statutory box ticking exercise and value can be obtained for the body.

1.6. The role of the internal auditor can be likened to that of the "critical friend" role undertaken by school governors, by testing and questioning current practices they are seeking not just to prove compliance but support improvement and development.

1.7. Kate Houlihan, LCC Associate, was appointed to carry out the review. Kate is a CiLCA qualified and experienced Clerk and Internal Auditor.

1.8. The review was carried out remotely, drawing on documents and evidence provided by from the Council's website, and a conversation (via email) with Gordon Mussett the Council's Internal Auditor.

1.9. For these reports to have relevancy and add value it is important that the review takes place in a timely manner. I have previously recommended that the review takes place immediately after the conclusion of External Audit each year.

1.10. It was agreed in May 2023 (Minute No.11 page 05 23) that these reviews take place as soon as possible following the conclusion of External Audit. However, the review for 2022-2023 was not commissioned until June 2024.

Section 2 – Report on the Review of the Effectiveness of Internal Audit 2022/2023

2.1. **Period Covered:** It is noted that the period under review covers 1 April 2022 to 31 March 2023.

2.2. The purpose of Internal Audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective. This review sets out a number of expected standards in the table on the following pages.

2.3. **Audit Timeline:** For the period under review the audit timeline is as follows:

Date of Audit Report	Type of Audit	Date Report Considered by Committee / Full Council
25 July 2022	Interim Internal Audit	Report considered by Internal Audit Committee October 2022, actions were noted and added to action plan.
21 October 2022	Interim Internal Audit	Report considered by Corporate Governance Committee December 2022. Personnel policies were to be agreed by Full Council in January 2023 (which is noted in the minutes). Agreed to review Internal Audit on a quarterly basis.
19 January 2023	Interim Internal Audit	Report considered by Corporate Governance Committee March 2023. And the actions were already being implemented by the council.
12 June 2023	Final Internal Audit	Approved by Full Council in June 2023. But no action plan agreed. The report was referred to the Corporate Governance committee, but I was unable to find a specific reference to the Corporate Governance committee reviewing the report.
27 September 2023	External Audit Report and conclusion of audit for 2022-23	The report is available on the Council's website, but I was unable to find the Minute from a Full Council meeting where the report was considered.

2.3 Summary of Audit Findings

2.3.1 Internal Audit

The Internal Auditor was able to positively complete all sections of the Annual Internal

Audit Report (AIAR) within the Annual Governance & Accountability Return (AGAR) for the year ending 31 March 2023. However, a number of recommendations were made:

- a) Ensure that a review of Internal Controls is carried out annually.
- b) That the council adopts an Asset Policy.
- c) Ensure that the External Audit report is presented to council each year.

2.3.2 External Audit

The External Auditor (EA) gave a qualified audit opinion for the 2022-2023 year. The EA noted that the assets figure had been restated but that the prior year figure had not been restated on the same basis.

Expected Standard	Evidence of Achievement	Areas for development / Details of Evidence Reviewed.
1. Scope of internal audit	<p>Terms of Reference to have been approved by Full Council.</p> <p>Scope of audit work takes into account risk management processes and wider internal control.</p>	<p>I was supplied with a copy of the Terms of Reference (ToR) for the Internal Audit Service provided by Mr Mussett. The scope of audit work as detailed in the ToR is comprehensive.</p> <p>Whilst the ToR have been considered by council in the past the Full Council did not consider the ToR when re-appointing Mr Mussett for 2022-23.</p> <p>I note the Council had intended to go out to tender for Internal Audit work from 2022/23. However, due to staff changes this was delayed.</p>
2. Independence	<p>Internal Auditor has direct access to those charged with governance (see Financial Regulations).</p> <p>Reports are made in own name to management.</p> <p>Auditor does not have any other role within the council</p>	<p>All reports to Council are made in the name of Gordon Mussett who has no other role within the Council.</p> <p>During a phone conversation with Mr Mussett, it was confirmed that he has no other role within the Council.</p>
3. Competence	<p>No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.</p>	<p>Mr Mussett is an experienced Clerk and auditor who has worked for a number of councils within the area. His reports are comprehensive and demonstrate a strong understanding of best practice as detailed in the Practitioners Guide.</p>

<p>4. Training and understanding</p>	<p>Responsibilities for officers and internal audit are defined.</p> <p>The responsibilities of council members/officers are understood; training is carried out as necessary.</p>	<p>For internal audit is to be fully effective it is essential for officers and members to fully understand the process.</p> <p>In the review for the previous year, I suggested that it may be useful for councillors and staff to undergo training in this area. Both the Clerk and RFO (previously Finance Officer) have undergone appropriate training, working towards CiLCA and ILCA qualifications during the period.</p> <p>There is some evidence of councillors undertaking training, although the exact content of the training isn't detailed within the minutes.</p>
<p>5 Audit Planning</p>	<p>How is the audit planned?</p> <p>Is the scope agreed with the auditor?</p> <p>Is there an audit plan?</p> <p>Has the plan been approved by the council</p>	<p>Whilst no formal audit plan was in place during the period there is evidence of the Corporate Governance Committee (which subsumed the Internal Audit Committee) planning work and giving direction to the Auditor.</p>
<p>Audit Reporting</p>	<p>Internal Audit has been reported.</p> <p>Has a clear plan for any actions needed been agreed?</p>	<p>The reports of the Internal Auditor are regularly reviewed by the Internal Audit Committee (IAC) and latterly the Community Governance Committee (CGC). Other committees such as Staffing are passed items to review as needed.</p> <p>The final Internal Audit report for 2022/23 was approved by Full Council in June 2023. But there is no reference in the minute acknowledging the actions that needed to be taken.</p> <p>The report of the External Auditor doesn't appear to have been reviewed by the Full Council and there is no minute</p>

<p>Add value, be forward looking and assist the organisation in achieving its objectives</p>		<p>acknowledging the qualified audit. In November 2023 a reference is made to an Interim Report of the External Auditor, but I think this is a typo and should refer to an Internal Audit Report from Heelis and Lodge.</p>
	<p>Demonstrated through positive management responses to recommendations and follow up action as called for.</p>	<p>It is important that actions raised by the Internal and External Auditors are given a high priority. This does not always appear to be the case. During the period under review both the Internal and External Auditor raised issues with the Asset Register. However, in reviewing minutes and agendas for several months following the audit reports I was unable to find any evidence that the council planned to adopt an assets policy nor at the time of writing was the 2024 asset register available on the website.</p>
<p>Ensure the right resources are available</p>	<p>Adequate resource is made available for internal audit to complete its work. Internal auditor understands the body and the legal and corporate framework in which it operates.</p>	<p>The Internal Auditor is supported by officers and members as necessary and is able to complete their work effectively.</p>

Section 3 – Summary and Recommendations

1. Based on the evidence examined during this review, the Internal Audit process for Stanway Parish Council did not always work effectively. Not all the reports of the Internal and External Auditors are considered by the council. And their findings do not always appear to be fed into future audit work.
2. Actions raised within the Internal Audit sometimes took too long to be addressed, this is an issue which has been raised in previous years.
3. For 2022/2023 the External Auditor gave a qualified audit opinion and raised an “other matters” report. This should have been considered by the council, this is an important part of the audit process.

Background Papers

These papers include personal data, financial information and confidential information belonging to third parties which the council does not have express permission to publish. Consequently, these papers are exempt from disclosure or inspection pursuant to the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, as amended and Standing Order 12.

1. Bank and debit card statements