



# Internal Control Review

## Summary

Council to discuss current internal controls and process for the review of these, including arrangements for Internal Audit

## Recommendations / Considerations

To consider recommending the Council appoint an experienced auditor with experience within the Parish / Town Council sector who checks the Councils compliance against the JPAG Practitioner's Guide and the Account and Audit regulations.

To consider recommending the Council open a Unity Trust Bank Account with dual councillor authorisation at a cost of £6 per month

To consider setting a Finance Committee meeting at least quarterly for budget monitoring, before the March meeting of the full Council to review risk management and the asset register. As well as any matters that may arise from an internal audit (mid-year) which may need to be resolved before year end.

## Background

Currently the Council have contracted the services of Jane Barnett an associate of Jerroms (the Council's payroll provider) Although the associate bills from her own business, the Council must ensure that their internal auditor is independent of the Parish Council and does not perform any operational duties for the Council. As Jerroms is the payroll provider for Water Orton Parish Council there is a potential conflict in the existing arrangements.

In addition to this the current internal auditor does not appear to have experience within the Parish Council sector and the Council have not ascertained whether the Internal Auditor is carrying out work in relation to the internal controls required by the Council in accordance with proper practices<sup>1</sup>.

The Council's current bank account provider Lloyds TSB does not offer dual authorisation for internet banking. Due to this the account has been operated without Councillor authorisation for some time and it is strongly recommended for the protection of the Council's finances that an account with appropriate controls is opened as soon as possible. Unity Trust is highly regarded in the sector and has been developed with Parish Councils to provide a convenient but secure service. The cost is £6 per months for those with an annual income/expenditure of up to £100,000.

The Finance Committee have not met regularly in 2022/23, in order to ensure that the budget is monitored throughout the year and questions raised at the earliest opportunity which may help to identify any fraud and error, Finance Committee meetings should ideally be scheduled after the end of each quarter (in early January, April, July, October)

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<sup>1</sup> [JPAG Practitioners' Guide 2022 \(nalc.gov.uk\)](http://nalc.gov.uk)



It may be that a further meeting of the Finance Committee should be held before year end (& after an internal auditor has carried out a 'mid-year' check so that the Committee can look into any actions which will need to be carried out by the Council before year end.

Risk Management will need to be looked at in-year and the Asset Register needs to be reviewed.

## Finance and Value for money

The cost to the Council to appoint Kim Squires would be £153.20 for the year (plus associated expenses including mileage at the standard HMRC rates)

This covers two visits to the Council (a mid-year review and the end of year checks required for the Annual Governance and Accountability Return)

The Council paid £150 in May 2022 for one visit of the current internal auditor.

Further Internal Auditors are available and this webpage from WALC contains information on the charges to expect: [Internal Auditors - Warwickshire & West Midlands ALC Ltd. \(walc.org.uk\)](http://walc.org.uk) on this basis Kim Squires Internal Audit Services represents value for money as this is below the standard rates quoted by WALC for the size of Water Orton Parish Council.

The cost of a Unity Trust Bank Account is £72 per annum, this is a reasonable sum to spend in order to protect the Council from the current risk of fraud and error by not having a dual authorisation account. The £6 per month to be able to make BACs payments with dual authorisation is likely to be more cost effective than reverting to paying by cheque, collecting two signatures from Councillors and paying for postage & stationery (1<sup>st</sup> Class 95p, 2<sup>nd</sup> class 68p per stamp)

## Risk Management Issues

The Council need to ensure that they appoint an independent and competent internal auditor in order to ensure that the audit process is robust. The Clerk does not consider the current arrangements adequate for the Council's requirements and would recommend appointing an internal auditor experienced with working in the sector.

Kim Squires is known on a professional basis only by the current Clerk (as internal auditor to another Parish Council the Clerk is employed by) and is highly regarded within Staffordshire and can provide alternative references to satisfy the Council.

The Clerk has found Kim Squires to be thorough in her work, knowledgeable and approachable, Kim provides constructive criticism and feedback to the Council and aids Councils to seek constant improvement. It is evident that Kim continues to stay abreast of changes to legislature and audit requirements and is well versed in the proper practices within the most up to date JPAG Practitioner's Guide (& relevant legislation)

The Council should mitigate the risk of fraud and error in their current banking arrangements by ensuring that an account with appropriate dual authorisation methods is put in place.

The Council should schedule regular Finance Committee meetings and ensure that their risk management policy and internal controls are regularly reviewed and monitored in order to meet their obligations under the Financial Regulations and in accordance with proper practices.

**This report was prepared by the Clerk.**