

Internal Audit Report for Charsfield Parish Council

for the audit year ending 31/3/2021

Clerk	Pam Hembra
RFO (if different)	
Chairperson	Jan Pedgrift
Precept	£ 5,700.00
Income	£ 8,263.42
Expenditure	£ 7,270.52
General reserves	£ 3,307.29
Earmarked reserves	£ 890.00
Audit type	Annual
Auditor name	Linda Harley

Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- the effectiveness of operations
- the economic and efficient use of resources
- compliance with applicable policies, procedures, laws and regulations
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption

- the integrity and reliability of information, accounts and data

Methodology

When conducting the audit, the internal auditor may:

- carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2020/21 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses a spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cashbook is up to date and regularly verified against bank reconciliations.
<i>Is the arithmetic correct?</i>	Yes	Arithmetic is correct.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC’S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	At the meeting on 17/11/20 the council carried out an annual review of its NALC Model Standing Orders. Information relating to ‘financial controls and procurement’ are up to date.
Are Financial Regulations up to date and reviewed annually?	Yes	At the meeting on 17/11/20 the council carried out an annual review of its NALC Financial Regulations 2019. Information relating to ‘contracts’ is up to date.
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations have been properly tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration) it is noted that the clerk is the Responsible Financial Officer. Comment: Council may wish to note this in the minutes.
Additional comments:		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	<p>A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each full council meeting a list of payments is presented to ensure formal approval of expenditure and this is correctly minuted. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment.</p> <p>Overall Council has used the correct power to make payments however, on occasion the Localism Act 2011 has been used, which applies to the General Power of Competence which the Council has not adopted.</p> <p>Payments to the Citizens Advice Bureau are made under LGA 1972 s.142(2A) which covers voluntary organisations.</p> <p>Comment: Council may wish to check that the correct ‘power to pay’ is being used and that payments are not being made ‘ultra vires’.</p>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	<p>On-line banking information was provided which had not been signed by Councillors making/authorising the payments.</p> <p>Comment: The Council might wish to consider, in order to show good practice, implementing a system whereby evidence is retained showing which Councillors authorised the on-line payments thereby ensuring that there is an effective system in place to reduce the risks of error for such payments. This not only protects the RFO but will fulfil an internal control objective to ensure the safeguarding of public money.</p>

Is VAT correctly identified, recorded and claimed within time limits?	Yes	Identified in the cash book and the claim for the period under review in the sum of £639.09 is dated 15/1/2021.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	Council has not adopted the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	No	1 payment was made under LGA s.137 to SARS in this audit year. Although the Council has a separate column in the cashbook for s.137 payments, this item was not included. Comment: Council may wish to note any payments made under LGA s.137 in the minutes and in their cashbook, to ensure the amount for the year is not exceeded for this capped power.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council does not have any loans.
Additional comments:		

² Localism Act

³ Section 137 of the Local Government Act 1972 ("the 1972 Act") enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	This was considered and reviewed for the period under review at the meeting of the council on 15/9/20 and covers in general terms the matters which could prevent a smaller relevant body from functioning. The Council has continued to ensure that effective and efficient financial administration is in place. A range of formal policies, procedures and protocols have been adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	All assets owned by the Parish Council are regularly reviewed and maintained. All repairs and relevant expenditure for any repair is actioned/authorised in accordance with the correct procedures of the Parish Council. Council shows good practice by including specific details relating to moving the 'SID'. Comment: It is included in the risk assessment documentation that the Annual Return is sent to the external auditor. Council may wish to include a note to say 'unless the Council is exempt from a limited assurance review.'
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i>	Yes	General insurance from RSA for the period under review shows core cover. Both Public and Employers liability are covered for £10 million. Fidelity Guarantee cover is £25,000.00 which given the current balances held by the Council is within the recommended guidelines. It is noted in the Council's risk assessment documentation that an annual review of the insurance policy is undertaken. Comment: Council may wish to note in their minutes the annual review of their insurance policy against the asset register.

<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	Council was unable to review their control document in this audit year due to a lack of active Councillors during the pandemic. It was noted in the internal audit for 2019/20 that the document had been reviewed on 15/9/20. Comment: Council may wish to review their Internal Control Document during this audit year.
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	No	The effectiveness of internal audit was not discussed by full Council during the year under review although internal audit is covered in the risk assessment document submitted for internal audit. Comment: in accordance with the Accounts and Audit Regulations 2015, Council should ensure that it carries out a review of the effectiveness of internal audit which includes the consideration that standards are being met and that the work of internal audit is effective. The assessment should cover the scope of internal audit, independence, competence, audit planning and reporting and relationships with the authority.
Additional comments:		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for the year 2020/21 in the sum of £5,700 was approved by full Council at a meeting on 19/1/21.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £5,700 and formally approved at a meeting of 19/1/21.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	It is noted in the minutes of every meeting that ‘budget against actual spending’ has been reported. Figures are also published on the website.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council’s final accounts show general reserves in the sum of £3,307.29 with earmarked reserves in the sum of £890.00 with overall reserves standing at £4,197.29. Comment: the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure. At the current level, council’s general reserves are considered to be within this level.
Additional comments:		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	In accordance with the council’s Financial Regulations, income is properly recorded and promptly banked.
<i>Is income reported to full council?</i>	Yes	Income is noted in the minutes.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The Council received precept of £5,700 during the year under review in April and September which agrees with East Suffolk Council’s notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	
<i>Is CIL income reported to the council?</i>	N/A	
<i>Does unspent CIL income form part of earmarked reserves?</i>	N/A	
<i>Has an annual report been produced?</i>	N/A	
<i>Has it been published on the authority’s website?</i>	N/A	
Additional comments:		

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	N/A	A system of petty cash is not in operations.
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
Additional comments:		

Section 8 – Payroll controls		
The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 st April 2011, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	<i>N/A</i>	Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. In accordance with proper practices, the Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. A copy of the P60 was provided for the audit. It is included in the risk assessment documentation that the Clerk's salary is minuted at each meeting.
<i>Has the Council approved salary paid?</i>	<i>Yes</i>	
<i>Minimum wage paid?</i>	<i>Yes</i>	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	<i>Yes</i>	The payroll function is operated by Ladywell Accountancy in accordance with HM Revenue and Customs guidelines. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	<i>Yes</i>	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	<i>Yes</i>	During the year, there were no pension contributions due. A Declaration of Compliance with the Pensions Regulator under the Pensions Act 2008 was confirmed at a meeting of 21st May 2019.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	<i>Yes</i>	All payments are authorised by full Council and noted in the minutes.
Additional comments:		

⁸ The Pension Regulator – [website click here](#)

Section 9 – Asset control		
<p>The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.</p>		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	The asset register lists items under insurance that fall within the Council’s remit for maintenance and ownership. The register states value as at the date of acquisition and where assets have been gifted or have an unknown value been given an approximate value.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	Declared value is £5,296 which agrees with box 9 of the AGAR Section 2. The annual review of the asset register is included in the risk assessment documentation.
<i>Cross checking of insurance cover</i>	Yes	It is noted in the council’s risk assessment documentation that an annual review of assets is undertaken for insurance provision. Comment: Council may wish to note in the minutes that this has been actioned.
Additional comments:		

⁹ Governance and Accountability for Smaller Authorities in England – March 2019

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is completed at each Council meeting and correctly verified by the Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective. Regular bank reconciliations are included in the Internal Control Document and the annual bank reconciliation agrees with the figures included on the AGAR. The Council shows good practice by including in their risk assessment documentation that a monthly bank reconciliation is carried out.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements as at year end 31 st March for the period under review the balance across the Council’s accounts stood at : Barclays Community Account £4,197.29.
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are noted at each Council meeting. Comment: Council might wish to detail the balances held within the minutes as the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on a receipts and expenditure basis. All were found to be in order
<i>Financial trail from records to presented accounts</i>	Yes	A financial trail from records to presented accounts was evidenced.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR. Significant variances have been explained.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	As the Council was a smaller authority with a gross income and expenditure not exceeding £25,000 for the period under review, it was able to certify itself as an exempt authority. Comment: Council may wish to confirm this action by noting it in the minutes.
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	Yes	The internal auditor was able to find details of the arrangements for the exercise of public rights for the period under review on the public website used by the Council from 29/6/20 to 7/8/20.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	Under the Accounts and Audit Regulations 2015, authorities must publish the following information on a publicly accessible website: Before 1 July 2020 authorities must publish: Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited; Section 1 - Annual Governance Statement 2019/20, approved and signed, page 4 Section 2 - Accounting Statements 2019/20, approved and signed, page 5
Additional comments:		

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous internal audit report been considered by the Council?</i>	Yes	The Council considered the previous internal audit report at the meeting of 21/7/20.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The Council actioned the item raised by the internal auditor.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was confirmed as the internal auditor and this was noted in the minutes of 19/5/20.
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?¹²</i>	N/A	The council correctly declared itself exempt from a Limited Assurance Review.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (ie. All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

Section 14 – additional information		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)¹⁴</i>	N/A	For the period in question, as a result of the COVID-19 pandemic the Council chose not to hold an Annual Meeting of the Parish Council.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	N/A	Unable to verify in this ‘virtual’ audit year.
<i>Is there a list of members’ interests held?</i>	No	There is no evidence of a list of members’ interests held on the website.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	The Council does not have any trustee responsibilities.
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2020/21 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014.

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

¹⁴ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

¹⁵ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	Yes	The Council had correctly registered as a data controller with the Information Commissioner's Office under reference ZA253358.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has adopted and published the following policies: Impact assessment, Data Retention and Disposal, Subject Access, Privacy Notice, Privacy policy.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	No	The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 are now in force. This means, at the very minimum, your local council website should have published their Website Accessibility Statement, having identified the areas which are not accessible and have a forward plan so that you can make changes to improve this.
<i>Is there evidence that electronic files are backed up?</i>	Yes	Backups are held on Microsoft one-drive.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	Council does not have any committees.
Additional comments:		

Signed: Linda Harley

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 6/7/21

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018