

Internal Audit Report for Earl Soham Parish Council for the year ending 31st March 2022

Clerk	Guy Harvey
RFO (if different)	As Above
Chairperson	David Grose
Precept	£13,206.00
Income	£14,067.00
Expenditure	£16,027.00
General reserves	£7,524.00
Earmarked reserves	£25,000.00
Audit type	Annual
Auditor name	Julie Lawes

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:

- conduct 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 conducted 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 an excel spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports detailing receipts and payments and ensures that the financial transactions of the parish council are accurately recorded.
<i>Is the cash book up to date and regularly verified?</i>	YES	The cash book provides good evidence to support the council’s underlying statements. Regular reports are generated and circulated to councillors detailing expenditure and income and the accounts reconciled to the bank statements showing good internal control.
<i>Is the arithmetic correct?</i>	YES	The accounts were spot checked and were all found to be correct.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council conducted 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 a meeting on 11 th November 2021 the council carried out an annual review of its Standing Orders, these are available to view on the council's website and are based on the Model Standing Orders produced by NALC IN 2018 which take into account changes in legislation from those produced in 2013
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a council meeting held 11 th November. These are available to view on the council's website and are based on the NALC Model Financial Regulations 2019
Has the Council properly tailored the Financial Regulations?	YES	The Financial Regulations have been 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), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority. Council's own Financial Regulations (1.8) state that the Clerk is the RFO. This was confirmed at the meeting of full council held 11 th November 2021 and is documented within 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	A selection of expenditure items was made, and cross checked against the cash book, invoices and bank statements. A list of payments is presented to councillors 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.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The council does not operate internet banking
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is clearly identified in the cash book with the year-end total of £1,004.44 and a claim made during the course of the year to HMRC for the period of 01/04/2018 to 10/03/21 to a value of £562.77.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	YES	The council adopted the General Power of Competence at a meeting of full council held 11 th November 2021.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	There were no s137 payments made during the period under review.

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 £8.41 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The council has no loans.
Additional comments:		

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 for the period under review at the meeting of the council on 11 th November 2021 and covers in general terms the matters which would prevent a smaller relevant body from functioning.
<i>Is there evidence that risks are being identified and managed?</i>	YES	The council has taken steps to identify, assess and record the risks associated with its actions and decisions that could have financial or reputational consequences.
<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	Council has insurance in place under a Parish Protect Policy which shows core cover for the following: Public/Products Liability: £10m; Business Interruption: £5k and Fidelity Guarantee of £25k. RECOMMENDATION: The level of Fidelity Guarantee is below the recommended guidelines which provides that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	At a full council meeting on 11 th November 2021, it was evidenced that the council reviewed its Internal Control Check. This clearly demonstrates public finances are adequately protected and managed and evidence necessary steps have been taken to mitigate any risks identified.

⁴ Accounts and Audit Regulations

<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>	YES	The effectiveness of the internal audit was discussed by full Council at a meeting held 11 th November 2021 within the Internal Control Statement. By reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the function of internal audit is to test and report to the authority on whether its system of internal control is adequate.
<i>Additional comments:</i>		

⁵ Practitioners 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>	<i>Partly Met</i>	A thorough budgeting spreadsheet was published on the council’s website evidencing that this was properly prepared. COMMENT: There is no evidence in the minutes to detail that the budget was agreed by council.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	<i>Partly Met</i>	The precept was set at £13,206 and formally approved at a meeting of full council on 7 th January 2021. Evidence of the submission to East Suffolk Council was viewed by the Internal Auditor. RECOMMENDATION: The minutes report that the precept was agreed by there is no detail of the amount set.
<i>Regular reporting of expenditure and variances from budget</i>	<i>YES</i>	Expenditure v Budget reporting was conducted on a 6 monthly basis and reported to full council. COMMENT: Council should ensure regular reporting as set out its own Standing Orders 17c.
<i>Reserves held – general and earmarked⁶</i>	<i>YES</i>	The councils accounts show a general reserve of £7,524.00 and an earmarked reserve of £25,000.00.
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	Income is recorded in accordance with Council’s Financial Regulations. A number of income items were cross checked against the cash book and bank statements and found to be in order.
<i>Is income reported to full council?</i>	YES	Income is reported to full council within the Financial Reports and recorded within the minutes.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	YES	The bank statements and minutes evidence the receipt of the precept of £13,206 as per the Council Tax Authority notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	NO	In 2019/2020 the council recorded a balance of £1,904.00 being carried over into 2020/2021. No further payments have been received. RECOMMENDATION: Council is required to publish Annual Statements of the CIL income, expenditure and balance on their website, even if there is no movement during the course of the year. The last published report was 2019/2020.
<i>Is CIL income reported to the council?</i>	N/A	
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES	
<i>Has an annual report been produced?</i>	NO	
<i>Has it been published on the authority’s website?</i>	NO	
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	The council had no petty cash.
<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 were 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 201, 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>	N/A	The council had 1 employee on its payroll at the period end of 31st March 2022. Employment contracts were not reviewed during the internal audit which was carried out remotely. The minimum wage is not applied to any employees.
<i>Has the Council approved salary paid?</i>	YES	
<i>Minimum wage paid?</i>	NO	
<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>	YES	The payroll function is operated in accordance with HM Revenue and Custom guidelines.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	N/A	The payroll function for the year under review is operated in accordance with HM Revenue and Customs guidelines. There were no applicable deductions due to be paid to HM Revenue and Customs for the year under review
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	Council recorded within its minutes at a meeting held 11 th November 2021 that the clerk opted out of the pension.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	YES	Council approves all expenses as and when occurred.
Additional comments: 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 legislation.		

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

Section 9 – Asset control		
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.		
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 council maintains an asset register with details of the item, location, purchase date, purchase price and insurance value if different. The copy provided to the auditor was dated year ending 31 st March 2022.
<i>Is 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	The Asset Register details annual reviews with full council agreeing no change for the period under review at a full council meeting held 11 th November 2021.
<i>Cross checking of insurance cover</i>	YES	Council has insurance under a Parish Protect Policy for assets to the value of £20,000 which is a sufficient banding for assets within its register.
Additional comments:		

⁹ Practitioners Guide

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	Bank Reconciliations are conducted on a regular basis.
<i>Do bank balances agree with bank statements?</i>	NO	As at year end 31st March 2022 the balance across the council's accounts stood at £32,480.62. This is detailed on the AGAR and within the end of year bank reconciliation as £32,524.60. A cheque to the value of £44.00 was presented on 31 st March 2022 putting these figures out by that amount. All other bank balances / statements are in accordance with the Bank Reconciliations and correctly carried out. RECOMMENDATION: That the bank reconciliation, Certificate of Exemption and Section 2 Accounting Statements be amended accordingly.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded on a regular basis within the Finance Report at full council meetings.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	The accounts are produced on receipts and payments basis.
<i>Financial trail from records to presented accounts</i>	YES	There is a clear financial trail from budgeting, invoice, authorisation, payment and banking.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	YES	As the Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Section 2 of Part 2 of the AGAR. RECOMMENDATION: Section 2 Accounting Statements for 2021/2022 Box 2 Precept or Rates and Levies - This figure should state £13,206.00 which is the precept received for that financial year. It should not include the Parish Support Grant of £172.00, this should instead be recorded in Box 3 Total other receipts.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	For the year of 2021/2022 the council was not exempt from audit.
<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	It is evidenced on the council’s website with the notice publicised that the dates were set at 30 th June to 11 th August 2021 which included the mandatory first 10 working days of July.
<i>Have the publication requirements been met in accordance with the Regulations?</i>	YES	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 March 2021 and published the following on a public website: <ul style="list-style-type: none"> • Internal Audit Report of the AGAR • Section 1 – Annual Governance Statement of the AGAR • Section 2 – Annual Accounting Statements of the AGAR

¹⁰ Annual Governance & Accountability Return (AGAR)

		<ul style="list-style-type: none">• Section 3 – External Audit Report and Certificate.• Notice of the period for the exercise of public rights• The Notice of the conclusion of audit should also be published on the website.
<i>Additional comments:</i>		

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 Council considered the previous internal audit report?</i>	YES	The Internal Audit Report was considered by full council at a meeting held 8 th July 2021 at which it was agreed the Clerk / RFO was to produce an action plan for any recommendations.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Partly Met	It is evidenced within the minutes and relevant documents uploaded onto the website that some of the items raised within the Audit Report have been actioned.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	YES	The council confirmed the appointment of the Internal Auditor for the period under review at a meeting held 11 th November 2021.
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 considered.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹¹</i>	<i>NO</i>	COMMENT: There are no minutes to detail that the council has reviewed the comments received by the External Auditor
<i>Has appropriate action been taken regarding the comments raised?</i>	<i>N/A</i>	There were no actions to be taken once the document had been amended and re-submitted.
Additional comments:		

¹¹ Regulation 20 Accounts and Audit Regulations 2015 – following completion of an audit the Council should note that it is the Council as a whole (i.e., 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 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> ¹² <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> ¹³	YES	The Annual Parish Council Meeting was held 20 th May 2021 with its first item on the agenda the election of the Chairman and signing of the Declaration of Acceptance of Office as specified in the councils Standing Orders.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	YES	Council is aware that that under LGA 1972 schedule 12, paragraphs 41(1) and 44 the draft minutes of a meeting should be formally approved (with any necessary amendments) at the next meeting. At each meeting, the Chair is given formal approval to sign the minutes.
<i>Is there a list of members' interests held?</i>	YES	A link is provided to the East Suffolk Council Register of Interests for current Parish Councillors.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	
<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 2021/2022 not later than 1 July: <ul style="list-style-type: none"> • 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

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

¹³ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

¹⁴ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

		<ul style="list-style-type: none"> • 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.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	YES	The Council is registered with the ICO as a data controller. Registration Certificate ZA762319 expiry date 8 th June 2022. COMMENT: The date of this has recently expired and requires renewal.
Is the Council compliant with the General Data Protection Regulation requirements?	NO	There are no GDPR documents provided on the council's website. Under policies, the only documents published are Public Speaking at Parish Council Meetings, Suffolk Local Code of Conduct, Standing Orders, Internal Audit, Risk Assessment Schedule, Financial Regulations and Equality and Diversity Policy. RECOMMENDATION: Council should look to adopt documents such as Consent Forms, Data Asset Register, Data Protection Management Policy, General Privacy Notice, Privacy Notice Staff / Councillors, Security Breach Procedure and Subject Access Request Policy (SAR). Information is available on the SALC website.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	The clerk of the council and councillors all have official email addresses. In accordance with the Practitioners Guide the importance of smaller authorities using secure e-mail systems and gov.uk addresses, it is recommended every authority has its own e-mail addresses which is owned by the authority rather than relying on the use of personal e-mail addresses that can change regularly. This reduces the risk of correspondence going astray or being delayed.
<i>Is there evidence that electronic files are backed up?</i>	N/A	Unable to confirm due to virtual audit.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
Additional comments:		

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

SALC Internal Audit Report template (v.3)
Last reviewed: 7th April 2022

Signed: *J.Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 04th July 2022

On behalf of Suffolk Association of Local Councils