

Internal Audit Report for Sibton Parish Council for the year ending 31 March 2021

Clerk	Paul Widdowson
RFO (if different)	
Chairperson	Allan Dale
Precept	£1,750
Income	£4,378.77
Expenditure	£5,310.92
General reserves	£4,221.52
Earmarked reserves	£9,000.00
Audit type	Annual
Auditor name	Sandra Brown

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 computerised spreadsheet to form the basis of their accounting system. It provides the data for analysis allowing the RFO to produce clear financial managements reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	This provides good evidence to support the Council’s underlying statements.
<i>Is the arithmetic correct?</i>	Yes	Accounting records were spot checked – they are well maintained and clearly identify expenditure and income at any given point.
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	<i>At the meeting on 27 July 2020 the Council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018) and included the increase in Section 18 Financial Controls and Procurement.</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>At the meeting on 27 July 2020 the Council carried out an annual review of its Financial Regulations. Use of the Model Financial Regulations ((produced by NALC in 2019) and included the increase in thresholds in footnotes.</i>
Has the Council properly tailored the Financial Regulations?	Yes	<i>Financial regulations have been tailored to the Council.</i>
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	<i>Council confirmed appointment on the Clerk as the Responsible Financial Officer at its meeting on 27 July 2020 in accordance with legislation.</i>
Additional comments:		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
<p>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.</p>		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	<i>A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each 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.</i>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	<i>Internet banking used from March 2021 clearly identified in minutes and cashbook.</i>
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<i>VAT identified in cashbook. No VAT re-claim received in the year under review.</i>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	<i>Council has not adopted the General Power of Competence.</i>
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	<i>Payments for the year under review total £75 and are in accordance with statutory limits. The Council clearly understands S.137 and uses the power appropriately.</i>

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.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
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 25 January 2021 and covers in general terms the matters which could prevent a smaller relevant body from functioning.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The risk management plan covers financial and property risks of the Council.
<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	<i>General insurance from RSA Parish Protect through CAS for the period under review shows core cover: Fidelity Guarantee cover is £25,000 given the current balances held by the Council is within the recommended guidelines of year end balances plus first instalment of precept received. Employers Liability £10 million Public Liability £10 million The Council's insurance cover was renewed at their meeting on 28 September 2020 and there is a minute to show the cover was reviewed and considered appropriate.</i>

<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	<i>At a meeting of Council on 22 March 2021 it was evidenced that the Council has a comprehensive financial risk assessment that demonstrates public finances are adequately protected and managed and evidence that any necessary steps have been taken to mitigate any risks identified. Documentation to support control procedures adopted by the Council for payments helps protect the RFO and fulfils an internal control objective. In accordance with the Accounts and Audit Regulations 2015 the Council has understood the requirements to have in place safe and efficient arrangements to safeguard public money.</i>
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	Yes	<i>The effectiveness of internal audit was reviewed by Council within the internal control statement submitted and approved at a meeting on 22 March 2021.</i>
<p>Additional comments: <i>The Council has identified a number of risks to Sibton Parish Council and taken steps to control these. These are clearly identified and approved by Council. In accordance with proper practices the Council has demonstrated it has taken steps to manage key risks in a way it can justify to a level which is tolerable by transferring the risks and taking out insurance, and that the review of insurance cover has been reported back to Council and duly minuted. By reviewing the terms of reference for internal audit the Council has followed guidance and demonstrates it recognises that the internal audit function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.</i></p>		

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 was approved by Council at a meeting on 25 November 2019.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £1750 and formally approved at a meeting of 25 November 2019 with the figure clearly shown in the minutes which shows good practice.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Quarterly budget reports evidenced on the Council’s website which shows comparisons between budgeted and actual income and expenditure and accords with the Council’s own Standing Orders. <i>Comment: Council may wish to make a minute reference to the reporting of expenditure and variances from budget.</i>
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council’s final accounts show general reserves in the sum of £5310.92 and earmarked reserves in the sum of £9,000 with overall reserves standing at £13,221.52
<p>Additional comments: <i>The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority’s general reserve is that this should be at between 3 and 12 months net revenue expenditure. At the current level, Council’s general reserves are considered to be within this level. However, Council should note smaller authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs and for specifically earmarked reserves.</i></p> <p><i>Council should note guidance as issued under the Practitioners Guide which states that an authority needs to have regards to the need to put in place a General Reserves Policy and have reviewed the level and purpose of earmarked reserves.</i></p>		

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	A number of items of income were cross-checked against the cash book and bank statement and found to be in order. In accordance with proper practices the Responsible Financial Officer ensures that accounting records contain day to day entries of all sums of money and that income received is promptly banked if necessary.
<i>Is income reported to full council?</i>	Yes	In accordance with the Council's Standing Orders.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The Council received precept of £1,750 during the year under review in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	No CIL payments had been received in the year under review.
<i>Is CIL income reported to the council?</i>		
<i>Does unspent CIL income form part of earmarked reserves?</i>		
<i>Has an annual report been produced?</i>		
<i>Has it been published on the authority's website?</i>		
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>	<i>N/A</i>	Petty cash not in operation
<i>If appropriate, is there an adequate control system in place?</i>		
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 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>		The Council had one employee during the period under review.
<i>Has the Council approved salary paid?</i>		Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by Council. The Council in accordance with proper practices has ensured that the remuneration payable to the employee has been approved in advance by the Council.
<i>Minimum wage paid?</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>	Yes	The payroll function is operated 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 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>	Yes	In accordance with Proper Practices, PAYE taxes are calculated and recorded for the 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>	Yes	It is noted that the internal audit report for the previous year mentioned that Council is aware of its pension responsibilities and that no pension provision was required by the current member of staff. <i>Comment: Council should note that every three years, when they complete their re-enrolment duties, they will also need to submit a re-declaration of compliance to tell The Pension Regulator what it has done at re-enrolment.</i>

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

<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	All expenses claimed are approved by Council with supporting paperwork in place. There is a satisfactory expense system in place.
Additional comments: Council should note the changes in the Practitioners Guide for 2020 on the treatment of what can be included as employment expenses within the Annual Governance & Accountability Guide 2020. If applicable, any working from home payments are not to be included within Staff Costs and should be allocated within All Other Payments on the AGAR.		

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	Declared value is £9,143 with an uplift of £2783 covering the purchase of a SID/batteries and bracket for the period under review.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>		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.
<i>Are records of deeds, articles, land registry title number available?</i>		
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was reviewed by the Council at its meeting on 25 January 2021.
<i>Cross checking of insurance cover</i>	Yes	Insurance cover for property up to £10,000 and is in accordance with the Policy held.

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

		Contents other (other property) are generic under heading within the 'All Risks Category' and have been given a value in accordance with the Policy held.
<i>Additional comments:</i>		

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 of monthly bank reconciliations. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.
<i>Do bank balances agree with bank statements?</i>	Yes	<i>Bank balances agree with period end statements and, as at year end (31 March 2021) for the period under review the balance across the Council's accounts stood at £13,221.52</i> <i>HSBC Community Account £6662.66</i> <i>HSBC Savings Account £6617.66</i> <i>O/S Cheque 100398 £58.80</i>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to the Council with the reporting of bank balances included within the minutes. The Council is aware that in accordance with proper practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flow and therefore aids decision-making.

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 payments basis and all found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	The end of year accounts and supporting documentation were well presented for the internal audit review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	The Council is a smaller authority with gross income and expenditure not exceeding £25,000, it has completed the Certificate of Exemption, Sections 1 and 2 of Part 2 of the AGAR.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	Exemption: 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 which was confirmed at a meeting of Council on 5 May 2021.
<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	Public Inspection: The internal Auditor was able to find details of the arrangements for the exercise of public rights on the public website used by the Council.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	Accounts and Audit Regulations 2015: The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Certification of Exemption

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

	Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
<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 previous internal audit report been considered by the Council?</i>	Yes	The Internal Auditor's Report for the year ending 31 March 2020 was reviewed by Council at their meeting on 27 July 2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The following recommendation was made: GDPR policies - Actioned
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed to act as the Council's internal auditor at a meeting of the Council on 25 January 2021 for the period under review.
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	
<i>Has appropriate action been taken regarding the comments raised?</i>		
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>(emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}		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		Not seen – virtual audit.
<i>Is there a list of members' interests held?</i>	Yes	A list of members interests is held on the East Suffolk District Council website.
<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 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

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

		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)?¹⁶</i>	Yes	The Council is correctly registered with the ICO as a data controller in accordance with legislation – ZA428215
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy – evidenced as follows: Impact assessments Privacy notices (public, councillors & employees) Procedures for dealing with Subject Access Requests Procedures for dealing with Data Breaches Data Protection & Information Management including document disposal There is a comprehensive suite of policies and procedures to help the Council adequately handle personal data.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	Yes	The Council's website has published a website accessibility statement in line with Regulation 8 of the Public Sector Bodies (Website and Mobile Applications) (No.2) Accessibility Regulations 2018.
<i>Is there evidence that electronic files are backed up?</i>		The internal auditor has assumed electronic files are backed up on a regular basis.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
Additional comments:		

Signed: *S.J. Brown*

Date of Internal Audit Report: 23rd June 2021

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018