

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

Clerk	Fiona Mullins
RFO (if different)	
Chairperson	Margaret Maybury
Precept	£ 45,000
Income	£ 52,719.61
Expenditure	£ 51,452.88
General reserves	£31,178.42
Earmarked reserves	£119,992.95
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 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 cash book is up to date and 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		Internal auditor commentary
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	<i>At the meeting on 22 June 2020 the council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018)</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>At the meeting on 22 June 2020 the council carried out an annual review of its Financial Regulations. Use of the Model Financial Regulations (produced by NALC in 2019)</i>
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? ¹		<i>The Clerk is the Responsible Financial Officer</i>
<i>Additional comments: It is noted Standing Orders have not been updated to include the correct thresholds in section 18f and 18g and should be updated at their next review. The footnotes on page 13 of Council's Financial Regulations should also be updated at the next review with the correct thresholds.</i>		

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		Internal auditor commentary
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 banks statements. At each full council meeting a list of payments and receipts is presented to ensure formal approval of expenditure and the appendix is appended to the signed minutes. 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>There is clear evidence of good practice – regular direct debit payments reviewed and agreed at council meeting of 20 July 2020, BACS payments authorised by two signatories. Transferwise pre-paid card reviewed at each meeting of Council. It was noted from January 2021 online payments approved by two councillors once a banking technical error was fixed.</i>
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<i>Identified in the cash book and a claim for the year 2019/20 in the sum of £1832 was received and included in the financial report at the council meeting of 20 July 2020.</i>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²		<i>The council confirmed eligibility criteria to enable it to exercise the GPOC and has adopted the same at its meeting on 20 May 2019.</i>

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?		<i>Not applicable</i>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?		<i>Not applicable</i>
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	The Acton Parish Council Risk Management Plan was considered for the period under review at the meeting of the council on 22 June 2020 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 risk including the maintenance of play equipment with weekly inspections by Councillors. The internal auditor noted a monthly play inspection was carried out by Sovereign and an annual inspection was carried out by ROSPA. The Wildlife area risk assessment was reviewed at a meeting on 20 January 2020
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability</i>	Yes	<i>General insurance from 1.10.20 to 30.9.21 shows core cover. Employers Liability £10million</i>

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.

<i>and fidelity guarantee and has been reviewed on an annual basis?</i>		<i>Public Liability £10million</i> <i>Fidelity Guarantee £250,000 which given the current balances held by the Council is within the recommended guidelines.</i> <i>The Council's insurance cover was renewed at their meeting on 21 September 2020 and there is a minute to show 10(i) a review of insurance (appendix 11) was carried out and considered appropriate, this shows evidence of good practice.</i>
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	<i>At a Council meeting of 22 June 2020 minute reference 8(iii)</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 full Council within the internal control statement submitted and approved at a meeting on 22 June 2020.</i>
<i>Additional comments:</i>		

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 £48,990 was approved by full Council at a meeting on 20 January 2020.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £45,000 and formally approved at a meeting of 20 January 2020.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The minutes examined evidence comparisons between budgeted and actual income and expenditure is included within the documentation circulated to councillors and accords with the Council's own Standing Orders.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council's final accounts show general reserves in the sum of £31,178.42 with earmarked reserves in the sum of £119,992.95 with overall reserves standing at £151,171.37
Additional comments: Council has shown good practice in that recommended key stages of the budgetary process have been followed: • Decide the form and level of detail of the budget • Review the current year budget and spending • Assess levels of income • Provide for contingencies and consider the needs of reserves • Approve the budget • Confirm the precept • Review progress against the budget regularly throughout the year.		

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.
<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 £45,000 during the year under review in April and September 2020.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>		No CIL payments received in the year under review. In accordance with the Regulations the Council having received a proportion of CIL funds in previous reporting years ensured that retained balances have been transferred to the earmarked reserves specifically allocated. An annual report that details the amount of CIL funds received and spent was evidenced for year ending 31 March 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: To comply with the Community Infrastructure Levy Regulations 2010 Council should ensure an annual report detailing CIL funds for the year ending 31 March 2021 showing receipts from previous years and expenditure is produced.		

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	Petty cash not in operation
<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 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>	Yes	Evidence confirms all salary payments are authorised by full Council. In accordance with proper practices, the Council 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 employee National Insurance contributions recorded as applicable.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	Within the minutes of 20 July 2020 it was confirmed pension re-enrolment forms had been submitted to the pension regulator.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	<i>All payments are approved by full Council.</i>
Additional comments:		

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	Declared value of assets is £121,859 and the insurance value of property covered up to £200,000 for the period under review.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	The asset register lists items under insurance that fall within the Council's remit for maintenance and ownership. The register states value at the date of acquisition and where assets have been gifted have been given a value of £1. A number of assets were removed/added in the year under review and this was clearly shown on the asset register. The asset register showed an overall uplift of £17,419 over the year under review.
<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 15 March 2021 covering assets within the ownership or responsibility of the Council.
<i>Cross checking of insurance cover</i>	Yes	Insurance cover provided through Community Action Suffolk - Parish Protect with property covered up to £200,000.
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 correctly verified by the Council. 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 the 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 £151,123.80</i> Nationwide Building Society £75,000 Lloyds Business Bank Instant £64,811.44 Lloyds Treasurers Account £10,610.94 Transferwise prepaid card £500.26 o/c £201.16
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to the Council including a quarterly summary of income and expenditure in accordance with the Council's own Standing Orders. 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 flows and therefore aids decision-making.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	Yes	Accounts are produced on a receipts and expenditure basis and all found to be in order.
Financial trail from records to presented accounts	Yes	The end of year accounts and supporting documentation were well presented for the internal auditor review.
Has the appropriate end of year AGAR ¹⁰ documents been completed?	Yes	The Council is a smaller authority with gross income and expenditure exceeding £25,000, it has therefore completed Section 1 and 2 of Part 3 of the AGAR.
Did the Council meet the exemption criteria and correctly declared itself exempt?	N/A	
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?	Yes	Public Inspection: The internal auditor was able to find details of the arrangements for the exercise of public rights for the period ending 31 March 2020 on the public website used by the Council.
Have the publication requirements been met in accordance with the Regulations? ¹¹	Yes	The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure 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 Section 3 External Auditor Report and Certificate
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 Internal Auditor's Report for the year ending 31 March 2020 has been considered and reviewed by the Council at their meeting on 22 June 2020
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The following recommendations were considered and agreed by the Council: Annual Review of the effectiveness of internal controls Annual Review of the effectiveness of the system of internal audit General Reserves Asset register annual review GDPR procedures
<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 22 June 2020.
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>	Yes	The Limited Assurance Review for the period ending 31 March 2020 was presented to full Council at its meeting on 7 December 2020.
<i>Has appropriate action been taken regarding the comments raised?</i>	Yes	The following matters had come to the external auditor's attention although it is noted that there were no matters that had given cause for concern: Coding of employment costs
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>		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. The Local Authorities and Police and Crime Panel (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴		Not seen – as virtual audit.
<i>Is there a list of members' interests held?</i>	Yes	Members interest are available on the publicly accessed website of the Council as well as the Babergh District Council website.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>		Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,00)
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	Yes	The Council is correctly registered with the ICO as a data controller in accordance with legislation. Ref ZA249697 expiry 4 May 2021.
<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: The necessary privacy notices (including notices to employees) have been reviewed and updated as necessary and duly published where relevant. There is a comprehensive suite of policies and procedures to help the council adequately handle personal data.

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

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

¹⁵ Data Protection Act 2018

<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	No	Website Accessibility Regulations 2018 require a statement to be published on the Council's website. This document can be accessed from the members area of the SALC website.
<i>Is there evidence that electronic files are backed up?</i>		None seen
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
<i>Additional comments:</i>		

Signed: *S.J. Brown*

Date of Internal Audit Report: 21 April 2021

On behalf of Suffolk Association of Local Councils

¹⁶ Website Accessibility Regulations 2018