Internal Audit Report for Acton Parish Council

for the year ending 31 March 2022

Clerk	Fiona Mullins
RFO (if different)	
Chairperson	Margaret Maybury
Precept	£45,000
Income	£191,624.05
Expenditure	£43,368.25
General reserves	£20,000.85
Earmarked reserves	£279,378.75
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:

- 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		*Internal auditor commentary*
Is the ledger maintained and up to date?	*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.
Is the cash book up to date and regularly verified?	*Yes*	This provides good evidence to support the Council's underlying statements.
Is the arithmetic correct?	*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 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		*Internal auditor commentary*
Have Standing Orders been adopted, up to date and reviewed annually?	*Yes*	*At the meeting on 19 July 2021 the Council carried out an annual review (procurement values updated) of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018)*
Are Financial Regulations up to date and reviewed annually?	*Yes*	*At the meeting on 19 July 2021 the Council carried out an annual review (procurement values updated) of its Financial Regulations. Use of the Model Financial Regulations (produced by NALC in 2019)*
Has the Council properly tailored the Financial Regulations?	*Yes*	*Financial Regulations have been tailored to the Council.*
Has the Council appointed a Responsible Financial Officer (RFO)?[1]	*Yes*	*The Clerk was confirmed as the Responsible Financial Officer at a meeting of Council on 5 May 2021.*
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		*Internal auditor commentary*
Is there supporting paperwork for payments with appropriate authorisation?	*Yes*	*A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. Prior to each Council meeting a list of payments & receipts is presented to ensure formal approval of expenditure and appended to the 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.* *Comment: Council may wish to ensure the invoices are initialled as per Council's own Risk Management Plan.*
Where applicable, are internet banking transactions properly recorded and approved?	*Yes*	*There is clear evidence of good practice – payments are checked by two councillors against invoices and online authorisation is then completed demonstrating the council is working in line with its own Financial Regulations. A schedule of both due and retrospective regular payments within the financial report is submitted to the Council for approval at each meeting. This is also published with the minutes on the Council's website. Transferwise pre-paid card reviewed quarterly top ups are approved by Council with the amount stated in the Minutes.*
Is VAT correctly identified, recorded, and claimed within time limits?	*Yes*	*Identified in the cash book with a claim received for the year 2020/21 of £3,753.10 and included in the financial report at a Council meeting of 19 July 2021.*

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly?[2]	*Yes*	*The Council has confirmed eligibility criteria to enable it to exercise the GPOC and has adopted the same at its meeting on 20 May 2019*
Are payments under s.137[3] separately recorded, minuted and is there evidence of direct benefit to electorate?	*N/A*	*No payments made using S.137 as Council has adopted the General Power of Competence.*
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
Is there evidence of risk assessment documentation?	*Yes*	The Risk Management Plan was reviewed for the year at the meeting of the Council on 23 March 2022 and covers in general terms the matters which could prevent a smaller relevant body from functioning. The Risk assessment for the play area reviewed and amended at a meeting of the Council on 28 September 2021
Is there evidence that risks are being identified and managed?	*Yes*	The risk management plan covers financial and property risk. The document shows clear consideration of the risks to the Council and the actions and decisions Council needs to put in place during the year. Council has in place a weekly checklist for the play area which

[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.*

		was reviewed and amended at a meeting of the Council on 28 September 2021. It was also noted a new three-year contract with RoSPA was agreed to carry out an annual audit of the play area. *Comment: Council should ensure the dual authority procedures which are in place when making payments using online banking, that these controls form part of the Councils Internal Control Statement and Financial Risk Assessment.*
*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?*	*Yes*	*General insurance from Parish Protect for the period under review shows core cover:* *Public Liability £10 million* *Employment Liability £10million* *Fidelity Guarantee cover if £250,000 which given the current balances held by the Council is below the recommended guidelines of year end balances plus 1st instalment of precept received.* ***Recommend**: Council may wish to consider increasing the fidelity guarantee at their next review.* *The Council's insurance cover was reviewed at their meeting on 28 September 2021 with a minute reference to show the cover was reviewed and considered appropriate.*
Evidence that internal controls are documented and regularly reviewed[4]	*Yes*	*At a meeting of Acton and as approved at a meeting of Council on 28th September 2021 it was evidenced that the Council has a financial risk assessment that demonstrates public finances are protected and managed and evidence that 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.*

[4] Accounts and Audit Regulations

		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. *Comment: Council should ensure the dual authority procedures which are in place when making payments using online banking, these controls form part of the Councils Internal Control Statement and Financial Risk Assessment.*
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 appointment[5]	*Yes*	*The effectiveness of internal audit was included with the internal control document submitted and approved at the meeting above on 28th September 2021.*
Additional comments: *The Council has identified a number of risks 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 full 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.*		

[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
Verify that budget has been properly prepared and agreed	*Yes*	The budget for the year 2021/22 was agreed by full Council at a meeting of 18 January 2021.
Verify that the precept amount has been agreed in full Council and clearly minuted	*Yes*	The precept for the year 2021/22 was set at a meeting of full Council on 18 January 2021 at the sum of £45,000
Regular reporting of expenditure and variances from budget	*Yes*	The minutes examined evidence comparisons between budgeted and actual income and expenditure and accords with the Council's own Standing Orders.
Reserves held – general and earmarked[6]	*Yes*	The Council's final accounts show general reserves in the sum of £20,000.85 With earmarked reserves in the sum of £279.378.75 with overall reserves standing at £299,379.60 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 3 and12 months net revenue expenditure. At the current level, Council's general reserves are considered to be within this level. Comment: 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.
Additional comments: *The Council shows good practice in that recommended key stages of the budgetary process have been followed:*		

[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

- *decide the form and level of detail on the budget* - *review the current year budget and spending* - *assess levels of income* - *bring together spending and income plans* - *provide for contingencies and consider the needs of reserves* - *approve the budget* - *confirm the precept* - *review progress against the budget regularly throughout the year*

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
Is income properly recorded and promptly banked?	*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.
Is income reported to full council?	*Yes*	Income reported to full Council within the monthly financial reports and appended to the Minutes.
Does the precept recorded agree to the Council Tax Authority's notification?	*Yes*	The Council received precept of £45,000 during the year under review in April and September.
If appropriate, are CIL reporting schedules in accordance with the Regulations?[7]	*Yes*	CIL funds received for the year under review show receipts of £137,943.29 as reported to Council. In accordance with the Regulations the Council having received a proportion of CIL funds and ensured that retained balances are transferred to the earmarked reserves specifically allocated. The Council has complied with its duty to produce an annual report for year 2020-21 that details the amount of CIL funds received and spent. The Council has demonstrated it understands the requirements to comply with its duty to produce an annual report that details the amount of CIL funds received and spent. The annual report for the year ending 31 March 2022 showing income received and retained balances was verified by the internal auditor and the Council understands it should comply with its duty to upload the annual report onto its website by 31 December of that year.
Is CIL income reported to the council?	*Yes*	
Does unspent CIL income form part of earmarked reserves?	*Yes*	
Has an annual report been produced?	*Yes*	
Has it been published on the authority's website?	*Partly Met*	
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
Is petty cash in operation?	*N/A*	Petty cash not used by the Council.
If appropriate, is there an adequate control system in place?	*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 1st 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
Do all employees have contracts of employment?	*N/A*	Council has one employee during the year under review. Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. The remuneration payable to the employee has been approved in advance by the Council.
Has the Council approved salary paid?	*Yes*	
Minimum wage paid?	*No*	
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?	*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.
Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	*Yes*	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for the employee. Deductions are paid to HM Revenue on or before the dates prescribed.
Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?[8]	*Yes*	It was noted that the internal audit report for the previous year mentioned that Council confirmed at a meeting on 20 July 2020 pension re-enrolment forms had been submitted to the pension regulator. Pension payments are operation.
Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?	*Yes*	*Any additional costs and expenses incurred are approved by Council.*
Additional comments:		

[8] The Pension Regulator – website click here

<table>
<tr><td colspan="3">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.</td></tr>
<tr><td colspan="2">Evidence</td><td>Internal auditor commentary</td></tr>
<tr><td>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?[9]</td><td>Yes</td><td rowspan="3">Declared value is £124,820 for period under review.

The asset register lists items under insurance that fall within the Council’s remit for maintenance and ownership. The register states values at the date of acquisition and where assets have been gifted or have an unknown value have been given an approximate value.</td></tr>
<tr><td>Is the value of the assets included? (Note value for insurance purposes may differ)</td><td>Yes</td></tr>
<tr><td>Are records of deeds, articles, land registry title number available?</td><td>No</td></tr>
<tr><td>Is the asset register up to date and reviewed annually?</td><td>Yes</td><td>The asset register was reviewed by the Council at its meeting on 23 March 2022 confirming it covers assets within the ownership or responsibility of the Council.</td></tr>
<tr><td>Cross checking of insurance cover</td><td>Yes</td><td>Insurance cover £200,000 and is in accordance with the Policy held. 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.</td></tr>
<tr><td colspan="3">Additional comments:</td></tr>
</table>

[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
Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?	*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.
Do bank balances agree with bank statements?	*Yes*	*Bank balances agree with the period end statements and, as at year end (31 March) for the period under review the balance across the Council's accounts stood at £299,379.60* *Lloyds Treasurers Account £43,929.99* *Lloyds Reserves Fund Treasurers Account £84,818.98* *Nationwide Building Society £85,216.46* *Skipton Building Society £85,000* *Transferwise Pre-paid card £414.17*
Is there regular reporting of bank balances at Council meetings?	*Yes*	Financial reports are submitted to the Council at each meeting of full Council in the form of income, payments, bank balances and reconciliation with a Minute reference made and appended to 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 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 payments 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 completed Sections 1 and 2 of Form 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*	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.
Have the publication requirements been met in accordance with the Regulations?[11]	*Yes*	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with an income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 March 2021 and published the following on their public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – External Auditor Report and Certificate Notice of conclusion of audit

[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
Additional comments:		

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		*Internal auditor commentary*
Has the Council considered the previous internal audit report?	*Yes*	Internal Auditor's Report for the year ending 31 March 2021 has been considered and reviewed by the Council at their meeting on 5 May 2021.
Has appropriate action been taken regarding the recommendations raised?	*Yes*	Council confirmed at a meeting on 28 September 2021 recommendations from the internal audit report had been carried out.
Has the Council confirmed the appointment of an internal auditor?	*Yes*	SALC was appointed to act as the Council's internal auditor at a meeting of the Council on 28 September 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 considered.		
Evidence		*Internal auditor commentary*
Has the Council considered the previous external audit report?[12]	*Yes*	The Limited Assurance Review for the period ending 31 March 2021 was considered by Council at its meeting on 28th September 2021
Has appropriate action been taken regarding the comments raised?	*N/A*	There were no matters arising which had come to the attention of the External Auditor giving cause for concern that relevant legislation and regulatory requirements had not been met.
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 (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		*Internal auditor commentary*
Was the annual meeting held in accordance with legislation? [13]	*Yes*	The Annual Meeting of the Council was held on 5th May 2021 and the first item on the agenda was the election of the Chair.
Is there evidence that Minutes are administered in accordance with legislation? [14] *Absence is approved?*	*Yes*	Not seen – as virtual audit. Full Council minutes clearly document the approval of the previous minutes and that they are duly signed. Absence is approved. .
Is there a list of members' interests held?	*Yes*	The Councillors interests are available on the Councils website as well as a direct link on the Council's website to Babergh District Council where the register of members interests are also held.
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	*N/A*	
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	*Yes*	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 £200,000)
Has the Council registered with the Information Commissioner's Office (ICO)? [15]	*Yes*	The Council is correctly registered with the ICO as a data controller in accordance with legislation – ZA249697
Is the Council compliant with the General Data Protection Regulation requirements?	*Yes*	The Council has taken steps to ensure compliancy – evidenced as follows: Privacy Policy Subject Access Policy Data Management and Data Breach Policy Data Consent Form

[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

Has the Council published a website accessibility statement on their website in line with Regulations?[16]	*No*	The Council has not published on its website a website accessibility statement. **Recommend:** Regulation 8 of the Public Sector Bodies (websites and Mobile Applications) (No.2) Accessibility Regulations 2018 require a statement to be published on the website of the Council.
Does the council have official email addresses for correspondence?[17]	*Yes*	Council has an official email address: actonparishcouncil@gmail.com
Is there evidence that electronic files are backed up?	*Yes*	The Internal Auditor presumes all electronic files are backed up in accordance with Council's own Risk Management Plan.
Do terms of reference exist for all committees and is there evidence these are regularly reviewed?	*N/A*	
Additional comments:		

Signed: S.J. Brown

Date of Internal Audit Report: 16.5.2022

On behalf of Suffolk Association of Local Councils

[16] Website Accessibility Regulations 2018
[17] Practitioners Guide