

Internal Audit Report for Snape Parish Council
for the audit year ending 21/3/21

Clerk	Marie Backhouse
RFO (if different)	
Chairperson	Tim Beach
Precept	£ 11,250
Income	£ 35,996
Expenditure	£ 24,276
General reserves	£ 29,391
Earmarked reserves	£ 25,744
Audit type	Annual
Auditor name	Linda Harley

Introduction

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

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

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

Methodology

When conducting the audit, the internal auditor may:

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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		Internal auditor commentary
Is the ledger maintained and up to date?	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.
Is the cash book up to date and regularly verified?	Yes	The cashbook is up to date and quarterly bank reconciliations are carried out. This provides good evidence to support the council’s underlying statements.
Is the arithmetic correct?	Yes	Arithmetic is correct.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
Evidence		Internal auditor commentary
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	At the meeting of the Council on 22/9/20 the NALC Model Standing Orders were reviewed and updated.
Are Financial Regulations up to date and reviewed annually?	Yes	At the meeting of the Council on 22/9/20 the NALC Model Financial Regulations 2019 were reviewed and updated.
Has the Council properly tailored the Financial Regulations?	Yes	Financial Regulations are tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	It is noted in the Council's Internal Control Document that the Clerk is the Responsible Financial Officer. Comment: Council may wish to note annually in the minutes that a RFO has been appointed.
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
<p>Is there supporting paperwork for payments with appropriate authorisation?</p>	<p>Yes</p> <p>A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each full council meeting a list of payments is presented to ensure formal approval of expenditure and this is correctly minuted. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment. The risk assessment confirms that a schedule of payments is initialled at each meeting. The Council has made a donation to the Church of £250 for maintenance of the churchyard.</p> <p>Comments: If the churchyard is still open, Council should note the powers in the Local Government Act 1894 which prohibit Council's involvement in property relating to the affairs of the Church e.g. maintenance or improvement of buildings or land or contributing to the costs. The power to make donations to the Citizens Advice Bureau comes under LGA 1972 s.142(2)A – Assisting voluntary organisations to provide information and advice.</p> <p>The internal audit for 2019/20 raised the following issue which has not been actioned:</p> <p>Whilst the Council does not exercise the General Power of Competence it has used this power to authorise some items of expenditure. The Council's payments are acceptable but the wrong power to pay has been used.</p> <p>Recommendation: it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur</p>

		expense, thereby it is a requirement that the council ensures that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. To exercise this power, Council needs to have confirmed at either the annual meeting immediately after the next elections for the parish council or an ordinary meeting during the year, that it fulfils the criteria and resolves to adopt the General Power of Competence
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The Council does not use internet banking.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	Identified in the cash book and the claim for the period under review in the sum of £2,179.11 is dated 1/4/20 to 30/9/20. Reclaiming VAT is included in the risk assessment documentation.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	The General Power of Competence has not been adopted.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	Payments for the year under review total £4,000 and are in accordance with statutory limits.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	Yes	The Council has Public Works Loans and as such incurred interest payments for the period under review of £1,661. This corresponds with box 5 of Section 2 of the AGAR. The council had outstanding Public Works Board Loans as at 3rd March 2021 of £2,360.94 (as per the notification from United Kingdom Debt Management Office).
Additional comments:		

² Localism Act

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

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
Is there evidence of risk assessment documentation?	Yes	This was considered and reviewed for the period under review at the meeting of the council on 22/9/20 and covers in general terms the matters which could prevent a smaller relevant body from functioning. The Council has continued to ensure that effective and efficient financial administration is in place. A wide range of formal policies, procedures and protocols have been adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control.
Is there evidence that risks are being identified and managed?	Yes	The condition of physical equipment and assets is included in the risk assessment documentation. Comment: If the Council are not already carrying out an annual independent inspection of the playground, this is something they should consider.
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 Royal and Sun Alliance for the period under review shows core cover. Fidelity Guarantee cover is £50,000 which given the current balances held by the Council of £62,095 is outside of the recommended guidelines. Both Public and Employers Liability of £10 million is held. It is noted in the Council's risk assessment documentation that a review of the Council's insurance takes place on an annual basis. Insurance was renewed at the meeting of 22/9/2020. Comment: Council may wish to increase their fidelity cover to cover all of the funds held.

Evidence that internal controls are documented and regularly reviewed ⁴	Yes	As approved at a meeting of full council on 22/9/20 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.
Evidence that a review of the effectiveness of internal audit has been carried out during the year ⁵	Yes	Council adopted the Internal Control Document and this was noted in the minutes of 22/9/20. It is noted in the Council's Internal Control Document that an annual review of the effectiveness of internal control is carried out which should include a review of the effectiveness of internal audit. Comment: Council may wish to note in their minutes the review of the 'effectiveness of internal audit' during the audit year.
Additional comments:		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
Verify that budget has been properly prepared and agreed	Yes	The budget for the year 2020/21 was approved by full Council at a meeting on 26/11/2019.
Verify that the precept amount has been agreed in full Council and clearly minuted	Yes	The precept was set at £11,250 and formally approved at the meeting on 26/11/2019 with the amount being included in the minutes.
Regular reporting of expenditure and variances from budget	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 It is also included in the risk assessment documentation that cashbook and income and expenditure figures are reported to Council on a quarterly basis.
Reserves held – general and earmarked ⁶	Yes	The Council's final accounts show general reserves in the sum of £29,391 with earmarked reserves in the sum of £25,744 with overall reserves standing at £55,135. Comment: The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure. At the current level, council's general reserves are considered to be outside of this level, however audit has been advised that funds in the general reserve will be used to fund the earmarked items.
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
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	Council has ensured that in accordance with its own Standing Order 17c, all income received by the Council is reported as part of the quarterly Financial Reports submitted by the RFO. Comment: To aid transparency, Council may wish to also record items of income in the minutes.
Does the precept recorded agree to the Council Tax Authority's notification?	Yes	The Council received precept of £11,250 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 no receipts as reported to full council. In accordance with the Regulations the council have 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 that details the amount of CIL funds received and spent. The annual report for the year ending 31/3/21 showing income received and retained balances was verified by the internal auditor and the council has complied with its duty to upload the annual report onto its website. Comment: Council may wish to clearly mark on the reserves titles which funds are from the CIL.
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?	Yes	
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	The Council does not operate a system of petty cash.
If appropriate, is there an adequate control system in place?	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
Do all employees have contracts of employment?	N/A	The Council has 1 employee during the period under review. Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. In accordance with proper practices, the Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. . Council shows good practice by including in their risk assessment documentation that salary is approved by Council and providing a copy of the P60 for the auditor. The Council approved the Clerk’s salary and this was noted in the minutes of 22/9/20.
Has the Council approved salary paid?	Yes	
Minimum wage paid?	Yes	
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 by SALC in accordance with HM Revenue and Customs guidelines. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
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 every employee. Deductions are paid to HM Revenue and Customs 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	During the year, there were no pension contributions due. The Internal Audit Report for 2018/19 states that Council has shown awareness of its duties under the duties under employment legislation and has met its pension obligations.

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

Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?	Yes	Expenses claims are noted in the minutes and authorised by full Council (e.g. Defibrillator pads £47.09 9/6/20)
Additional comments:		

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
Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices? ⁹	Yes	Declared value is £100,935 which agrees with box 9 of part 2 of the AGAR. The asset register lists items under insurance that fall within the Council's remit for maintenance and ownership. The register states value as at the date of acquisition and where assets have been gifted or have an unknown value been given an approximate value.
Are the value of the assets included? (note value for insurance purposes may differ)	Yes	
Are records of deeds, articles, land registry title number available?	N/A	
Is the asset register up to date and reviewed annually?	Yes	The annual review of the asset register dated 31/3/21 was minuted on 23/3/21.
Cross checking of insurance cover	Yes	Insurance cover is in accordance with the policy held and was reviewed by the Council and noted in the minutes of 22/9/20. The paintings owned by the Council and held at Snape Maltings are covered under their insurance.
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
Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?	Yes	Quarterly bank reconciliations are carried out and presented to Council. This is noted in the minutes. The Council also notes this in their risk assessment documentation.
Do bank balances agree with bank statements?	Yes	Bank balances agree with period end statements as at year end 31 st March for the period under review the balance across the Council's accounts stood at : HSBC Business Money Manager Account: £18,858.10 HSBC Community Account: £36,351.23 Ipswich Building Society Account: 5,472.28 Ipswich Building Society £345.25 Ipswich Building Society £1068.87 Total Balances: £62,095.73
Is there regular reporting of bank balances at Council meetings?	Yes	Quarterly accounts presented to Council include the bank balances.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	Yes	The Council uses the income and expenditure accounting method.
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 Part 3 of the AGAR.
Did the Council meet the exemption criteria and correctly declared itself exempt?	N/A	As the Council was not a smaller authority with a gross income and expenditure exceeding £25,000 for the period under review, it was unable to certify itself as an exempt authority.
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 council provided for the exercise of public rights from 4 th August and 14 th September.
Have the publication requirements been met in accordance with the Regulations? ¹¹	Yes	<p>Publication Requirements 2019/20</p> <p>Under the Accounts and Audit Regulations 2015, authorities must publish the following information on a publicly accessible website: Before 1 July 2020 authorities must publish: Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited; Section 1 - Annual Governance Statement 2019/20, approved and signed, page 4 Section 2 - Accounting Statements 2019/20, approved and signed, page 5</p>

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

	<p>Not later than 30 September 2020 authorities must publish: Notice of conclusion of audit Section 3 - External Auditor Report and Certificate Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review. It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.</p>
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 previous internal audit report been considered by the Council?	Yes	The internal audit report was considered by the Council and noted in the minutes of 26/1/20.
Has appropriate action been taken regarding the recommendations raised?	No	Action has not been taken for the following recommendation raised in the internal audit 2019/20: “Whilst the Council does not exercise the General Power of Competence it has used this power to authorise some items of expenditure”. Recommendation: Council action the recommendation detailed under item 3 of this report. Council change the Annual Governance Statement item 7 relating to ‘appropriate action on all matters raised on reports from internal and external audit’ to a ‘NO’ assertion.
Has the Council confirmed the appointment of an internal auditor?	Yes	SALC appointed as the internal auditor and this was noted in the minutes of 21/2/21.
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		Internal auditor commentary
Has the previous external audit report been considered by the Council? ¹²	Yes	The external audit report was considered by the Council and noted in the minutes of 26/1/20.
Has appropriate action been taken regarding the comments raised?	Yes	Appropriate action has been taken regarding the comments raised.
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		Internal auditor commentary
Was the annual meeting held in accordance with legislation? ¹³ (note to auditor- emergency Regulations as a result of the COVID-19 pandemic) ^{f14}	Yes	The Council held their Annual General Meeting on 26/5/20 with the first item on the agenda being the election of the Chair.
Is there evidence that Minutes are administered in accordance with legislation? ¹⁵	N/A	Unable to verify under this ‘virtual’ audit.
Is there a list of members’ interests held?	Yes	‘Members completing their register of interest forms’ is included on the risk assessment documentation.
Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?	No	The Council does not have any trustee responsibilities.
Has the Transparency Code been correctly applied and information published in accordance with current legislation?	Yes	In line with the requirements of the Transparency Code for smaller authorities, the Council has shown good practice by choosing to publish on a public website for the year 2020/21 Internal Audit Report, List of Councillors and Responsibilities, Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts, Annual Governance Statement, Asset Register and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014. It was noted in the minutes of 9/6/20 that Councillors responsibilities had been reviewed.
Has the Council registered with the Information Commissioner’s Office (ICO)? ¹⁶	Yes	The Council has registered with the Information Commissioner’s Office as a Data Controller under reference ZA313927.

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

¹⁶ Data Protection Act 2018

Is the Council compliant with the General Data Protection Regulation requirements?	Yes	Council is aware of its responsibilities under the General Data Protection regulation requirements and has published the following information: Privacy notice, Data Retention and Data Breach, Subject Access Request. Council have shown good practice by holding a data protection risk assessment. Comment: If not included within their existing policies, Council may wish to adopt an Impact Assessment policy.
Has the Council published a website accessibility statement on their website in line with Regulations? ¹⁷	Yes	In line with The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 the Council have published a website accessibility statement.
Is there evidence that electronic files are backed up?	Yes	The clerk holds a backup of electronic files and this is included in the risk assessment documentation.
Do terms of reference exist for all committees and is there evidence these are regularly reviewed?	No	The Council does not have any committees.
Additional comments:		

Signed: *Linda Harley*

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 24/6/21

On behalf of Suffolk Association of Local Councils

¹⁷ Website Accessibility Regulations 2018