

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

Clerk	Tony Bamber
RFO (if different)	
Chairperson	Stuart Scarff
Precept	£ 9,000
Income	£ 33,189.55
Expenditure	£ 11,143.55
General reserves	£19,912.57
Earmarked reserves	£15,115.00
Audit type	Annual
Auditor name	Julie Lawes

Introduction

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

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

- the effectiveness of operations
- the economic and efficient use of resources

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

Methodology

When conducting the audit, the internal auditor may:

- 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 an excel spreadsheet which allows the Responsible Financial Officer (RFO) to produce reports on a Receipts and Payments basis and ensures that the financial transactions of the parish council are recorded and are as accurate as reasonably practical.
<i>Is the cash book up to date and regularly verified?</i>	YES	The RFO has ensured that the cashbook is the focus of day to day accounting and provides good evidence to support the councils underlying statements.
<i>Is the arithmetic correct?</i>	YES	Accounting records were spot checked. They are well maintained and clearly referenced identifying expenditure and income at any given point.
Additional comments: Accounts are clearly detailed and well presented.		

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	At a full meeting held 11 th May 2020 the council carried out an annual review of its Standing Orders which were approved and are available to view on the council's website.
Are Financial Regulations up to date and reviewed annually?	YES	At a full meeting held 11 th May 2020 the council carried out an annual review of its Financial Regulations which were approved and are available to view on the council's website.
Has the Council properly tailored the Financial Regulations?	YES	The current adopted Financial Regulations have been tailored to the Parish Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	YES	In accordance with Section 151 of the Local Government Act 1972 (d) the council has appointed a Responsible Financial Officer as per the councils own Financial Regulations (1.7) which state that the clerk is the RFO.
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	A selection of expenditure items was 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.
Where applicable, are internet banking transactions properly recorded and approved?	YES	The council uses cheques to issue payments.
Is VAT correctly identified, recorded and claimed within time limits?	YES	VAT is clearly identified in the cash book with a claim shown for the period under review made at the sum of £2,080.23 on 12 th June 2020, showing in the bank statement as received on 01 st July 2020.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	NO	The council is not using the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	YES	Section 137 of the Local Government Act 1972 enables local councils to spend a limited amount of money for purposes for which they have no specific statutory expenditure. The basic power is for a local council to

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.

		spend money on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants. Payments for the year under review total £350.00 and are in accordance with statutory limits and clearly detailed within the cash book.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
Additional comments: The council shows good evidence of payment control, clearly understanding s137, and uses the power appropriately.		

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	YES	This was considered for the period under review at the meeting of the council on 11 th May 2020 and covers in general terms the matters which could prevent a smaller relevant body from functioning. A full copy of the Risk Assessment document is provided on the council's website.
<i>Is there evidence that risks are being identified and managed?</i>	YES	The councils risk assessment focuses on the safety of the parish councils' assets and in particular its money. There is evidence that the parish council has taken action to identify and assess those risks and has considered what actions or decisions it needs to take during the year in order to avoid financial consequences.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i>	Partly Met	Council has insurance in place under a Parish Protect Policy with Community Action Suffolk which shows cover for the following: Public Liability £10m; Public / Products Liability £10m; Business Interruption £5k and Fidelity Guarantee £25k. Comment: The level of Fidelity Guarantee does not meet the recommended guidelines which advises cover should be at least the sum of the year end balances plus 50% of the precept / grants.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	An Internal Control Statement, which is published on the council's website, was reviewed in March 2021 and adopted 12 th April 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.

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.
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	YES	The Internal Control Report was reviewed and actioned 28 th March 2021 with a review of system of internal controls in a report submitted to the council April 2021/11.
Additional comments: The council has clearly identified risks and taken steps to control these. 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. 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 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 2019/2020 in the sum of £9,000 was approved by full council at a meeting on 9 th December 2019 following a Budget Discussion Meeting held 4 th December 2019 where the proposed budget was set. Careful consideration was given to additional costs and projects which the council had planned which helped to decide the form and level to be set and the impact any overspend may have on the reserves figure. The budget was discussed and approved.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The Precept was set at £9,000 and formally approved at a meeting of full council held 13 th January 2020.
<i>Regular reporting of expenditure and variances from budget</i>	YES	The minutes examined evidence monthly reviewing of accounts, budget analysis and provides a financial summary which is circulated to all councillors and accords with the councils own Standing Orders.
<i>Reserves held – general and earmarked⁶</i>	See recommendation	The councils final accounts show a balance of £35,027.57 with earmarked reserves in the sum of £15,115 leaving a balance of £19,912.57. The RFO has provided an explanation within the notes detailing the high remaining reserves are yet to be allocated to specific projects and earmarked accordingly. Guidance as issued by Proper Practices states that it is regarded as acceptable for councils to hold a general (non-earmarked) reserve

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

		<p>equal to 3 to 12 months of net revenue expenditure which this exceeds.</p> <p>Recommendation: That council adopts a General Reserves Policy and reviews the general reserves held in line with recommended guidelines and allocates further general reserves to earmarked reserves.</p>
<p>Additional comments: Council has provided clear evidence that good budgetary controls are in place and that information is publicly available on their website for parishioners to access within the minutes and financial statements and accounts.</p> <p>A General Reserve policy should be put in place and general reserves allocated to earmarked reserves.</p>		

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	Several items of income were cross-checked against the cash book and bank statements 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.
<i>Is income reported to full council?</i>	YES	In accordance with the councils Standing Orders all income is reported and minuted at full council meetings.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	YES	The council received precept of £9,000 during the year under review in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	YES	CIL funds for the year under review show receipts of £11,722.60 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 st March 2021 showing income received and retained balances was verified by the internal auditor and the council understands that it should comply with its duty to upload the annual report on its website by 31 st December.
<i>Is CIL income reported to the council?</i>	YES	
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES	
<i>Has an annual report been produced?</i>	YES	
<i>Has it been published on the authority’s website?</i>	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
<i>Is petty cash in operation?</i>	N/A	
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
Additional comments: The council does not operate a petty cash system.		

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>	N/A	The council had one employee during the period under review. Employment contract was not reviewed during the internal audit, which was carried out via remote means, but evidence confirms the annual salary payment is authorised by full council.
<i>Has the Council approved salary paid?</i>	YES	
<i>Minimum wage paid?</i>	NO	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	YES	The payroll function is operated in accordance with HM Revenue & Customs guidelines. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payment of salary, an associated liability 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>	N/A	The annual salary payment as detailed by the provided P60 show there are no NI or Tax Contributions to be paid.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	The council is aware of its pension responsibilities and no pension provision was required by the current member of staff. The council made its declaration of compliance in January 2019 and there have been no changes since, with the next declaration due January 2022.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	N/A	There are no other payments.
Additional comments: Council demonstrates a clear knowledge of its responsibilities with both payroll and pension and works diligently to the required timeframes and necessary assessments.		

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

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 and 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		
<p>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.</p>		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	YES	The Asset Register was reviewed and reflects the cover within the insurance and within the Parish Councils remit for maintenance and ownership. The declared value is £33,588.53 and the insurance value £28,830.00.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	YES	
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	YES	The Asset Register was signed off by the council at its meeting on 20 th April 2020 and is reviewed and approved annually.
<i>Cross checking of insurance cover</i>	YES	The council has insurance under a Parish Protect Policy with Community Action Suffolk for assets to the value of £50,000 under a generic heading within the 'All Risks' category and have been given a value in accordance with the policy held.
<p>Additional comments: Councils should be mindful of the guidance in Governance and Accountability for Smaller Authorities for England (March 2019) regarding valuation of assets and ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been consistently applied and if / where amended it will need to publish and provide explanations in changes in value to any previously recorded.</p>		

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 good evidence of a monthly bank reconciliation which records all unpresented cheques.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and, as at year end (31 st March) for the period under review the balance across the council's accounts stood at £35,027.57
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Financial Reports including an Accounts Review and Budget Analysis is submitted to the council on a monthly basis which provides a summary of income and expenditure in accordance with the councils own Standing Orders. 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		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	Accounts are produced on an income and expenditure basis and all found to be in order.
<i>Financial trail from records to presented accounts</i>	YES	The year end accounts and supporting documentation were well presented for the internal auditor review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	YES	For 2019/2020 the council was a smaller authority with a gross income and expenditure not exceeding £25,000 and correctly completed and published the Certificate of Exemption - Part 2. For 2020/2021 the council is no longer exempt with the Annual Governance and Accountability Return – Part 3 being completed.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	YES	At a meeting of full council on 11 th May 2020 agenda item 13.d, it was agreed that 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.
<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	The Internal Auditor can confirm that the parish council can demonstrate that it correctly provided for the exercise of public rights as required by the 2015 Regulations. Dates set were from 15 th June 2020 to 24 th July 2020.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	YES	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 their public website: <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Annual Internal Audit Report 2020/21, page 4 • Section 1 – Annual Governance Statement 2020/21, page 5 • Section 2 – Accounting Statements 2020/21, page 6

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

	<ul style="list-style-type: none">• Analysis of variances• Bank reconciliation• 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 Auditors Report for the year ending 31 st March 2020 has been considered and reviewed by full council at a meeting held 8 th June 2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	Recommendations made within the Internal Auditor Report have been reviewed and actioned appropriately.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	YES	SALC was appointed to act as the councils Internal Auditor at a meeting of the council on 11 th 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	There was no External Audit Report issued
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
Additional comments: No report was issued by the External Auditor		

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>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}	YES	For the period in question, as a result of the COVID-19 pandemic the council chose to postpone their Annual Meeting of the Parish Council as allowed under The Local Authorities and Police and Crime Panels (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> ¹⁵	N/A	Not seen as virtual audit, however all minutes uploaded to the council's website show each page signed by the chairperson.
<i>Is there a list of members' interests held?</i>	YES	Evidence was seen on the District Authority's website of the Register of Interests for current Parish Councillors. Council is reminded that whilst the Monitoring Officer of the District Council must arrange for the Parish Councils Register of Members Interests to be available for inspection in the district and must be published on the District Councils website, where the parish council has its own website, its Register of Members Interests must also be published on that website. (Openness and transparency on personal interests – A guide for councillors – August 2012)
<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>	Partly Met	Councils with income over £25,000 but under £200,000 will be expected (but not legally required) to follow the Local Government Transparency Code 2015. Comment: Now the council has an annual turnover exceeding £25,000 the website and information held within the section detailing the Transparency Code for Smaller Authorities will need to be updated.

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

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	YES	The council is correctly registered with the IO as a data controller in accordance with legislation. Reference: Z2964169 Expiry Date: 18 th March 2022
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Partly Met	The necessary privacy notices have been reviewed and updated as needed and duly published where relevant. There is a comprehensive suite of policies and procedures to help the council adequately handle personal data. Comment: Council should look to adopt an Impact Assessment; Privacy Notice and Data Retention Policies.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	Partly Met	The Council website is provided by One Suffolk and run by a community group of volunteers. As standard One Suffolk websites are compatible with the WCAG 2.1 International standard. Comment: Council should publish a Website Accessibility Statement detailing if the site has been assessed as WCAG 2.1 compliant under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No2) Accessibility Regulations 2018.
<i>Is there evidence that electronic files are backed up?</i>	N/A	Not reviewed – virtual audit.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
Additional comments: Transparency Code 2015 – To ensure full compliance with the requirements of the Local Government Transparency Code 2015 the following information should be published in accordance with the required timescales. Quarterly – Individual items of expenditure that exceed £500 Government Procurement Card Transactions: Invitations to tender for contracts over £5,000; Details of contracts that exceed £5,000. Annually – Details of all land and building assets; Grants to voluntary, community and social enterprise organisations.		

Signed: J. Lawes

Date of Internal Audit Visit:

Date of Internal Audit Report: 28th April 2021

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018