

Internal Audit Report for Combs Parish Council for the period ending 31 March 2023

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| Clerk | Tony Bamber |
| RFO (if different) | |
| Chairperson | Tony Kitson |
| Precept | £ 9,000.00 |
| Income | £ 23,786.31 |
| Expenditure | £ 24,096.51 |
| General reserves | £4,851.00 |
| Earmarked reserves | £32,979.00 |
| Audit type | Annual |
| Auditor name | Karen Price |

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 2022/23 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 | | |
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| 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 excel spreadsheets for the basis of their accountancy systems. Clear financial records are provided and are accurately recorded. |
| <i>Is the cash book up to date and regularly verified?</i> | Yes | The cash book is the main focus for the accounting of the parish council |
| <i>Is the arithmetic correct?</i> | Yes | The accounts were spot checked and found to be in order and correct |
| Additional comments: | | |

| Section 2 – Financial Regulation and Standing Orders | | |
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| 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 | | <i>Internal auditor commentary</i> |
| Have Standing Orders been adopted, up to date and reviewed annually? | Yes | Standing orders were reviewed at the meeting on 10 th May 2022. They can be viewed through the parish council website |
| Are Financial Regulations up to date and reviewed annually? | Yes | Financial Regulations were reviewed at the meeting on 10 th May 2022. They can be viewed through the parish council website. They are based on the model produced by NALC. |
| Has the Council properly tailored the Financial Regulations? | Yes | The Financial regulations have been tailored to the parish council. |
| Has the Council appointed a Responsible Financial Officer (RFO)? ¹ | Yes | The Councils financial regulations state that the Clerk is the RFO. |
| Additional comments: | | |

¹ Section 151 Local Government Act 1972 (d)

| Section 3 – Payment controls | | |
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| 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 | | <i>Internal auditor commentary</i> |
| Is there supporting paperwork for payments with appropriate authorisation? | Yes | A cross section of expenditure items have been checked against the cash book, invoices and statements. A list of payments is presented for approval at each meeting, these are recorded within the minutes, demonstrating good practice. Payments are currently made using cheques with two signatories in line with the councils' financial regulations |
| Where applicable, are internet banking transactions properly recorded and approved? | N/A | Internet banking is not operated by the council. New banking arrangements are being investigated and should the facility be available with the new bank account then the financial regulations will need to be amended to reflect this at the time of transferring the banking. |
| Is VAT correctly identified, recorded, and claimed within time limits? | Yes | VAT is clearly identified; a claim was made covering the period 01/04/20 - 31/03/22 for a total of £599.93 received at bank on 09/09/22. The workbook shows VAT at year end to be £463.64 verified within the cash book |
| Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? | N/A | The Council has not adopted the General Power of Competence. |

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| Are payments under s.137 ² separately recorded, minuted and is there evidence of direct benefit to electorate? | Yes | There are 2 payments made under S137 totalling £318.18. These are recorded within the minutes and are within the statutory limits of the S137 allocations. |
| Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements? | N/A | The Council has no such loans |
| Additional comments: | | |
| <ul style="list-style-type: none"> • The Council shows Section 137 allowance as £8.41" per elector. This has been increased to £8.82 per elector for this financial year. • If the new banking arrangements offer internet banking the financial regulations will need to be amended to reflect this at the time of transferring the banking. | | |

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| 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 assessment documentation was reviewed at the full council meeting of 10 th May 2022. |
| Is there evidence that risks are being identified and managed? | Yes | The council have taken steps to identify, assess and record any risks associated with council business that could have financial or reputational consequences. |
| Does the Council have appropriate and adequate insurance cover in place for employment, public liability | Yes | Council has insurance in place under a BHIB Councils Insurance which shows core cover in place for the following: Public liability £10m, Public / Products Liability £10m and Fidelity Guarantee of £100k. The policy |

² 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 £8.82 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

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| <p>and fidelity guarantee and has been reviewed on an annual basis?</p> | | <p>replaced the long-term agreement with Parish Protect and was taken out on 15th September 2022. As the council meeting had been due to take place during the period of mourning for the Queen it was cancelled, and councillors met to pay tribute and limit any business to essential matters only. From the clerks' notes attention was drawn to the very large renewal premium being quoted for the Parish Protect policy, with very little time to shop around the clerk investigated alternative cover and was authorised to act in the best interests of the council. After completing the inquiring, the clerk recommended moving to BHIB, who were offering the same or better cover, with comparable security for a smaller premium. The clerk failed to properly record the process at the next meeting in October.</p> <p>It is recommended that the decision to move the insurance provider be recorded for the purposes of transparency and reviewed within this next financial year.</p> |
| <p>Evidence that internal controls are documented and regularly reviewed³</p> | <p>Yes</p> | <p>At the full council meeting of 10th May 2022, it was evidenced that the council reviewed the internal control policy and accepted and approved the policy.</p> |
| <p>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 appointment⁴</p> | <p>Yes</p> | <p>At the full council meeting of 10th May 2022, it was evidenced that the council reviewed the effectiveness of internal audit within the review of the internal control policy and that the Council has followed guidance and recognises the function of the internal audit to test and report if the system of internal control is adequate. The council also appointed their internal auditor for the audit 2023 at the meeting of 9th January 2023.</p> |
| <p>Additional comments:</p> | | |

³ Accounts and Audit Regulations

⁴ Practitioners Guide

| Section 5 – Budgetary controls | | |
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| 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 and precept was agreed and set at the meeting of full council on 10 th January 2022. A 0% change to the parish precept for 2022-2023 was set at £9,000.00. |
| <i>Verify that the precept amount has been agreed in full Council and clearly minuted</i> | Yes | The precept was set at £9,000.00 at the meeting of full council on 10 th January 2022. And recorded within the minutes accordingly. Evidence of submission was viewed by the internal auditor. |
| <i>Regular reporting of expenditure and variances from budget</i> | Yes | Expenditure v budget reporting is evidenced and reported and documented within the minutes to full council. |
| <i>Reserves held – general and earmarked⁵</i> | Yes | Current figures are earmarked reserves of £32,979 and general reserves of £4,851.00. A total of £37,830.00 which includes the CIL restricted figure £11,474.00. |
| Additional comments: | | |
| <ul style="list-style-type: none"> • Earmarked reserves should be held for genuine and intended purposes and should be subject to regular review and justification. | | |

⁵ 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 | | |
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| 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 | Income is recorded in accordance with the financial regulations. A sample of income items were cross checked against the cash book and bank statements – Found to be in order. |
| <i>Is income reported to full council?</i> | Yes | Income is reported and recorded within the minutes. |
| <i>Does the precept recorded agree to the Council Tax Authority's notification?</i> | Yes | The bank statement and minutes evidence the receipt of the precept of £9,000 as per the council tax authority notification and is received in two equal instalments. |
| <i>If appropriate, are CIL reporting schedules in accordance with the Regulations?</i> | Yes | A CIL annual report is identified on the parish council website. There were 2 receipts of CIL money identified within the cash book- A total of £8,626.19 has been received. CIL income is reported to the council and recorded within the minutes. CIL income does form part of the earmarked reserves. |
| <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: | | |

| Section 7 – petty cash | | |
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| 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 | Council does not operate a petty cash system. |
| <i>If appropriate, is there an adequate control system in place?</i> | N/A | |
| Additional comments: | | |

| Section 8 – Payroll controls | | |
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| 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. 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> | Yes | The council has 1 employee on payroll at the period end of 31 st March 2023. Employment contracts were not reviewed during the internal audit which was carried out remotely. |
| <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 HMRC guidelines |
| <i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i> | Yes | The payroll function is operated in accordance with HMRC guidelines |
| <i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</i> | | Council recorded compliance with the Pension Regulator in January 2022. The next declaration is expected to be January 2025 to ensure continued compliance for their duties as an employer. |
| <i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i> | Yes | These are approved as they arise as part of the monthly finance report. |
| Additional comments: | | |

| Section 9 – Asset control | | |
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| 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?</i> | Yes | The declared assets listing on 31st March 2023 state £33,588.53 and is available on the parish website. This is in accordance with the accounting statements submitted to the internal auditor. |
| <i>Is 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 reviewed and approved at the full council meeting of 11 th April 2022. There is no change reflected in the year of review. |
| <i>Cross checking of insurance cover</i> | Yes | Council has insurance in place under a BHIB Councils Insurance which shows core cover in place for the following: Public liability £10m, Public / Products Liability £10m and Fidelity Guarantee of £100k. The policy replaced the long-term agreement with Parish Protect and was taken out on 15 th September 2022. As the council meeting had been due to take place during the period of mourning for the Queen it was cancelled, and councillors met to pay tribute and limit any business to essential matters only. From the clerks' notes attention was drawn to the very large renewal premium being quoted for the Parish Protect policy, with very little time to shop around the clerk investigated alternative cover and was authorised to act in the best interests of the council. After completing the inquiring, the clerk recommended moving to BHIB, who were offering the same or better cover, with comparable security for a smaller premium. The clerk failed to properly record the process at the next meeting in October. |

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| <i>Additional comments:</i> It is recommended that the decision to move the insurance provider be recorded for the purposes of transparency and reviewed within this next financial year. | | |

| Section 10 – bank reconciliation | | |
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| 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 | Bank reconciliations are conducted on a regular basis and reconcile with the cashbook. This is also recorded within the approved minutes. |
| <i>Do bank balances agree with bank statements?</i> | Yes | Bank balances agree with period end statements and at year-end 31 st March 2023 balance across the council's accounts stand at £37,830.29 as recorded in statement of accounts and year end bank reconciliation submitted for review. |
| <i>Is there regular reporting of bank balances at Council meetings?</i> | Yes | The financial position of the council is reported by the RFO and the minutes show that bank reconciliations are received and accepted at each meeting. |

| Section 11 – year end procedures | | |
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| Evidence | | <i>Internal auditor commentary</i> |
| <i>Are appropriate accounting procedures used?</i> | Yes | The accounts are produced on receipts and payments basis, and all found to be in order. |
| <i>Financial trail from records to presented accounts</i> | Yes | Clear trail of financial records evidenced through budget, precept, invoices, authorisation payment and banking. |
| <i>Has the appropriate end of year AGAR⁶ documents been completed?</i> | Yes | As the Council is a smaller authority with gross income and expenditure less than £25,000 it was required to complete Part 2 of the AGAR. This was presented to the auditor. |
| <i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i> | N/A | The council was not exempt from the annual review 2021-2022. |
| <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 | At the meeting of 10th May 2022, it was agreed to set the period for the exercise of public rights from 6 th June to 15 th July 2022 which included the mandatory first 10 working days of July. |
| <i>Have the publication requirements been met in accordance with the Regulations?⁷</i> | Yes | The council complied with the requirements of the regulations for smaller authorities with income and expenditure exceeding £25,000 as the following were published on the public website operated by the council. Annual Governance and Accounts Return Annual Governance statement External Audit report and certificate Notice of the period of the exercise of public rights Notice of the conclusion of audit. |
| Additional comments: | | |

⁶ Annual Governance & Accountability Return (AGAR)

⁷ Accounts and Audit Regulations 2015

| Section 12 – internal audit | | |
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| 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 Council considered the previous internal audit report?</i> | Yes | The Council noted the report from the Internal Auditor for the financial year 2021-2022 and acknowledged any minor issues to be addressed by the clerk and the report was accepted at the full council meeting on 10 th May 2022. |
| <i>Has appropriate action been taken regarding the recommendations raised?</i> | Yes | The Council noted the report from the Internal Auditor for the financial year 2021-2022 and accepted the report at the full council meeting on 10 th May 2022. The model publication scheme was adopted on 11 th July 2022. Minutes are now uploaded on the website with signatures and apologies are recorded as received and accepted. |
| <i>Has the Council confirmed the appointment of an internal auditor?</i> | Yes | The council confirmed the appointment of SALC as their auditor at the full meeting of the council on 9th January 2023. |
| Additional comments: | | |

| Section 13 – external audit for the period under review | | |
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| The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered. | | |
| Evidence | | <i>Internal auditor commentary</i> |
| <i>Has the Council considered the previous external audit report?⁸</i> | Yes | The certificate and notice of conclusion of audit are available it is not documented if this was presented to full council. The completed external auditor report was also not available on the parish council website. |
| <i>Has appropriate action been taken regarding the comments raised?</i> | N/A | Not reviewed at time of audit completion |
| <i>Additional comments:</i> <ul style="list-style-type: none"> • Council should evidence via the minutes that the council has received and reviewed the report from the External Auditor and any actions to address as a result of any report recommendations. • The completed and signed external report should also be made available on the parish council website | | |

⁸ 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 | | |
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| 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 | | <i>Internal auditor commentary</i> |
| <i>Was the annual meeting held in accordance with legislation?</i> ⁹ | Yes | The Annual meeting was held on 10 th May 2022. The first item on the agenda was the election of the Chairman and the signing of the declaration of acceptance of office as specified in the councils' standing orders. The outgoing Chair confirmed his wish to stand down from the role of chairman. Although absent a Cllr had confirmed that he would be prepared to accept nomination. The clerk agreed to procure the newly appointed Chair's signature on the Declaration of Office at the earliest opportunity. Following several months of the Vice Chair taking control of the monthly meetings the council then duly elected the Vice-Chair as Chair and appointed a new Vice-Chair at the meeting of the 14 th November 2022. |
| <i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁰ | Yes | The minutes are not page numbered, but they are approved as true and accurate records of the meetings held. |
| <i>Is there a list of members' interests held?</i> | Yes | A link is available on the parish council's website. Following the election in May 2023 all register of interests should be completed for all Cllrs in office. |
| <i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i> | N/A | |
| <i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i> | Yes | To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2022/2023 not later than 1 st July. <ul style="list-style-type: none"> • Internal Audit Report • List of Councillors and responsibilities |

⁹ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

¹⁰ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

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| | | <ul style="list-style-type: none"> • Items of Expenditure above £100 including recoverable and non-recoverable VAT • End of Year Accounts • Annual Governance Statement • Asset Register • 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. <p>The council has a link on the parish council website to the transparency code and its relevance to Combs Parish Council.</p> |
| <i>Has the Council registered with the Information Commissioner's Office (ICO)?¹¹</i> | Yes | The Council is registered with the ICO as a data controller. Registration completed 17 th March 2023. Certificate Z2964169 – expiry date 18 th March 2024. The certificate should be made available on the parish council website. |
| <i>Is the Council compliant with the General Data Protection Regulation requirements?</i> | Yes | The Council has taken steps to ensure compliancy and has shown good practice by ensuring that it has adopted a range of policies which were able to view on the website detailing the framework that the public can expect. for the handling of requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party |
| <i>Has the Council published a website accessibility statement on their website in line with Regulations?¹²</i> | Yes | Yes the council has published a website accessibility statement. |
| <i>Does the council have official email addresses for correspondence?¹³</i> | Partly Met | <p>The clerk of the council has an official email address. All correspondence is encouraged to be through the Clerk.</p> <p>Recommendation in accordance with the Practitioners Guide the importance of smaller authorities using secure e-mail systems and gov.uk addresses, it is recommended every authority has its own e-mail addresses</p> |

¹¹ Data Protection Act 2018

¹² Website Accessibility Regulations 2018

¹³ Practitioners Guide

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| | | which is owned by the authority rather than relying on the use of personal e-mail addresses. |
| <i>Is there evidence that electronic files are backed up?</i> | N/A | Unable to confirm due to virtual audit completed |
| <i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i> | N/A | Not viewed |
| Additional comments: | | |

Signed: **Karen Price**

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 15th May 2023

On behalf of Suffolk Association of Local Councils