

Internal Audit Report for Holton Parish Council for the year ended 31 March 2021

Clerk	Elaine Day
RFO (if different)	
Chairperson	Richard Day
Precept	£14,350
Income	£ 62,411
Expenditure	£ 76,169
General reserves	£8,500
Earmarked reserves	£5,500
Audit type	Annual
Auditor name	Sandra Brown

Introduction

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

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

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

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

Methodology

When conducting the audit, the internal auditor may:

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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The Council uses a computerised spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	This provides good evidence to support the Council’s underlying statements.
<i>Is the arithmetic correct?</i>	Yes	Accounting records were spot checked – they are well maintained and clearly identify expenditure and income at any given point.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	<i>At the meeting on 19th August 2020 the Council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018)</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>At the meeting on 19th August 2020 the Council carried out an annual review of its Financial Regulations. Use of the Model Financial Regulations (produced by NALC in 2019). Comment: The footnotes on page 16 of Council's Financial Regulations should be updated at the next review with the correct thresholds.</i>
Has the Council properly tailored the Financial Regulations?	<i>Partly met</i>	<i>Comment: At the next review of Council's Financial Regulations the [] should be removed to ensure there is no confusion.</i>
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	<i>The Clerk is the Responsible Financial Officer and this was confirmed at a meeting of the Council on 19th August 2020 in accordance with legislation.</i>
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		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	<i>A selection of expenditure items were made and cross-checked against the cash book, invoices and 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.</i>
Where applicable, are internet banking transactions properly recorded and approved?	N/A	
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<i>Clearly identified in the cash book. Two VAT reclaims had been received in the year under review of £113.40 and £4,352.96.</i>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	<i>Payments in the cash book for the year under review total £1070 for S.137 payments. However, it is noted the payment for £500 to Holton & Blyford Village Hall - Council should have used the Power 'Local Government Act 1972 S.133' Power to give to community building and not S.137.</i>

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.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
<i>Additional comments: Recommend Council clearly identifies the correct power for payments, advice can be sought from SALC.</i>		

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 10 March 2021 and covers in general terms the matters which could prevent a smaller relevant body from functioning.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	It was noted by the internal auditor Council agreed at their meeting on 13 January 2021 for Kompan Ltd to undertake annual maintenance and inspection of the play equipment. RPii annual report evidenced for the village play area inspected 22 February 2021.
<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>	Yes	<i>General insurance from RSA Parish Protect shows core cover for property up to £100,000: Employers Liability £10million Public Liability £10million Fidelity Guarantee cover £50,000 which given the current balances held by the Council is within the recommended guidelines. The Council's insurance cover was renewed at their meeting on 17 September 2020 and there is a minute to show the cover was</i>

		<i>reviewed with the Fidelity Guarantee increased to £50,000 as well as an increase in cover to reflect the new playground purchases this shows the Council is following good practice.</i>
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	<i>At a meeting of 13 January 2021 and 10 March 2021 Council reviewed the internal control procedures of the council. It was evidenced that the Council has a comprehensive risk assessment that demonstrates public finances are adequately protected and managed and evidence that any necessary steps have been taken to mitigate procedures adopted by the Council for payments helps protect the RFO and fulfils an internal control objective. 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>
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	Partly Met	<i>The effectiveness of internal audit was included within the internal control document and it is assumed reviewed as above. Recommend: Council include a minute reference that it has formally reviewed the scope and effectiveness of its internal audit in accordance with the Accounts and Audit Regulations 2015.</i>
<i>Additional comments: The Internal Auditor evidenced the internal control document on the public website of the Council however this was unsigned at the time of the review.</i>		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for the year 2020/21 was approved by full Council at a meeting on 8 January 2020. It was noted the budget for the year 2021/22 in the sum of £14,780 was agreed at a Council meeting on 13 January 2021
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £14,350 and formally approved at a meeting of 8 January 2020.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The minutes examined evidence comparisons between budgeted and actual income and expenditure is included within the documentation circulated to Councillors and accords with the Council's own Standing Orders.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council's final accounts show general reserves in the sum of £8,500 with earmarked reserves in the sum of £5,500 with overall reserves standing at £14,000
<i>Additional comments: Council should note guidance as issued under the Practitioners Guide 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.</i>		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	A number of items of income were cross-checked against the cash book and bank 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 and that income is received is promptly banked.
<i>Is income reported to full council?</i>	Yes	In accordance with the Council’s Standing Orders.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The Council received a total precept of £14,350 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 received for the year under review show receipts of £40.08 as reported to Council on 26 May 2020. In accordance with the Regulations the council having received a proportion of CIL funds must ensure retained balances are transferred to the earmarked reserves specifically allocated. The council has correctly complied with its duty to produce an annual report that details the amount of CIL funds received and spent for year 2020/21. 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 2021 showing income received and spent was verified by the internal auditor. Council understands that it should comply with its duty to upload the annual report onto its website.
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	N/A	
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority’s website?</i>	No	
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>		Not in operation
<i>If appropriate, is there an adequate control system in place?</i>		
Additional comments:		

Section 8 – Payroll controls		
<p>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 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.</p>		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>		The Council had one employee during the period under review.
<i>Has the Council approved salary paid?</i>	Yes	The employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council.
<i>Minimum wage paid?</i>		
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	Yes	The payroll 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 wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	In accordance with Proper Practices, PAYE taxes are calculated and recorded for the employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	It is noted that the internal audit for the previous year mentioned that Council is aware of its pension responsibilities. Comment: Council may wish to note in the minutes, on an annual basis, that they have completed a Declaration or Re-Declaration of Compliance under The Pensions Act 2008.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	
Additional comments:		

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

Section 9 – Asset control		
The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	Declared value is £82,409.91 for the period under review. 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.
<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>		
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was reviewed by the Council at its meeting on 17 September 2020 confirming it covers assets within the ownership or responsibility of the Council. It was noted by the Internal Auditor the asset register showed an uplift of £44,582 in the year under review.
<i>Cross checking of insurance cover</i>		Insurance cover £100,000 and is in accordance with the Policy held. Contents are generic under heading within the 'All Risks Category' and have been given a value in accordance with the Policy held.
Additional comments:		

⁹ Governance and Accountability for Smaller Authorities in England – March 2019

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is correctly verified by a Councillor. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.
<i>Do bank balances agree with bank statements?</i>	Yes	<i>Bank balances agree with the period end statements and, as at year end 31 March 2021 for the period under review the balances across the Council's accounts stood at £13,043.40 Barclays current account £13,002.65 Barclays savings account £40.75</i>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to the Council including a quarterly summary in accordance with the Council's own Standing Orders.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on a receipts and expenditure basis and all found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	The end of year 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	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 and are unsigned.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	
<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	Public Inspection: The internal auditor was able to find details of the arrangements for the exercise of public rights for the period under review on the public website used by the Council.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	Accounts and Audit Regulations The Council has complied with the requirements of the Regulations for small authorities for year 2019/20 with income and expenditure not exceeding £25,000 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Certificate of Exemption Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ 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 Auditor’s Report for the year ending 31 March 2020 has been considered and reviewed by Council at the meeting of 26 May 2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The following recommendations were made in the internal audit report for year ending 31 March 2020: CIL Report – Met Effectiveness of internal audit – Partly met
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed to act as the Council’s internal auditor at a meeting of the Council on 19 August 2020 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	
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (ie. All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

Section 14 – additional information		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}		For the period in question, as a result of the Covid-19 pandemic the Council chose not to hold an Annual Meeting of the Parish Council. In recognition of this being unprecedented times and following the Government’s guidelines for staying at home and working remotely, the Government included within s.78 in the Coronavirus Act 2020 (made 4 April 2020) the ability for the Secretary of State the power to make Regulations to make provisions for the holding of meetings. The 2020 Regulations set out those provisions. Council has followed these regulations and held its meeting online.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵		Not seen – as virtual audit.
<i>Is there a list of members’ interests held?</i>	Yes	A list of members interests in held on the East Suffolk Council website.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), the Council is aware that the following should be published on a public website for the year 2019/20 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure above £100 including recoverable and not-recoverable VAT End of Year Accounts

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

		Annual Governance Statement Asset Register And that Agendas of Minutes; 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.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	Yes	The Council is correctly registered with the ICO as a data controller in accordance with legislation.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy – evidenced as follows: A Data Protection & Information Management Policy General Privacy Notice Subject Access Request Policy
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	No	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 smaller authorities website. This document can be accessed from within the Members Area on the SALC website.
<i>Is there evidence that electronic files are backed up?</i>		It is presumed by the internal auditor all electronic files are backed up.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
Additional comments:		

Signed: *S.J. Brown*

Date of Internal Audit Report: 23rd April 2021

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018