

Internal Audit Report for Holton Parish Council for the year ending 31st March 2022

Clerk	Elaine Day
RFO (if different)	As above
Chairperson	Richard Day
Precept	£14,780.00
Income	£30,028.39
Expenditure	£10,289.63
General reserves	£8,500.00
Earmarked reserves	£10,500.00
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:

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

Section 1 – proper bookkeeping The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		Internal auditor commentary
<i>Is the ledger maintained and up to date?</i>	YES	The council uses an excel spreadsheet to form the basis of their accounting system detailing receipts and payments ensuring that the financial transactions of the parish council are accurately recorded.
<i>Is the cash book up to date and regularly verified?</i>	YES	The cash book provides good evidence to support the council’s underlying statements.
<i>Is the arithmetic correct?</i>	YES	The accounts were spot checked and were all found to be correct.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders The internal auditor will check the date the Council conducted its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC’S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	YES	At a meeting on 26 th May 2021 the council carried out an annual review of its Standing Orders, these are available to view on the council’s website and are based on the Model Standing Orders produced by NALC IN 2018 which take into account changes in legislation from those produced in 2013
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a council meeting held 26 th May 2021. These are available to view on the council’s website and are based on the NALC Model Financial Regulations 2019
Has the Council properly tailored the Financial Regulations?	YES	The Financial Regulations have been tailored to the council. Comment: The previous Internal Auditor recommended the [] brackets be removed to provide clarity on the content which has not yet been done.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	YES	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the clerk is the Responsible Financial Officer as per the council's own Financial Regulations (1.8) 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. A list of payments is presented to councillors ensure formal approval of expenditure and this is correctly minuted. Cheque stubs are initialled by two members and numbered to correspond with the relevant paperwork. This demonstrates good practice in that there are measures in place that help safeguard public money.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The council does not operate internet banking other than an annual direct debit to ICO.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is clearly identified in the cash book with receipt of a payment of £7,008.81 received in April 2021 for the previous financial year. A total claim of £574.50 was made to HMRC for the period of 1 st April 2021 to 31 st March 2022.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	The council has not adopted the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	YES	A total allocation of s137 payments was presented within the 2021/2022 accounts for a combined amount of £370.00

² Localism Act

³ Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.41 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The council has no loans.
Additional comments:		

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	YES	The Risk Assessment document was reviewed by full council at a meeting held 9 th March 2022.
<i>Is there evidence that risks are being identified and managed?</i>	YES	The council has taken steps to identify, assess and record the risks associated with its actions and decisions that could have financial or reputational 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>	YES	Council has insurance in place under an RSA Parish Protect Policy which shows core cover for the following: Property £100,000; Public liability £10m; Products Liability £10m; Business Interruption £10,000; Fidelity Guarantee £50,000. At a meeting held 10 th November 2021 the insurance cover was checked and agreed under a long term agreement. The level of Fidelity Guarantee meets the recommended guidelines which provides that the 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	At a full council meeting on 9 th March 2022, it was evidenced that the council reviewed the Internal Control in accordance with the Accounts and

⁴ Accounts and Audit Regulations

		<p>Audit Regulations 2015. This was approved and signed off by two councillors. These are published on the council's website.</p> <p>This clearly demonstrates public finances are adequately protected and managed and evidence 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.</p>
<p><i>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 appointment⁵</i></p>	<p>YES</p>	<p>The adequacy of the internal audit was discussed by full Council within the Internal Control at a meeting held 9th March 2022.</p> <p>By reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the function of internal audit is to test and report to the authority on whether its system of internal control is adequate.</p>
<p>Additional comments:</p>		

⁵ Practitioners Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	YES	The budget for 2021/2022 was primarily discussed at a meeting of full council on 11 th November 2020 with it then being formally approved at the meeting held 13 th January 2021 at a total of £14,780.00
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept for 2021/2022 was set at £14,780.00 and formally approved at a meeting of full council on 13 th January 2021.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Reporting of expenditure v budget is conducted on a quarterly basis.
<i>Reserves held – general and earmarked⁶</i>	YES	The councils accounts show a general reserve of £8,500 and an earmarked reserve of £10,500.
<p>Additional comments: Budget: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</p> <ul style="list-style-type: none"> • decide the form and level of detail of the budget; • review the current year budget and spending; • determine the cost of spending plans; • assess levels of income; • bring together spending and income plans; • provide for contingencies and consider the need for reserves; • approve the budget; • confirm the precept or rates and special levies; and • review progress against the budget regularly throughout the year. 		

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	Income is recorded in accordance with Council’s Financial Regulations. A number of income items were cross checked against the cash book and bank statements and found to be in order.
<i>Is income reported to full council?</i>	YES	Income is reported to full council and recorded within the minutes.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	YES	The receipt of the precept to the value of £14,780.00 was recorded in two separate payments in April and September with the additional grant of £242.00 received in April 2021.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	YES	The council received two CIL payments throughout the financial year, £506.89 in April 2021 and £5,350.71 in October 2021 totalling £5,857.60 with no expenditure made during the period under review. The 2021/2022 Annual Report is published on the website.
<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	The 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		
The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 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>		Employment contracts were not reviewed during the internal audit which was carried out remotely. Wages are approved by full council and documented within the minutes.
<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 and Custom 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 legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	YES	The payroll function for the year under review was carried out by SALC and is operated in accordance with HM Revenue and Customs guidelines. Deductions paid to HM Revenue and Customs during the year under review were made in accordance with timescales as set out in the regulations
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Partly Met	It was noted within the Internal Audit review carried out year ending 31 st March 2020 that the council had signed a Declaration of Compliance in September 2017. However, there are no minutes to support that the re-declaration was carried out in September 2020 as required on a three yearly basis with the next re-declaration due September 2023. RECOMMENDATION: Council should minute that it has complied with its responsibilities as an employer and made a re-declaration on the three yearly basis. This must be done to opt-out as well as to opt-in.

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

<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	YES	Council approves all expenses as and when occurred.
Additional comments: 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 legislation.		

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	The Asset Register is published on the council’s website and details assets for the period under review at a total amount of £84,039.91. It is noted this figure differs from the previous year and as such has been recorded within the AGAR Section 2 Accounting Statements accordingly.
<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	This was reviewed by full council at a meeting held 9 th March 2022 and cross checked against the insurance policy to ensure adequate cover.
<i>Cross checking of insurance cover</i>	YES	As above
Additional comments:		

⁹ Practitioners Guide

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	YES	Bank Reconciliations are recorded at each meeting within the RFO Report, bank reconciliation and list of cheques for approval and signature
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and, as at year end 31st March 2022 the balance across the council's accounts stood at £32,782.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded at each meeting within the RFO Report.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	YES	The accounts are produced on receipts and expenditure basis.
Financial trail from records to presented accounts	YES	There is a clear financial trail from budgeting, invoice, authorisation, payment and banking.
Has the appropriate end of year AGAR ¹⁰ documents been completed?	YES	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it will be required to complete Part 3 of the AGAR. This was presented to the auditor but not yet signed. RECOMMENDATION: Section: 2 Accounting Statements Box 2 of the AGAR should not include the grant issued by the authority. This should only be the precept received and should be amended to be £14,780.00 with the £242 grant recorded in Box 3: Other receipts.
Did the Council meet the exemption criteria and correctly declared itself exempt?	N/A	
During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?	YES	The dates for the exercise of public rights were set as 14 th June 2021 to 23 rd July 2021 which included the mandatory first 10 working days of July. This was then evidenced on the council's website with the notice publicised.
Have the publication requirements been met in accordance with the Regulations?	YES	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 March 2021 and published the following on a public website: <ul style="list-style-type: none"> • Internal Audit Report of the AGAR • Section 1 – Annual Governance Statement of the AGAR • Section 2 – Annual Accounting Statements of the AGAR • Section 3 – External Audit Report and Certificate.

¹⁰ Annual Governance & Accountability Return (AGAR)

Last reviewed: 7th April 2022

		<ul style="list-style-type: none">• Notice of the period for the exercise of public rights• The Notice of the conclusion of audit
<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 Council considered the previous internal audit report?</i>	YES	The Internal Audit Report was considered by full council at a meeting held 28 th April 2021.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	It was minuted within the meeting held 28 th April 2021 that a Development Plan was to be created by the clerk and circulated to members
<i>Has the Council confirmed the appointment of an internal auditor?</i>	YES	The council confirmed the appointment of the Internal Auditor for the period under review at a meeting held 26 th May 2021.
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹¹</i>	YES	No issues were raised within the external report other than a revision of the figures which was amended accordingly.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	As above
Additional comments:		

¹¹ Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e., All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹² <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> ¹³	YES	The Annual Parish Council Meeting was held 26 th May 2021 with its first item on the agenda the election of the Chairman and signing of the Declaration of Acceptance of Office as specified in the councils Standing Orders.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	YES	Council has a page numbering system with minutes approved at each meeting as a true record of the meeting held.
<i>Is there a list of members' interests held?</i>	YES	Evidence was seen on the East Suffolk Councils website of the Register of Interests for current Parish Councillors. Comment: Council is advised that whilst the monitoring officer of the relevant authority must arrange for the parish council's register of members' interests to be available, 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>	YES	Councils with income over £25,000 but under £200,00 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000). Council is working towards ensuring compliance with the requirements under the Transparency Code 2015.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	YES	The Council is registered with the ICO as a data controller. Registration Certificate ZA129944 expiry date 19 th July 2022.

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

¹³ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

¹⁴ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

¹⁵ Data Protection Act 2018

Last reviewed: 7th April 2022

Is the Council compliant with the General Data Protection Regulation requirements?	YES	The council has taken steps to ensure compliancy. Documents detailed on the council's website are Data Protection & Information Management Policy, Subject Access Request, Privacy Notice.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	The clerk has a gmail address for the Holton Parish Council with all emails to be directed through her. Comment: Council should consider using a secure e-mail system with a gov.uk address which is owned by the parish council (section 5.16 of the Practitioners' Guide to Proper Practices – March 2021) rather than relying on the use of personal e-mail addresses that can change regularly. This reduces the risk of correspondence going astray or being delayed.
<i>Is there evidence that electronic files are backed up?</i>	N/A	Unable to confirm due to virtual audit.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	These were not provided at the time of the internal audit, although it is noted at the previous audit arrangements with advisory groups and Scroll Custodians were reviewed at the meeting of 11th May 2020 with no amendments deemed to be necessary to existing arrangements.
Additional comments:		

Signed: *J.Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 27th April 2022

On behalf of Suffolk Association of Local Councils

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide