

Internal Audit Report for Sproughton Parish Council

for the year ending 31st March 2022

Clerk	Kirsty Webber
RFO (if different)	As Above
Chairperson	Helen Davies
Precept	£54,236.00
Income	£93,070.71
Expenditure	£62,179.75
General reserves	£75,687.00
Earmarked reserves	£317,136.61
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		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	YES	The council uses Rialtas Accounting Software 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. Regular reports are generated through the software and circulated to councillors detailing expenditure and income and the accounts reconciled to the bank statements showing good internal control.
<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 5 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 5 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	Following the recommendation made in the Internal Report for 2020/2021 the Financial Regulations were again updated to reflect the changes advised by tailoring the regulations to the council, these were then approved at a meeting held 9 th June 2021.
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), and as per the council's own Financial Regulations (1.8) the council approved the clerk to be the Responsible Financial Officer.
Additional comments: In accordance with proper practices, Council has ensured that its Standing Orders and Financial Regulations are regularly reviewed, tailored to the council and fit for purpose.		

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	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 at each monthly meeting and authorised accordingly ensuring 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.
Where applicable, are internet banking transactions properly recorded and approved?	YES	Contractual direct debit payments for the year were approved by full council at a meeting held 9 th June 2021, with the use of BACS approved at the same meeting. Payments are authorised by full council at each meeting.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	Details of a reclaim for the year under review was provided at a total figure of £4,335.23 which is also identified within the Receipts and Payments spreadsheet.
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	An allocation of s137 was presented within the 2021/2022 budget and is within a separately identified within the budget sheet for a total of £2,000.

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: In accordance with Financial Regulation 5.6 Council has ensured that having received the schedule of annual due payments which arise on a regular basis of a continuing contract, a list of such payments incurred is submitted at the appropriate meeting.		

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>	<i>Partly Met</i>	There is evidence of Risk Assessment documentation, however a review of the Risk Assessment had not taken place during the period under audit. It was last noted an assessment took place 10 th March 2021 within the previous financial year 2020/2021 and at the time of audit had not been carried out since, which was confirmed by the clerk. The previous document was provided which detailed risks at a low, medium , high scale. RECOMMENDATION: The Risk Assessment provides details of the risks associated with the functioning of a smaller authority and the measures that the Council will undertake to mitigate such risks. It is important this is reviewed at least annually to ensure the council is operating correctly and effectively.
<i>Is there evidence that risks are being identified and managed?</i>	<i>NO</i>	The Risk Assessment document was not reviewed during the year 2021/2022 so no reviews were undertaken through this process.
<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>	<i>YES</i>	Council has insurance in place under a Parish Protect Policy which shows core cover for the following: Public/Products Liability: £10m; Business Interruption £20k; Employers Liability £10m; At a meeting of full council held 9 th June 2021, following the recommendation within the previous audit, it was agreed to increase the Fidelity Guarantee to £422k.

		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 5 th May 2021, it was evidenced that the council reviewed the Internal Control in accordance with the Accounts and Audit Regulations 2015. 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.
<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>	YES	The effectiveness of the internal audit formed part of the Internal Control review at a meeting held 5 th May 2021. 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.
Additional comments:		

⁴ Accounts and Audit Regulations

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 reviewed by the Finance Committee meeting held 11 th January 2021 and agreed and set at a meeting of full council on 13 th January 2021 setting a budget of £66,236.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept for 2021/2022 was reviewed by the Finance Committee at a meeting held 11 th January 2021 and approved by full council at a meeting held 13 th January 2021 setting the precept at £54,236 which was noted at a 2.269% increase. This was then supported by the evidence provided from BMSDC Remittance advice confirming payment.
<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	<p>The councils accounts show a general reserve of £75,687 and an earmarked reserve of £317,136.61.</p> <p>Council is aware of the guidance as issued by Proper Practices which states that it is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 12 months of Net Revenue Expenditure and should ensure that the level of general reserves adopted is in accordance with its General Reserve Policy. There is no upper limit for Earmarked Reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually).</p> <p>Comment: In accordance with guidance as issued under the Practitioners Guide, the Council has had regards to the need to put in place a General Reserve Policy with explanations as to the high level of general reserves</p>

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

		being held and has evidenced that it has reviewed the level and purpose of all Earmarked Reserves. The council's Reserve Policy is published on the public website.
<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. 		

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 £54,236 was recorded in two separate payments in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	YES	Council reported a balance of £15,336.52 carried over, income of £8,195.76 and expenditure of £1,508.00 with a final balance of £22,024.28 at year end. Comment: At the time of the audit the 2021/2022 Annual Report was not yet published on the council's 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>	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>	<i>N/A</i>	The council does not operate a petty cash system.
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
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>	YES	Employment contracts were not reviewed during the internal audit which was carried out remotely. All salary payments are authorised by full council. The minimum wage is not applied to any employees.
<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 operated in accordance with HM Revenue and Customs guidelines. Any deductions due 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>	YES	The clerk receives a pension through NEST.
<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.		

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	The Asset Register was reviewed at a meeting of full council held 5 th May 2021 and reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership.
<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 details regular reviews with full council discussing at a meeting held 5 th May 2021. A copy of the Asset Register is published on the website.
<i>Cross checking of insurance cover</i>	YES	Following the review of the insurance cover it was ensured items were covered.
Additional comments: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2020 on the valuation of its assets and has 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 assets.		

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 conducted on a monthly basis at each full council meeting.
<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 a total of £425,222.58 as detailed below: Coop Community Direct Plus £111,879.80 Instant Access £168,673.72 Cambridge Building Society £75,218.31 Ipswich Building Society £69,450.75
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded on a monthly basis within the Finance Report at full council meetings. The RFO ensures that the Council is aware that 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		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. A summary of this was presented to the auditor but not yet signed.
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	<p>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:</p> <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. • Notice of the period for the exercise of public rights • The Notice of the conclusion of audit should also be published on the website.
Additional comments:		

¹⁰ Annual Governance & Accountability Return (AGAR)

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 6 th June 2021 at which it was agreed the Clerk / RFO was to action any recommendations.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	It is evidenced that the items raised within the Internal Audit Report have been actioned during the course of the year.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	NO	There was no evidence provided within the minutes that the council had confirmed the appointment of the Internal Auditor 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 considered.		
Evidence		Internal auditor commentary
Has the Council considered the previous external audit report? ¹¹	YES	The External Audit report was recorded as being reviewed at a meeting of full council held 13 th October 2021.
Has appropriate action been taken regarding the comments raised?	YES	Following the comments made within the External Audit Report the council has taken steps to resolve the areas of weakness.
Additional comments: The issues raised within the External Audit, primarily being that of the budgetary process and asset register has now been addressed with regular reporting and updating and reviewing of the Asset Register.		

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 5 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 signed and dated as a true record of the meeting held.
<i>Is there a list of members' interests held?</i>	YES	The Parish Council's website provides details of the register of members' interests <i>(Openness and transparency on personal interests - A guide for councillors – August 2012)</i>
<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 ZA112642 expiry date 20 th April 2023.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	YES	The council has taken steps to ensure compliancy. A range of documents 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

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

		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?¹⁶</i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Partly Met	Clerk to the council clearly has an email address set up specifically for the Sproughton Parish Council. Other Councillor email addresses do not appear to be linked to the council and seem to be independent to personal accounts as they are all different and varied, although these may be set up for council purposes only. Recommendation: 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>	YES	Terms of Reference for Committees were reviewed at a meeting held 5 th May 2021, and then again as and when necessary.
Additional comments: Transparency Code 2015 - To ensure full compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), the following information should be published in accordance with the required timescales: Quarterly: Individual items of expenditure that exceed £500 (currently published on an annual basis); 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: N/A

Date of Internal Audit Report: 06th May 2022

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

Last reviewed: 7th April 2022

On behalf of Suffolk Association of Local Councils