

Internal Audit Report for Little Braxted Parish Council for the year ended 31st March 2021

Clerk	Mr G Mussett
RFO (if different)	"
Chairperson	Kit Speakman
Precept	£ 3,950
Income	£ 7,210.68
Expenditure	£ 4,419.16
General reserves	£2,268.62
Earmarked reserves	£3,100.27
Audit type	Annual
Auditor name	Linda Harley

Introduction

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

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

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

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

Methodology

When conducting the audit, the internal auditor may:

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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses an excel spreadsheet 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	The cashbook is kept up to date and 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.
<i>Additional comments: The Council shows good practice by referencing each payment and giving details of the service/product provided.</i>		

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?		At the meeting on 26/5/20 the Council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC 2018). Comment: Council need to update the figures under items 18 (f) and (g) relating to Financial Controls and Procurement.
Are Financial Regulations up to date and reviewed annually?	Yes	At the meeting on 26/5/20 the Council carried out an annual review of its Financial Regulations. Use of the Model Financial Regulations (produced by NALC IN 2019). Comment: Council may wish to include under item 11 the thresholds for public service contracts which are currently: a) For public supply and public service contracts £189,330. b) For public works contracts £4,733,252
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations have been properly tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	The clerk was appointed as the RFO at the meeting of 26/5/20
Additional comments: The council publishes its Financial Regulations and Standing Orders on their website www.littlebraxted.essexonline.net		

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 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. All invoices are initialled by 2 members. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	Internet banking is not used by the Council
Is VAT correctly identified, recorded and claimed within time limits?	Yes	VAT is identified in the cashbook and reclaimed annually. The sum of £109.17 being reclaimed for the audit year to 31/3/20 Comment: Council may wish to note that any VAT reclaimed must be supported by an invoice payable to Little Braxted Parish Council
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	Yes	The council has confirmed eligibility criteria to enable it to exercise the General Power of Competence and has adopted the same at its meeting on 21/11/19

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	The Council has adopted the General Power of Competence
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council does not have any loans with the Public Works Loan Board
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	This was considered for the period under review at the meeting of the council on 20/1/21 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	Risks are identified through a comprehensive risk assessment document. The Council is not responsible for play equipment
<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	General insurance for the period under review shows core cover for the fixed assets. Fidelity Guarantee cover is £250,000 which given the current balances held by the Council is within the recommended guidelines. Both Public Liability cover and Employers Liability cover is held for £10 million

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.

		The Council's insurance cover was reviewed at their meeting on 26/5/20 and there is a minute to show the cover was considered appropriate
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	The internal control document was reviewed by the Council at the meeting of 26/5/20
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	Yes	The effectiveness of internal audit was discussed by full Council and approved at a meeting on 26/5/20
Additional comments:		

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 in the sum of £3950 was approved by full Council at a meeting on 26/1/2019
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £3950 and formally approved at a meeting of full Council on 26/1/2019
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Income and expenditure are included within the documentation published on the website and accords with the Council's own Standing Orders.
<i>Reserves held – general and earmarked⁶</i>		The Council's final accounts show general reserves in the sum of £2,268.62 with earmarked reserves in the sum of £3,100.27
Additional comments:		

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 statement 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 received is promptly banked.
<i>Is income reported to full council?</i>	Yes	Income is reported to Council 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 precept of £3950 during the year under review
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	The Council has not received any funds under the Community Infrastructure Levy.
<i>Is CIL income reported to the council?</i>	N/A	
<i>Does unspent CIL income form part of earmarked reserves?</i>	N/A	
<i>Has an annual report been produced?</i>	N/A	
<i>Has it been published on the authority's website?</i>	N/A	
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>No</i>	The Council does not operate a petty cash system although it is noted that there is a rolling balance of £0.58
<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 are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 st April 201, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. The Council has ensured that the remuneration payable to all employees has been approved in advance by the Council, with the new rates of pay from 1/4/20 approved at their meeting on 29/9/20.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	Yes	
<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 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. Copies of P60's and sample pay slips seen for G Mussett and H Bendall
<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 and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed. Copies of P60 end of year certificate seen for both employees.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	It is noted on a previous internal audit report that a declaration of compliance with regards to automatic enrolment duties had been completed on 31st May 2017 with no staff being automatically enrolled. Comment: Council should ensure that it records evidence that it has complied with its duties as an employer with regards to automatic enrolment

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

		and that it has completed and submitted a declaration of re-compliance to the Pension Regulator.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	Invoices are provided for all expenses reclaimed
Additional comments:		

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	Copy of asset register seen for 2019/20 with no changes. Assets of £4804 registered which agrees with box 9 of the AGAR.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	A review of the asset register and insurance was carried out at the Council's meeting on 26/5/20
<i>Cross checking of insurance cover</i>	Yes	

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

Additional comments:

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>	A number of samples were tested. There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is correctly verified by the Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.
<i>Do bank balances agree with bank statements?</i>	Bank balances agree with period end statements and, as at year end (31 st March) for the period under review the balance across the Council's accounts stood at: Barclays Community Account £5,348.80
<i>Is there regular reporting of bank balances at Council meetings?</i>	Bank balances are reported at Council meetings and noted in the minutes

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 payments basis and were 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 not exceeding £25,000. it has completed the Certificate of Exemption
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	As the Council was a smaller authority with a gross income and expenditure not exceed £25,000 for the period under review, it was able to certify itself as an exempt authority
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	Yes	The Council is aware of its responsibilities to provide for the exercise of public right as required by the Accounts and Audit Regulations 2015
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	<i>Accounts and Audit Regulations</i> The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – The External Auditor Report and Certificate 2018/19, page 6 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
Additional comments:		

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

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 31/3/20 has been considered and reviewed by the Council at their meeting on 26/5/20 and accepted at the meeting.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The Council had addressed the item raised in the internal audit report and this was minuted on 26/5/20.
<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 26/5/20 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>	Yes	The external audit report was considered by the Council at their meeting on 29/9/20
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	No items were raised by the external auditor
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}	Yes	The Annual Meeting of the Parish Council was held on 26/5/20 and the first item on the agenda was the election of Chairperson.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	N/A	Not seen as virtual audit
<i>Is there a list of members' interests held?</i>	Yes	
<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	The Council have complied 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: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register and that 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.

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

¹⁴ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

¹⁵ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>		The Council has correctly registered with the Information Commissioner's Office as a data controller in accordance with legislation under reference Z3614041
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	<i>Partially met</i>	The Council has taken steps to ensure compliancy – with the following policies being published on the website: <ul style="list-style-type: none"> • <i>Privacy notices (published inc. for employees and evidence of review)</i> • <i>Procedures for dealing with subject access and freedom of information requests</i> • <i>Procedures for dealing with data breaches</i> • <i>Data retention policies including disposal)</i> Comment: To be fully compliant the Council should also adopt and publish an Impact Assessment
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	<i>No</i>	Recommendation: The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 are now in force. This means, at the very minimum, your local council website should have published their Website Accessibility Statement, having identified the areas which are not accessible and have a forward plan so that you can make changes to improve this. Guidance, advice and training are available from SALC
<i>Is there evidence that electronic files are backed up?</i>	<i>Yes</i>	This is included in risk assessment documentation
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	<i>No</i>	There are no committees
Additional comments:		

Signed: *Linda Harley*

Date of Internal Audit Visit: 19/4/2021 Date of Internal Audit Report: 19/4/2021

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018