

## Internal Audit Report for Little Braxted Parish Council for the year ending 31<sup>st</sup> March 2022

Clerk	Gordon Mussett
RFO (if different)	Gordon Mussett
Chairperson	Kit Speakman
Precept	£4,400.00
Income	£10,406.56
Expenditure	£5,600.54
General reserves	£2,962.61
Earmarked reserves	£7,192.79
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

<b>Section 1 – proper bookkeeping</b>		
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.		
<b>Evidence</b>		<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 detailing receipts and payments and ensures 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 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.
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	YES	At a meeting on 5 <sup>th</sup> 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 <sup>th</sup> 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.
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	YES	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority. Council's own Financial Regulations (1.8) state that the Clerk is the RFO. This was confirmed at a meeting held 5 <sup>th</sup> May 2021.
<b>Additional comments:</b>		

<sup>1</sup> Section 151 Local Government Act 1972 (d)

<b>Section 3 – Payment controls</b>		
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.		
<b>Evidence</b>		<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. 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 use internet banking
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is clearly identified in the cash book with the year-end total of £251.64 and a claim made to HMRC with income received 9 <sup>th</sup> April 2021 of £109.17.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	YES	The council adopted the General Power of Competence at a meeting held 21 <sup>st</sup> November 2019.
Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	The council has adopted the General Power of Competence

<sup>2</sup> Localism Act

<sup>3</sup> 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.
<b>Additional comments:</b>		

<b>Section 4 – Risk management</b>		
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.		
<b>Evidence</b>		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 14 <sup>th</sup> March 2022 and covers in general terms the matters which would prevent a smaller relevant body from functioning.
<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 <b>and</b> has been reviewed on an annual basis?</i>	YES	Council has insurance in place under a BHIB Policy which shows core cover for the following: Public liability: £10m; Public/Products Liability: £10m and Fidelity Guarantee of £25k. 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. This was reviewed at a meeting held 5 <sup>th</sup> May 2021.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	YES	At a full council meeting on 5 <sup>th</sup> May 2021, it was evidenced that the council reviewed its Internal Control Check. This clearly demonstrates public finances are adequately protected and managed and evidence necessary steps have been taken to mitigate any risks identified.

<sup>4</sup> Accounts and Audit Regulations

<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 appointment<sup>5</sup></i>	YES	The effectiveness of the internal audit was discussed by full Council at a meeting held 5 <sup>th</sup> 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.
<b>Additional comments:</b> The council produces a risk assessment document detailing high, medium and low risks to the council detailing likely probability.		

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<sup>5</sup> Practitioners Guide

<b>Section 5 – Budgetary controls</b>		
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		
<b>Evidence</b>		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	YES	The 2021/2022 budget was agreed and set at £4,790.00 at a meeting of full council 20 <sup>th</sup> January 2021.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £4,400.00 and formally approved at a meeting of full council on 20 <sup>th</sup> January 2021.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Budget reporting is conducted on a regular basis alongside reports of expenditure and income and account balances.
<i>Reserves held – general and earmarked<sup>6</sup></i>	YES	The councils accounts show a general reserve of £2,962.61 and an earmarked reserve of £7,192.79.
<b>Additional comments:</b> Council should be 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).		

<sup>6</sup> 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



<b>Section 6 – income controls</b>		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.		
<b>Evidence</b>		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 minutes and accounts evidence the receipt of the precept in one payment of £4,400.00 received 26 <sup>th</sup> April 2021.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	N/A	No CIL to report
<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	
<b>Additional comments:</b>		

<sup>7</sup> Community Infrastructure Levy Regulations 2010

<b>Section 7 – petty cash</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is petty cash in operation?</i>	N/A	The council does not operate a petty cash system but it is noted there is still 0.58p held as petty cash within the reconciliations. <b>Recommendation:</b> To completely clear the council of operating a petty cash system the 0.58p balance should be paid into the account and cleared.
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
<b>Additional comments:</b>		

<b>Section 8 – Payroll controls</b>		
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 <sup>st</sup> 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.		
<b>Evidence</b>		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	YES	Employment contracts were not viewed during the internal audit which was carried out remotely but this has previously been confirmed. Evidence confirms all salary payments are authorised by full council. The council has ensured that the remuneration payable to all employees as been approved in advance by the council.
<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. Copies of P60s and sample pay slips were provided as evidence 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 each employee. Deductions are paid to HM Revenue and Customs. Copies of P60s were viewed for each employee.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	NO	The previous Internal Audit reported that the council had not completed its re-declaration of compliance with regard to its pension enrolment duties since 31 <sup>st</sup> May 2017. This is to be completed every three years whether an employee is enrolling within the pension scheme or not. <b>RECOMMENDATION:</b> There was no evidence presented to the Internal Auditor that the council had complied with its duties as an employer and made a redeclaration to the Pension Regulator as required. This should be done at the earliest opportunity.

<sup>8</sup> 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.
<b>Additional comments:</b> There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages.		

<b>Section 9 – Asset control</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?<sup>9</sup></i>	YES	The declared value for all assets at year-end 31 <sup>st</sup> March 2022 was £4,804 which shows no movement in the Asset Register from the previous year.
<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 is reviewed annually, with full council agreeing no change at a full council meeting held 5 <sup>th</sup> May 2021.
<i>Cross checking of insurance cover</i>	YES	
<b>Additional comments:</b>		

<sup>9</sup> Practitioners Guide



<b>Section 10 – bank reconciliation</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	YES	Bank Reconciliations are conducted on a regular basis and reported to full council.
<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 £10,155.40 as recorded in the Draft Statement of Accounts.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded on a regular basis within the Financial Statement at full council meetings.

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	The accounts are produced on receipts and payments basis.
<i>Financial trail from records to presented accounts</i>	YES	There is a clear financial trail from budgeting, invoice, authorisation, payment and banking.
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	YES	As the Council is a smaller authority with gross income and expenditure not exceeding £25,000 it is to complete Section 2 of Part 2 of the AGAR. <b>Comment:</b> This was not provided to the Internal Auditor at the time of completion, however the draft figures were viewed.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	YES	As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2020/21, it was able to certify itself as exempt. At the meeting of 29 <sup>th</sup> April 2021, Council agreed that it would be exempt from an external audit due to its gross income and expenditure not exceeding £25,000.
<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 rights as required by the Accounts and Audit Regulations 2015.
<i>Have the publication requirements been met in accordance with the Regulations?</i>	YES	The council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 as the following were published on the public website operated by the Council: <ul style="list-style-type: none"> <li>• Certificate of Exemption, page 3</li> <li>• Annual Internal Audit Report 2020/21, page 4</li> <li>• Section 1 – Annual Governance Statement 2020/21, page 5</li> <li>• Section 2 – Accounting Statements 2020/21, page 6</li> <li>• Analysis of variances</li> <li>• Bank reconciliation</li> </ul>

<sup>10</sup> Annual Governance & Accountability Return (AGAR)

		• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
<b><i>Additional comments:</i></b>		



<b>Section 12 – internal audit</b>		
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.		
<b>Evidence</b>		<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 29 <sup>th</sup> April 2021.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	One action point was raised and addressed by the council
<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 5 <sup>th</sup> May 2022.
<b>Additional comments:</b>		

<b>Section 13 – external audit for the period under review</b>		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?<sup>11</sup></i>	N/A	As the council was a smaller authority it was exempt from a limited assurance review and therefore no external report was issued.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	As above
<b>Additional comments:</b>		

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<sup>11</sup> 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.*

<b>Section 14 – additional information</b>		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>12</sup> <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> <sup>13</sup>	YES	The Annual Parish Council Meeting was held 5 <sup>th</sup> 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> <sup>14</sup>	YES	Council has a page numbering system in place with previous minutes being approved by full council at the start of each meeting. <b>Comment:</b> Minutes provided on the website are not signed, however it is recorded that the Chairman signed the minutes as a true record of the meeting held.
<i>Is there a list of members' interests held?</i>	YES	Evidence was seen on the District Authority's website of the Register of Interests for current Parish Councillors.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	YES	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2021/2022 not later than 1 July: <ul style="list-style-type: none"> <li>• Internal Audit Report</li> <li>• List of Councillors and Responsibilities</li> <li>• Items of Expenditure Above £100 including recoverable and non-recoverable VAT</li> <li>• End of Year Accounts</li> </ul>

<sup>12</sup> The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

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

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

		<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Asset Register</li> <li>• 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.</li> </ul>
<i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>15</sup></i>	YES	The Council is registered with the ICO as a data controller. Registration Certificate Z3614041 expiry date 27 <sup>th</sup> March 2023.
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 include: Data-Security-Incident-Procedure; Health & Safety Policy; Model Publication Scheme; Complaints Policy and Procedure; Data Security Incident Procedure; Parish Council Data Retention Policy; Equality Policy; Data Protection Policy; Privacy Notice; Data Subject Access Procedure; Policy for Dealing with the Press.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>16</sup></i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?<sup>17</sup></i>	YES	Other than the Chairman the councillors and clerk all access the same email address. The Chairmans email address appears to be that of a personal account. <b>Comment:</b> In accordance with the Practitioners Guide the importance of smaller authorities using secure e-mail systems and gov.uk addresses, it is recommended every authority has its own e-mail addresses which is owned by the authority 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>	NO	The council does not have committees
<b>Additional comments:</b>		

<sup>15</sup> Data Protection Act 2018

<sup>16</sup> Website Accessibility Regulations 2018

<sup>17</sup> Practitioners Guide

SALC Internal Audit Report (v.3)  
Last reviewed: 7<sup>th</sup> April 2022

Signed: *J.Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 19<sup>th</sup> April 2022

On behalf of Suffolk Association of Local Councils