

Internal Audit Report for Shimpling Parish Council for the year ending 31st March 2021

Clerk	Natasha Byford
RFO (if different)	Natasha Byford as of 24/08/2020
Chairperson	Liz Brunwin
Precept	£9,743
Income	£31,001.26
Expenditure	£9,281.51
General reserves	£4,623
Earmarked reserves	£28,159.22
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:

- 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 Scribe to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	This provides good evidence to support the council’s underlying statements.
<i>Is the arithmetic correct?</i>	Yes	Accounting records were spot checked – they are well maintained and clearly identify expenditure and income at any given point.
<i>Additional comments: All payments are clearly referenced detailing Spending Powers within the minutes.</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?	Yes	At the meeting on 13 th July 2020 the council carried out an annual review of its Standing Orders. The council has adopted Model Standing Orders (produced by NALC in 2018).
Are Financial Regulations up to date and reviewed annually?	Yes	At the meeting on 13 th July 202 the council carried out an annual review of its Financial Regulations. The council has adopted Model Financial Regulations (produced by NALC in 2019).
Has the Council properly tailored the Financial Regulations?	<i>Partly met</i>	Some areas to be updated to be properly tailored to the council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	Natasha Byford appointed as RFO in accordance with legislation.
<i>Additional comments :Financial Regulations: 12. Payments under Contracts for building or other construction works; 13. Stores and Equipment and 16. Charities not adapted to council. If not relevant can be removed from the council document.</i>		

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 payments list, invoices and bank statements. At each full council meeting a list of payments is presented to ensure formal approve of expenditure and this is correctly minuted. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	There is clear evidence of good practice – payments are checked by two councillors against invoices and online authorisation is then completed demonstrating the council is working in line with its own Financial Regulations. A schedule of both due and retrospective regular payments is submitted to the council for approval at each meeting. This is also published within the minutes of the council’s website.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	Identified within the Payments List a claim for the period 23 rd August 2019 to 31 st August 2020 was made for £776.42 by Stuart Palmer. Further documentation details the VAT to be claimed between 1 st September 2020 to 31 st March 2021 at £354.32. This was then also detailed in the Receipts List on 23 rd September 2020 and the Lloyds bank statement.

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	Council is not eligible to use the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	1 x s.137 payment recorded in the minutes on 25 th January 2021 of a donation to Lawshall School for £500 toward the purchase of laptop/ipads.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	<i>Not applicable</i>	
<i>Additional comments: The council clearly understands s.137 and uses the power appropriately.</i>		

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	The council has three Risk Assessment documents: Village Spring Clean, Playground and Finance. These were reviewed at the Annual General Meeting of the council on 13 th July 2020 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	Playground – Evidence was minuted following play area inspections that remedial action was being taken to address any concerns. Finance – Details of salaries being outsourced to SALC to ensure correct salary/hours. Village Spring Clean – Equipment supplied to those taking part to modify risks to individuals.

² Localism Act

³ Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

<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 from Community Action Suffolk for the period under review shows Employers Liability cover £10,000,000, Public Liability cover £10,000,000, Fidelity Guarantee cover £25,000 which given the current balances held by the council is within the recommended guidelines. The council's insurance cover was reviewed and amended on 13 th July 2020 to include cover for the village hall and renewed at their meeting on 9 th November 2020.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	At a meeting on 13 th July 2020 the Internal Control document was approved and adopted by the council. It was evidenced that the council has a comprehensive financial risk assessment that demonstrates public finances are adequately protected and managed and evidence that any necessary steps have been taken to mitigate any risks identified. Documentation to support control procedures adopted by the council for payments help protect the RFP and fulfils an internal control objective. In accordance with the Accounts and Audit Regulations 2015 the council has understood the requirements to have in place safe and efficient arrangements to safeguard public money.
<i>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 with the internal control statement submitted and approved at a meeting on 13 th July 2020.
<i>Additional comments: The council has identified a number of risks and taken steps to control these. These are clearly identified and approved by the council. In accordance with proper practices the council has demonstrated it has taken steps to manage key risks in a way it can justify to a level which is tolerable by transferring the risks and taking out insurance, and that the review of insurance cover has been reported back to the full council and duly minuted. By reviewing the terms of reference for internal audit the council has followed guidance and demonstrates it recognises that the internal audit function is to test and report to the authority on whether its specific system of internal control is adequate.</i>		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for the year 2020/2021 in the sum of £9,743 was approved by full council at a meeting on 11 th November 2019. The budget is clearly detailed identifying all predicted expenditure.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £9,743 and formally approved at a meeting of full council on 11 th November 2019.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The minutes examined evidence comparisons between budgeted and actual income and expenditure is included within the documentation circulated to councillors and accords with its own Standing Orders.
<i>Reserves held – general and earmarked⁶</i>	Yes	The councils final accounts show general reserves in the sum of £4,623 with earmarked reserves in the sum of £28,159.22 with overall reserves standing at £32,782.22. Council has reviewed the level of general reserves and earmarked reserves with a detailed breakdown at a meeting held 11 th November 2019.
Additional comments: The budget is clear and concise with a comprehensive level of detail. General reserves fall within proper practices which recommends this should be maintained at between three and twelve months of net revenue expenditure. Council should ensure annual reviews of earmarked reserves to ensure the projects are still viable and should look to have in place a General Reserve Policy.		

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.
<i>Is income reported to full council?</i>	Yes	In accordance with the council's Standing orders.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The council received a precept of £9,743 in two payments of £4,871.50 in April and September.
<i>If appropriate, are CiL reporting schedules in accordance with the Regulations?⁷</i>	Yes	No CiL funds were received in this financial year. The council has complied with its duty to produce an annual report that details the amount of CiL funds received and spent. The council has demonstrated it understands the requirements to comply with its duty to produce an annual report that details the amount of CiL funds received and spent. The Annual Report for the year ending 31 st March 2021 showing income received and retained balances was verified by the internal auditor and the council understands that it should comply with its duty to upload the annual report on its website by 31 st December 2021.
<i>Is CiL income reported to the council?</i>	<i>Not applicable</i>	
<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: Income is well documented and is in agreement with financial statements.		

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>	
<i>If appropriate, is there an adequate control system in place?</i>	<i>Not applicable</i>	
Additional comments: The council does not operate a petty cash system.		

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	The council had two employees during the period under review. Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full council. In accordance with proper practices, the council has ensured that the remuneration payable to all employees has been approved in advance by the councils. Payments exceed the minimum wage.
<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 Custom guidelines. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments and 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	In accordance with Proper Practices PAYE taxes and employee and employee National Insurance Contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the date prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	It is noted that the internal audit report for the previous year mentioned that the council is aware of its pension responsibilities and that no pension provision was required by the current members of staff. Recommendation: The Council should ensure that it records evidence that it has complied with its duties as an employer with regards to automatic enrolment and that it has completed and submitted a declaration of compliance to the Pension Regulator.

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

<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	No	
Additional comments: It was noted that Stuart Palmer left a position of paid employment on 6th October 2020 and now continues in a voluntary role assisting the clerk.		

Section 9 – Asset control		
The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	Declared value is £366,915. Village hall building sum insured is £303,534.09 for the period under review.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	The Asset Register lists items under insurance that fall within the council's remit for maintenance and ownership. The register states value as at the date of acquisition and where assets have been gifted or have an unknown value been given an approximate value.
<i>Are records of deeds, articles, land registry title number available?</i>	No	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The Asset Register was updated to add additional items and signed off by the council at its meeting on 13 th July 2020 confirming it covers assets within the ownership or responsibility of the council.
<i>Cross checking of insurance cover</i>	Yes	

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

Additional comments: Councils should be mindful of the guidance in Governance and Accountability for Smaller Authorities for England (March 2019) regarding valuation of assets and ensure 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.

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	A number of samples were tested. There is evidence of good 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>	Yes	Bank balances agreed with the period end and, as at year end (31 st March 2021) for the period under review the balance across the council's accounts stood at £42,063.73 as recorded in their Statement of Accounts.
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to the council including quarterly summary of income and expenditure in accordance with the council's own Standing Orders. 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		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on a receipts and expenditure basis and all found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	The end of year accounts and supporting documentation were well presented for the internal auditor review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	For 2019/2020 the council was a smaller authority with gross income and expenditure under £25,000 completing Part 2 of the AGAR.
<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 exceeding £25,000 for the period under review, it was able to certify itself as an exempt authority which was confirmed at a meeting of the council on 11 th May 2020.
<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 internal auditor was able to find details of the arrangements for the exercise of public rights for the year ending 31 st March 2020 on the public website used by the council.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	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 AGAR Section 2 Accounting Statements of the AGAR
Additional comments: It is noted that the 2020/21 AGAR does not have Box 0 completed detailing the council's fixed assets.		

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 st March 2020 has been considered, reviewed and accepted at the meeting of the council on 13 th July 2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	Following the two recommendations within the internal audit report the council created an Audit Action Plan at the meeting held on 13 th July 2020 for these to be investigated and resolved.
<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 13 th July 2020.
Additional comments: Recommendation: It is recommended the findings of the Audit Action Plan be reported back to the full council so the matter can be minuted as being addressed and closed.		

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>	<i>Not applicable</i>	The council completed a Certificate of Exemption – AGAR 2019/2020 Part 2 and therefore did not a limited assurance review. The RFO reported at the meeting on 13 th July 2020 that the external audit procedures were concluded and an application for self-certification sent to the auditors.
<i>Has appropriate action been taken regarding the comments raised?</i>	<i>Not applicable</i>	
<i>Additional comments:</i> The council met the qualifying criteria to certify themselves as exempt from a limited assurance review for 2019/20.		

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 13 th July 2020 and the first item on the agenda was the election of a Chairperson.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	Not applicable	Not seen – as a virtual audit. Minutes are required to be signed and dated with each page initialled.
<i>Is there a list of members' interests held?</i>	Yes	This is held on the Parish Council website.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁶	Yes	The council is correctly registered with the ICO as a Data Controller in accordance with legislation. Reference: ZA174927 Expires 03/04/2021.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council has taken steps to ensure compliancy, however documentation requires review and updating.

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

¹⁶ Data Protection Act 2018

<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	No	Website Accessibility Regulations 2018 require a statement to be published on the website. This document can be accessed from within the Members Area of the SALC website.
<i>Is there evidence that electronic files are backed up?</i>	No	
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	No	There is no evidence of terms of reference of committees or reviews of such documents.
<p>Additional comments: The Annual Parish Council Meeting (APCM) is not to be confused with the Annual Parish Meeting (APM). The APCM is that where the Chairperson is elected and responsibilities delegated, the APM is not a council meeting, but rather a meeting of local government electors.</p> <p>Recommendation: It is recommended the council reviews and adopts the General Data Protection Regulation and Website Accessibility documentation available within the SALC Member Area on their website and looks to create and periodically review terms of reference documentation for any committees (if applicable).</p>		

Signed: *Julie Lawes*
 J. Lawes

Date of Internal Audit Visit: n/a Date of Internal Audit Report: 15 April 2021

On behalf of Suffolk Association of Local Councils

¹⁷ Website Accessibility Regulations 2018