

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

Clerk	Linda Buckman
RFO (if different)	As above
Chairperson	David Hepper
Precept	£5,396.67
Income	£17,689.00
Expenditure	£6,665.00
General reserves	£4,085.00
Earmarked reserves	£2,318.00
Audit type	Annual
Auditor name	Julie Lawes

Introduction

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

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

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

Methodology

When conducting the audit, the internal auditor may:

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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<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 councils 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.
Additional comments: The ledger clearly identifies the council is operating within its mandate.		

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 28 th March 2022 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 28 th March 2022. 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)? ¹	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.
Additional comments: It was noted that the Financial Regulations were amended within the year following the passing of the previous clerk / RFO allowing the council to continue to function abiding by their regulations.		

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 meeting and listed within the minutes which provides good clear information on the expenditure of public monies. Comment: To demonstrate good practice councillors should formally record approval of the payments within the minutes.
Where applicable, are internet banking transactions properly recorded and approved?	YES	The council operates internet banking which is in accordance with the Internet Banking Policy adopted by the Council. The council has in place safe and efficient arrangements to safeguard public money.
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 £666.16 and a claim made to HMRC received 29 th June 2021 for a value £982.88.
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?	<i>Party Met</i>	s137 payments made during the period under review were within the statutory limit and included a donation of £100 and the purchase of jubilee

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.

		<p>mugs at £301.23. These were detailed as payments in the minutes but not identified specifically as s137 payments.</p> <p>Recommendation: The donation is detailed as a wages payment and the jubilee mugs under a heading of other / community.</p> <p>An additional column should be added to the cashbook to keep these payments separate.</p>
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: The council maintains a clear and thorough accounting system.		

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 28 th 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. The Risk Assessment was amended during the year to include wording on electronic payments as recommended in the last audit.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i>	YES	Council has insurance in place under a Parish Protect Policy which shows core cover for the following: Public liability: £10m; Public/Products Liability: £10m; Business Interruption: £5k 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.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	<i>Partly Met</i>	<p>Council has in place under its Internet Banking Policy robust controls as part of the council’s overall financial control system however, it was not evidenced that the council reviewed its Internal Control during the period under review.</p> <p>Documentation to support control procedures adopted by the council for payments helps protect the RFO and fulfils an internal control objective.</p> <p>Recommendation: Council should look to add to their Governance Plan a regular review of internal controls. An Internal Control template is available within the SALC documentation on the website.</p>
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>	<i>NO</i>	<p>Whilst the Internal Audit Report as a whole was reviewed by council it is not minuted that the effectiveness of the internal audit was discussed.</p> <p>Recommendation: By reviewing the terms of reference and effectiveness for internal audit the council would follow guidance and demonstrate that it recognises that the function of internal audit is to test and report to the authority on whether its system of internal control is adequate.</p>
Additional comments: If the council were to adopt an annual review of the Internal Controls this could also include the effectiveness of the internal audit.		

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	A budget was agreed and set at a meeting of full council 25 th January 2021 with details of the breakdown provided on the council's website.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £5,396.67 and formally approved at a meeting of full council on 25 th January 2021.
<i>Regular reporting of expenditure and variances from budget</i>	NO	There is no evidence to detail budget reporting being conducted on a regular basis within the minutes. If this is already carried out then it should be documented. Recommendation: The councils Financial Regulations item 4.8 state that the RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, <u>comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances.</u> For this purpose, "material" shall be in excess of £100 or 15% of the budget.
<i>Reserves held – general and earmarked⁶</i>	YES	The councils accounts show a general reserve of £4,085.00 and an earmarked reserve of £2,318.00.
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	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 bank statements and minutes evidence the receipt of the precept of £5,396.67 with the additional grant of £12.00 received in May 2021.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	YES	CIL income of £10,093.01 was received during the period under review and reported to full council and recorded in the minutes with no expenditure made. A CIL report for the year ended 31 st March 2022 was provided, but not yet uploaded on the council’s website. Comment: CIL income is to be kept separate to that of general funds and should form part of the earmarked reserves.
<i>Is CIL income reported to the council?</i>	YES	
<i>Does unspent CIL income form part of earmarked reserves?</i>	NO	
<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>	YES	A petty cash system is operated by the council for the Bredfield Jubilee Meadow and Orchard Account Expenses. An analysis of the cashbook was carried out and all were found to be in order.
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
Additional comments:		

Section 8 – Payroll controls		
<p>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 1st 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.</p>		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	YES	The council has 1 employee on its payroll at the period end of 31st March 2022. Employment contracts were not reviewed during the internal audit which was carried out remotely.
<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.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	YES	The payroll function for the year under review was carried out by SALC and is operated in accordance with HM Revenue and Customs guidelines. There were no applicable deductions due to be paid to HM Revenue and Customs for the year under review
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	Council completed its re-declaration of compliance in February 2022.
<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.
<p>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.</p>		

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 reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. The Asset Register is published on the council's website.
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	YES	No records of deeds, articles or land registry titles were reviewed or submitted during the internal audit process.
<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 a review May 2021 and is published on the council's website. Recommendation: Council should record at a meeting that it has reviewed and agreed the Assets Register within the minutes
<i>Cross checking of insurance cover</i>	YES	Council reviewed its insurance at a meeting of full council held 28 th March 2022 where a new insurance provider was agreed at which the assets would have been reviewed.
Additional comments:		

⁹ Practitioners Guide

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	YES	Bank Reconciliations are conducted at every 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 £19,797.20 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 at each full council meeting.

Section 11 – year end procedures		
Evidence		<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 AGAR¹⁰ documents been completed?</i>	YES	As the Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Section 2 of Part 2 of the AGAR.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Partly Met	As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2020/21 it would have been able to certify itself as exempt. Recommendation: It is a requirement that the council correctly declares itself exempt from a limited assurance review.
<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 exercise of public rights is published on the council's website with the dates of Thursday 1 st July to Wednesday 11 th August 2021 which included the mandatory first 10 working days of July.
<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"> • Certificate of Exemption, page 3 • Annual Internal Audit Report 2020/21, page 4 • Section 1 – Annual Governance Statement 2020/21, page 5 • Section 2 – Accounting Statements 2020/21, page 6 • Analysis of variances • Bank reconciliation

¹⁰ Annual Governance & Accountability Return (AGAR)

		<ul style="list-style-type: none">• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
<i>Additional comments:</i>		

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	YES	The Internal Audit Report was considered by full council at a meeting held 27 th September 2021 at which the recommendations were reviewed.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Partly Met	It is evidenced within the minutes of the meeting held 27 th September 2021 that most of the items raised within the Audit Report have been actioned.
<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 28 th March 2022.
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹¹</i>	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
Additional comments:		

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

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹² <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> ¹³	NO	An Annual Parish Council Meeting was not held in May 2021. Recommendation: As in the councils own Standing Orders, 5. Ordinary Council Meetings b. in a year which is not an election year, the annual meeting of the council shall be held on such a day in May as the council decides. e. The first business conducted at the annual meeting of the Council shall be the election of the Chairman and Vice-Chairman (if there is one) of the Council.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	YES	Council has a page numbering system with the minutes being approved at the following meeting held.
<i>Is there a list of members' interests held?</i>	YES	A link is provided on the council'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"> • Internal Audit Report • List of Councillors and Responsibilities

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

		<ul style="list-style-type: none"> • 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.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	YES	The Council is registered with the ICO as a data controller. Registration Certificate ZA059990 expiry date 29 th July 2022.
Is the Council compliant with the General Data Protection Regulation requirements?	Partly Met	The council is taking steps to ensure compliancy. Documents detailed on the council's website include a Data Retention policy, Privacy Notice and a Protocol Governing Filming and Recording of PC meetings. Recommendation: Council should look to including additional GDPR policies, for example Data Protection Policy, General Privacy Notice, Privacy Notice Staff / Councillors, Security Breach Procedure, Subject Access Request Policy (SAR). In addition, a new Code of Conduct has been published which councils are recommended to adopt at their earliest opportunity.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	The clerk of the council has an official email address. Email addresses for councillors are not provided on the council website. Comment: 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.

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	<i>N/A</i>	The council does not have committees
<i>Additional comments:</i>		

Signed: *J.Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 23rd May 2022

On behalf of Suffolk Association of Local Councils