

Internal Audit Report for Hargrave Parish Council for the audit year ended 31/3/2021

Clerk	Antonia King
RFO (if different)	
Chairperson	David Taylor
Precept	£ 5,000.00
Income	£ 18,059.20
Expenditure	£ 14,037.60
General reserves	£ 1,751.00
Earmarked reserves	£ 13,587.00
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 spread sheet 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.
Additional comments:		

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 11/3/2021 the council carried out an annual review of its NALC Model Standing Orders 2018. Information relating to Financial Controls and Procurement are up to date.
Are Financial Regulations up to date and reviewed annually?	Yes	It is noted on the NALC Model Financial Regulations 2019 that they were updated on 9/7/2020. Information relating to the thresholds for contracts is up to date.
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations have been tailored to the Council and this was noted in the minutes of 10/9/2020.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	It is noted in the Internal Control Document that the Clerk is the Council's Responsible Financial Officer and this was confirmed in the minutes of 10/9/2020.
<i>Additional comments:</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 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. 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. Council shows good practice by noting in their risk assessment documentation that 2 signatories are required for all transaction and that cheque stubs and invoices are initialled by the 2 signatories. Council shows good practice by noting the 'power to pay' in their cashbook. Council should ensure that Invoices are payable to Hargrave Parish Council.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The Council does not use internet banking.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	Vat has been correctly identified in the cash book and the claim for the period 1/1/20 to 30/9/2020 in the sum of £1,156.87.
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.

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	NA	The Council did not make any payments under S137.
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.
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 and reviewed for the period under review at the meeting of the council on 09/07/2020 and covers in general terms the matters which could prevent a smaller relevant body from functioning. The Council has continued to ensure that effective and efficient financial administration is in place. A wide range of formal policies, procedures and protocols have been adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The Council shows good practice by having an independent annual playground inspection, which is noted in the risk assessment documentation. Separate risk assessments are held for assets with notes of any further action required. Actions relating to risk assessments are noted in the minutes (e.g. 14/5/20 varnishing of the bench needs to be completed).

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.

<p><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></p>	<p>Yes</p>	<p>General insurance from RSA (long term agreement which expires 3/9/2022) for the period under review shows assets are covered under an ‘all risks’ policy. Fidelity Guarantee cover is £25,000 which given the current balances held by the Council is within the recommended guidelines. Both Public and Employers Liability is covered for £10 million.</p> <p>The Council reviewed their insurance cover and this was noted in the minutes of 10/9/2020.</p> <p>It is noted in the Council’s Internal Control Document that insurance is reviewed annually for schedule of cover and value for money.</p>
<p><i>Evidence that internal controls are documented and regularly reviewed⁴</i></p>	<p>Yes</p>	<p>As approved at a meeting of full council on 10/9/2020 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 helps protect the RFO 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.</p>
<p><i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i></p>	<p>Yes</p>	<p>The council carried out a review of the effectiveness of internal audit and this was noted in the minutes of 10/9/2020.</p>
<p>Additional comments:</p>		

Section 5 – Budgetary controls

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

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 2021/22 in the sum of £5,000 was approved by full Council at a meeting on 7/11/2019.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £5,000 and formally approved at a meeting on 14/01/2021.
<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 the Council's own Standing Orders. The Council also publishes a review against budget on their website.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council's final accounts show general reserves in the sum of £1,751 with earmarked reserves in the sum of £13,587 with overall reserves standing at £15,338. Council have completed an explanation of high reserves form as box 7 of the AGAR (balances carried forward) is more than twice box 2 (total precept). The Council shows good practice by noting in the risk assessment documentation that the level of reserves is considered at budget setting.
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. Council shows good practice by including in their risk assessment documentation that income received is recorded in the finance summary and reported at Council meetings. Receipts for items made through the ‘deposit point’ have an explanation included on the invoice.
<i>Is income reported to full council?</i>	Yes	Income is reported to full Council, in accordance with the Standing Orders.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The precept recorded of £5000 agrees with West Suffolk Council’s notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	The Council has not received any funds from 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 system of petty cash.
<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>	N/A	The Council has 1 employee during the period under review.
<i>Has the Council approved salary paid?</i>	Yes	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 Council.
<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.
<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.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	It was noted in the minutes from 11/7/19 that salary is insufficient for pension contributions and it was minuted on 7/11/19 that a letter was signed outlining the pension scheme criteria for workplace pensions.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	Expenses payments claimed are reasonable and supported by receipts.

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

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	Declared value is £45,933.00 which agrees with box 9 of the AGAR 'Total Assets'. 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 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>	No	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	Council carried out a review of its asset register and this was noted in the minutes of 10/9/20 and it is also noted in the Internal Control Document that the asset register is reviewed annually.
<i>Cross checking of insurance cover</i>	Yes	It is noted in the minutes of 10/9/2020 and the Internal Control Document that insurance is reviewed annually in relation to schedule of cover and value for money.

Additional comments:

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

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	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. Regular bank reconciliations are included in the Internal Control Document. Bank reconciliations are also noted in the minutes at each meeting.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements and, as at year end 31 st March 2021 for the period under review the balance across the Council’s accounts stood at : Lloyds Bank Instant Access Account £5,046.61 Lloyds Bank Treasurers Account £10,291.73 Total balances £15,338.34
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are reported at Council meetings as part of the Financial Officers Summary Report.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	The Council uses the receipts and payments accounting method.
<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 and therefore it has completed Sections 1 and 2 of Part 2 of the AGAR. Council has also provided an explanation of their significant variances.
<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.
<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 period under review from 1 st September 2020 for 30 days, which is in-line with the publication requirements for this audit year.
<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 the AGAR Section 2 – Accounting Statements of the AGAR 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	Following consideration of the report the Council has taken appropriate action.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	Appropriate action has been taken by the Council regarding the recommendations raised in the internal audit. These have been noted in the minutes.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed as the internal auditor for 2020-21 and this was noted in the minutes of 11/3/2021.
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>	N/A	The Council is exempt from a Limited Assurance Review.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
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>
<p><i>Was the annual meeting held in accordance with legislation?</i>¹³ (note to auditor- emergency Regulations as a result of the COVID-19 pandemic)^{f14}</p>	<p>Yes</p> <p>The Council’s AGM was held on 14/5/2020 with the first item on the agenda being the election of the Chair.</p>
<p><i>Is there evidence that Minutes are administered in accordance with legislation?</i>¹⁵</p>	<p>N/A</p> <p>Unable to verify in this ‘virtual’ audit year.</p>
<p><i>Is there a list of members’ interests held?</i></p>	<p>Yes</p> <p>It is noted in the minutes that members’ interests are held.</p>
<p><i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i></p>	<p>No</p> <p>The Council does not have any trustee responsibilities.</p>
<p><i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i></p>	<p>Yes</p> <p>To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council has published on a public website for the year 2020/21:</p> <ul style="list-style-type: none"> 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 <p>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</p>

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>	Yes	The Council has correctly registered as a Data Controller with the ICO under reference ZA446468.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	<i>Partly met</i>	The council is aware of the requirements under the General Data Protection Regulations and has published the following information on their website: FOI policy, Privacy Notice, Data Protection and Information Security Policy, Document and Electronic Data Retention Policy, Information Security Incident Policy and Subject Access Request. Comment: If not included within their existing policies, Council may wish to adopt 'Impact Assessment' and 'Procedure for dealing with data breaches' policies.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	No	The Council has not published a website accessibility statement on their website. Comment: 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.
<i>Is there evidence that electronic files are backed up?</i>	Yes	Council noted in their minutes of 14/5/2020 that cloud storage is used.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The Council does not have any committees.
Additional comments:		

Signed: *Linda Harley*

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 29/05/2021

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018