

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

Clerk	Sharon Smith
RFO (if different)	
Chairperson	Russell Pearce
Precept	£14,216.47
Income	£23,788.30
Expenditure	£19,724.73
General reserves	£32,786.62
Earmarked reserves	£13,295.64
Audit type	Annual
Auditor name	Sandra Brown

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 a computerised spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	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	<i>At the meeting on 4 February 2021 the Council carried out an annual review of its Standing Orders.</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>At the meeting of 4 February 2021 the Council carried out an annual review of its Financial Regulations.</i>
Has the Council properly tailored the Financial Regulations?	Yes	<i>The Financial Regulations are properly tailored to Council.</i>
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	<i>In accordance with legislation.</i>
<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	<i>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, however when cross checking a small number of payments were not listed within the payment schedule. Recommend: A full list of payments is included within the schedule presented to Council, if a payment is made between meetings it is retrospectively approved at the next meeting.</i>
Where applicable, are internet banking transactions properly recorded and approved?	N/A	
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<i>Identified in the cash book with a reclaim of £1,575.11 having been received in the year under review.</i>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	<i>Council has not adopted the General Power of Competence.</i>

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	<i>Payments for the year under review were made and are in accordance with statutory limits.</i>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
Additional comments:		

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	This was considered for the period under review at the meeting of the Council on 5 November 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	Council is responsible for play equipment with an independent annual play inspection carried out and reviewed at a Council meeting on 31 July 2020.
<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	<i>General insurance from RSA Parish Protect for the period under review shows core cover. Fidelity Guarantee cover is £50,000 Public Liability £10 million</i>

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>Employers Liability £10 million</i></p> <p><i>Property up to £100,000</i></p> <p><i>A separate insurance policy is held with Zurich for Yoxwood.</i></p> <p><i>The Council's insurance cover was renewed at their meetings of 1 October and 5 November 2020 and there is a minute reference to show the cover was reviewed and considered appropriate at its meeting on 5 November 2020 which shows good practice.</i></p>
<p><i>Evidence that internal controls are documented and regularly reviewed⁴</i></p>	<p>Yes</p>	<p><i>At a meeting of Council on 4 March 2021 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.</i></p> <p><i>Documentation to support control procedures adopted by the Council for payments helps protect the RFO and fulfils an internal control objective.</i></p> <p><i>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></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><i>The effectiveness of internal audit was reviewed within the Internal Control report reviewed by Council at its meeting on 4 March 2021.</i></p>
<p><i>Additional comments:</i> <i>The Council has identified a number of risks to Yoxford Parish Council and taken steps to control these. These are clearly identified and approved by 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 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 and working satisfactorily.</i></p>		

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 2020-1 was approved by Council at a meeting on 2 January 2020.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £14,216.47 and formally approved at a meeting of Council on 2 January 2020.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The minutes examined evidence comparisons between budgeted and action income and expenditure which Council carries out on a quarterly basis.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council's final accounts show general reserves in the sum of £32,786.62 and earmarked reserves in the sum of £13,295.64 with overall reserves standing at £46,082.26 Comment: The generally accepted recommendations with regard to the appropriate level of a smaller authority's general reserves is that this should be maintained at between 3 and 12 months revenue expenditure. A smaller authority has no legal power to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes, therefore general reserves should not be significantly higher than the annual precept.
Additional comments: Council should note guidance as issued under the Practitioners Guide which states that an authority needs to have regards to the need to put in place a General Reserves Policy and have reviewed the level and purpose of Earmarked Reserves.		

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 statements 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 if necessary.
<i>Is income reported to full council?</i>	Yes	When cross-checking income received it was noted a number of items were not included in the financial report to Council. Recommend: Income when received is reported to Council within the financial report presented at each Council meeting.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The Council received precept of £14,216.47 during the year under review in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	CIL funds received for the year under review show total receipts of £5532.68. In accordance with the Regulations the Council have received a proportion of CIL funds and must ensure that retained balances are transferred to earmarked reserves specifically allocated. The council has complied with its duty to produce an annual report for the year 2019-20 that details the amount of CIL funds received and spent and has been uploaded to the Council's website. 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. Comment: The CIL annual report for the year ending 31 March 2021 showing income received and retained balances should be uploaded to the Council's website by 31 December 2021.
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Not seen	
<i>Has an annual report been produced?</i>	Not seen	
<i>Has it been published on the authority's website?</i>	No	

⁷ Community Infrastructure Levy Regulations 2010

Additional comments:

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>	N/A	Not in operation
<i>If appropriate, is there an adequate control system in place?</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>		The Council has one employee during the period under review. Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by Council. In accordance with Proper Practices, the council has ensured that the remuneration payable to the employee has been approved in advance by the Council.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>		
<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 are calculated and recorded for the 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 is noted that the internal audit report for the previous year mentioned that Council is aware of its pension responsibilities and that no pension provision was required by the current member of staff and a re-declaration of compliance was made on 6.2.2020.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	<i>All expenses are approved by Council.</i>

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

Additional comments: Council should note the changes in the Practitioners Guide for 2020 on the treatment of what can be included as employment expenses within the Annual Governance & Accountability Guide 2020. If applicable, any working from home payments are not to be included within Staff Costs and should be allocated within All Other Payments on the AGAR.

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 £88,061.23 and insured cover £100,000 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 at the date of acquisition and where assets have been gifted or have an unknown value have been given a proxy value of £1.
<i>Are records of deeds, articles, land registry title number available?</i>		
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was reviewed by the Council at its meeting on 5 November 2020 within its review of the adequacy of insurance cover.
<i>Cross checking of insurance cover</i>	Yes	Insurance cover is within a Parish Protect policy of property up to £100,000 and is in accordance with the Policy held. Contents other (other property) are generic under heading within the 'All Risks Category' and have been given a value in accordance with the Policy held.

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

Additional comments:

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is correctly verified by 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	<i>Bank balances agree with period end statements and, as at year end (31 March 2021) for the period under review the balance across the Council's accounts stood at £46,082.26</i> <i>HSBC £22,391.60</i> <i>NS&I £11,042.80</i> <i>United Trust Bank £5,366.82</i> <i>United Trust Bank £7,281.04</i>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to the Council including a quarterly summary of income and expenditure in accordance with the Council's 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 payments 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 audit 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 under £25,000 and therefore has completed Sections 1 and 2 of Part 2 of the AGAR and was unsigned at the time of the internal audit.
<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 is 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 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: Certificate of Exemption Internal Audit Report 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.

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Additional comments:

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	<i>The Internal Auditor’s Report for the year ending 31 March 2020 has been considered and reviewed by the Council at a meeting on 10 August 2020.</i>
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The following recommendations were carried out: Standing Orders – Actioned Financial Regulations – Actioned Data Breach Policy - Actioned
<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 5 November 2020.
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	
<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>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}		For the period in question, as a result of the COVID-19 pandemic the Council chose not to hold an Annual Meeting of the Parish Council.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵		Not seen – as virtual audit.
<i>Is there a list of members' interests held?</i>	Yes	A list of Councillor responsibilities is held on the Council's website. A list of Councillors register of interests is held on the East Suffolk District Council website.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>		Yoxford Parish Council is sole trustee of Yoxford Village Hall registered charity number 304846. Trust document not presented to the internal auditor.
<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 not later than 1 July: 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

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

		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)?¹⁶</i>	Yes	The Council is correctly registered with the ICO as a data controller in accordance with legislation.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy – evidenced as follows: Personal data audit Privacy notices Subject Access Policy and Procedure Data Breach Policy Data Retention and Disposal Policy Freedom of Information Policy There is a comprehensive suite of policies and procedures to help the Council adequately handle personal data.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	Partly Met	The Council's website has an accessibility feature however it does not have an accessibility statement. Recommend: The 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>	Yes	Within Council's risk assessment laptop to be backed up monthly.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
Additional comments:		

Signed: *S.J. Brown*

Date of Internal Audit Report: 14th May 2021

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018