

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

Clerk	Jennie Blackburn / Janet Gobey
RFO (if different)	As above
Chairperson	Wallace Binder
Precept	£6,200.00
Income	£6,852.99
Expenditure	£7500.45
General reserves	£3,800.00
Earmarked reserves	£6,500.00
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:

- 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 spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce Financial 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. Financial Reports are given to councillors detailing expenditure and income at each full council meeting.
<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: Accounts are clear and easy to understand.		

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?	NO	The council did not review its Standing Orders during the period under review of 2020/2021. RECOMMENDATION: That the councils Standing Orders are reviewed annually to ensure they are using current and up to date legislation and regulations.
Are Financial Regulations up to date and reviewed annually?	NO	The council did not review its Financial Regulations during the period under review of 2020/2021. RECOMMENDATION: That the councils Financial Regulations are reviewed annually to ensure they are using current and up to date legislation and regulations.
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	Partly Met	At a council meeting held 21 st May 2019 and again on 18 th May 2021 in accordance with Section 151 of the Local Government Act 1972 (D) (Financial Administration), the council appointed the clerk as the Responsible Financial Officer in accordance with the councils adopted Financial Regulations (1.8). COMMENT: This was not minuted for the period under review, however the adopted Financial Regulations detail that the clerk has been appointed the RFO for the council.
Additional comments: It is noted the review and adoption of the Standing Orders and Financial Regulations are normally actioned at the APCM in May and that these were reviewed in 2019 and 2021 but due to the meeting not taking place following covid restrictions this was not done for the period in question.		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
<p>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.</p>		
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.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The council does not use internet banking other than for direct debit payments to EON.
Is VAT correctly identified, recorded and claimed within time limits?	YES	VAT is clearly identified within the payments schedule and identified as received in receipts. A claim in the sum of £221.58 was received from HM Revenue & Customs on 26 th October 2020.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	The council does not use the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	No s.137 payments were identified for the year under review.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The council has no such loans
Additional comments:		

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.

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	There is evidence of Risk Assessment documents for Lone Workers, Covid 19, Financial Risk, Glebeland, Play Area and the Village Hall. This was considered and adopted at council meetings held May 2019 and May 2021, but not for the period under review. The documents provided details high, medium and low risks to the council and shows clear and concise consideration is taken to enable good decision making. RECOMMENDATION: The Risk Assessment should be reviewed annually to ensure the risks are managed and the document up to date.
<i>Is there evidence that risks are being identified and managed?</i>	YES	There is evidence that the council has taken action to identify and assess financial risks and has considered what actions or decisions it needs to take during the year in order to avoid financial consequences.
<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 with AXA which shows core cover of the following: Public Liability £10m; Public / Products Liability £10m and Business Interruption £10k.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	NO	No evidence was provided to detail that the council reviewed and agreed the Statement of Internal Control in accordance with the Accounts and Audit Regulations 2015. RECOMMENDATION: This should be carried out in order to clearly demonstrate public finances are adequately protected and managed and evidence 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.

⁴ Accounts and Audit Regulations

<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 effectiveness of internal audit was approved at a meeting on 8th December 2020. By reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the function of the internal audit is to test and report to the authority on whether its system of internal control is adequate.</p>
<p>Additional comments: It is noted the review and adoption of the Risk Assessments are normally actioned at the APCM in May and that these were reviewed in 2019 and 2021 but due to the meeting not taking place following covid restrictions this was not done for the period in question.</p>		

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 was approved by full council at a meeting on 21 st January 2020.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £6,200 and formally approved at a meeting of full council on 21 st January 2020.
<i>Regular reporting of expenditure and variances from budget</i>	YES	The council receives a monthly Financial Report including a list of expenditure. COMMENT: The RFO should look to provide periodic expenditure v budget reports.
<i>Reserves held – general and earmarked⁶</i>	YES	The councils final accounts show general reserves in the sum of £3,800 with earmarked reserves in the sum of £6,500. Proper practice states that it is regarded as acceptable for a councils general (non-earmarked revenue) reserves to be equal to 3 to 12 months of net revenue expenditure. There is no upper limit for earmarked reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually). This was reviewed by full council at a meeting held on 21 st January 2020 for the 2020/2021 financial year. COMMENT: 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 Reserve Policy and review the level and purpose of all general and earmarked reserves at least annually.
Additional comments: Budget: The council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year, namely:		

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

- Decide the form and level of detail in the budget
- Review the current year budget and spending
- Assess levels of income
- Provide for contingencies and consider needs of reserves
- Approve the budget
- Confirm the precept or rates and special levies

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	Several items 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 properly accounted for.
<i>Is income reported to full council?</i>	YES	Income received is reported to full council and itemised within the minutes. This excludes bank interest which is not included.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	YES	The council received a precept of £6,200 during the year under review in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	The council did not receive any Community Infrastructure Levy during the period under review.
<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>	N/A	The council did not use petty cash for the period under review.
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
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	Council had 1 employee on its payroll at the period end of 31 st March 2021. Employment contract was not reviewed during the internal audit, but evidence confirms salary payments are authorised by full council. The remuneration payable to the employee has been approved in advance by the council within the budget setting process.
<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 & 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. Deductions are paid to HM Revenue and Customs. Payroll is run by SALC.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	At a full council meeting held 17 th November 2020 council submitted its 3 year re-declaration to the Pensions Regulator demonstrating they are aware of their duties.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	YES	Any additional costs / expenses incurred by the clerk are reported to full council.
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 and 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.		

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

Section 9 – Asset control		
Evidence		Internal auditor commentary
<p>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.</p>		
<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 lists items under insurance that fall within the councils remit for maintenance and ownership. It is noted the declared value for all assets at year end (31 st March 2021) is £60,204.65.
<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>	<i>Partly Met</i>	An up-to-date version of the Asset Register is available to view on the Parish Council website along with that from the previous year's noting changes and amendments to the document showing this has been reviewed. RECOMMENDATION: That the review of the Asset Register is approved by full council and recorded within the minutes. (It is noted that this is normally the case, however due to Covid-19 and the cancellation of the APCM this was not done for the period under review).
<i>Cross checking of insurance cover</i>	YES	Contents other (other property) are generic under heading and have been given a value in accordance with the policy held.
<p>Additional comments: Council 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</p>		

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

of valuation is applied consistently 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	Bank Reconciliations are completed on a regular basis and reconcile with the cash sheets. There are consistent monthly reports of bank balances within the detailed financial reports submitted to councillors for each meeting.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with the period end statements and, as at year end (31 st March) for the period under review the balance across the council's accounts stood at £9,764.24.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Financial reports are submitted to council monthly and include bank balances. The council should be aware that in accordance with proper practices, the bank reconciliation is a key tool or management as it assists with the regular monitoring of cash flows and therefore aids decision making. COMMENT: Whilst there is clear evidence to the internal auditor that regular bank reconciliations are being carried out, this should be recorded in the minutes to demonstrate the council is working in accordance with proper practices.

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 are 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 to review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	YES	The 2020/2021 AGAR Section 1 The Annual Governance Statement has been partly completed and Section 2 The Accounting Statement has been completed but not signed.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	YES	For the period of 2019/2020 the council correctly declared itself exempt at a meeting held 8 th December 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>	NO	The period for the Exercise of Public Rights was outside of the set statutory required dates which advised MUST commence on or before 1 st September 2020. The Parish Council dates were set at 14 th December 2020 to 28 th January 2021.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	YES	Smaller authorities must publish various documents on a publicly available website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities. These include: <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)

¹¹ Accounts and Audit Regulations 2015

		<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. The council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities.
Additional comments:		

<p>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.</p>		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous internal audit report been considered by the Council?</i>	YES	The Internal Audit was discussed by full council at a meeting held 8 th December 2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	Appropriate action has been taken for the items raised in the previous internal audit.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	NO	Evidence was not provided of SALC being appointed as the Internal Auditor for 2020/2021.
Additional comments: The previous Internal Audit Report was reviewed, and action taken as necessary.		

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	Due to the council declaring itself exempt there was no report received from the External Auditor.
<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>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}	N/A	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	YES	Not seen as virtual audit. Full council minutes clearly document the approval of the previous months minutes.
<i>Is there a list of members' interests held?</i>	NO	The links for the Register of Members Interests provided on the councils website are broken and require re-connecting to the relevant page. COMMENT: Council is reminded that whilst the Monitoring Officer of the District Council must arrange for the Parish Councils Register of Members Interests to be available for inspection on their website, where the Parish Council has its own website, its Register of Members Interests must also be published on that website. (Openness and Transparency on personal interests – A guide for councillors – August 2012)
<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>	Partly Met	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 2020/21: <ul style="list-style-type: none"> • Internal Audit Report • List of Councillors and Responsibilities

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

		<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. <p>COMMENT: The Internal Audit Report; Items of Expenditure Above £100; End of Year Accounts; Annual Governance Statements must added to the website at the earliest opportunity.</p>
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	YES	The council is correctly registered with the IO as a Data Controller in accordance with legislation. Reference: ZA172924 Expiry Date: 17 th April 2021
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	YES	The council has taken steps to ensure compliancy, but documentation is very limited. RECOMMENDATION: That the council takes steps to cover all areas of GDPR. Documentation should also be reviewed on an annual basis.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	YES	The council has published on its website a Website Accessibility Statement.
<i>Is there evidence that electronic files are backed up?</i>	N/A	Not seen as virtual audit
Additional comments:		

Signed: J. Lawes

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 19th April 2022

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018