

## **Internal Audit Report for Kelsale-cum-Carlton Parish Council**

### **for the year ending 31<sup>st</sup> March 2022**

Clerk	Marie Backhouse
RFO (if different)	As above
Chairperson	Alan Revell
Precept	£21,500
Income	£43,956
Expenditure	£33,078
General reserves	£15,927
Earmarked reserves	£43,957
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

<b>Section 1 – proper bookkeeping</b> 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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	YES	The council uses Scribe spreadsheet to form the basis of their accounting system detailing receipts and payments ensuring 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 council's 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.
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b> 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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	YES	At a meeting on 23 <sup>rd</sup> February 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 23 <sup>rd</sup> February 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)? <sup>1</sup>	YES	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration) the council approved the clerk to be the Responsible Financial Officer as per the council's own Financial Regulations (1.8) which state that the Clerk is the RFO.
<b>Additional comments:</b>		

<sup>1</sup> Section 151 Local Government Act 1972 (d)

<b>Section 3 – Payment controls</b> 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.		
<b>Evidence</b>		<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 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.
Where applicable, are internet banking transactions properly recorded and approved?	YES	Internet banking is operated by the Council with the Risk Assessment documentation detailing the terms of reference for such payments to be made: All payments are reported to the Council for approval. Council has ensured that there are dual authority procedures in place when making payments using online banking. Evidence was provided of payments being raised by the RFO awaiting approval from an authorised council member.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is claimed quarterly and recorded within the minutes when submitted and when the funds are received. Evidence was provided of submissions for the periods of: 01/04/21 to 30/06/2021 totalling £762.15 01/07/21 to 30/09/2021 totalling £1,051.73 29/09/21 to 31/03/2021 totalling £729.57 30/09/21 to 31/12/2021 totalling £483.06

Last reviewed: 7<sup>th</sup> April 2022

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	YES	The council adopted the General Power of Competence at a meeting held 26 <sup>th</sup> February 2020.
Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	As the council has the GPoC this would be its first power for expenditure.
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.
<b>Additional comments:</b>		

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<sup>2</sup> Localism Act

<sup>3</sup> 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.

<b>Section 4 – Risk management</b> 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 28th April 2021..
<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.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee <b>and</b> 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/Products Liability: £10m; Employers Liability £10m; Fidelity Guarantee £50k. At a meeting held 26th May 2021 the insurance cover was checked and agreed.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	YES	At a full council meeting on 28th April 2021, it was evidenced that the council reviewed the Internal Control Check and Statement of Internal Control in accordance with the Accounts and Audit Regulations 2015. This was approved and signed off by council. This clearly demonstrates 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. These are published on the council's website.
<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 appointment<sup>5</sup></i>	YES	The adequacy of the internal audit was covered within the Internal Control documentation which was discussed by full Council at a meeting held 28th April 2021. By reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the

<sup>4</sup> Accounts and Audit Regulations

<sup>5</sup> Practitioners Guide

		function of internal audit is to test and report to the authority on whether its system of internal control is adequate.
<b><i>Additional comments:</i></b>		



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
Verify that budget has been properly prepared and agreed	YES	The budget for 2021/2022 was agreed and set at a meeting of full council on 16 <sup>th</sup> December 2020.
Verify that the precept amount has been agreed in full Council and clearly minuted	YES	The precept for 2021/2022 was set at £21,500 and formally approved at a meeting of full council on 16th December 2021.
Regular reporting of expenditure and variances from budget	YES	Reporting of expenditure v budget is conducted on a quarterly basis with details provided on the councils website.
Reserves held – general and earmarked <sup>6</sup>	YES	The councils accounts show a general reserve of £15,927 and an earmarked reserve of £43,957. Council is aware of the guidance as issued by Proper Practices which states that it is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 12 months of Net Revenue Expenditure and should ensure that the level of general reserves adopted is in accordance with its General Reserve Policy. 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).
<b>Additional comments:</b> Budget: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year: <ul style="list-style-type: none"> <li>• decide the form and level of detail of the budget;</li> <li>• review the current year budget and spending;</li> <li>• determine the cost of spending plans; • assess levels of income;</li> <li>• bring together spending and income plans;</li> <li>• provide for contingencies and consider the need for reserves;</li> </ul>		

<sup>6</sup> 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

Last reviewed: 7<sup>th</sup> April 2022

- approve the budget;
- confirm the precept or rates and special levies; and
- review progress against the budget regularly throughout the year.

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 within the quarterly reports and recorded on the councils website.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	YES	The receipt of the precept to the value of £21,500 was received.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	YES	The council received two CIL payments throughout the financial year, £1,986.44 in April 2021 and £1,318.43 October 2021 totalling £3,304.87 which is reported within the council's quarterly reports. A copy of the CIL report is available on the council's website and details a balance carried forward of £20,342.99 with income as detailed above at £3,304.87 with no expenditure, giving a total balance of £23,647.89.
<i>Is CIL income reported to the council?</i>	YES	
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES	
<i>Has an annual report been produced?</i>	YES	
<i>Has it been published on the authority's website?</i>	YES	
<b>Additional comments:</b>		

<sup>7</sup> Community Infrastructure Levy Regulations 2010

<b>Section 7 – petty cash</b> 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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is petty cash in operation?</i>	<i>N/A</i>	The council does not operate a petty cash system.
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
<b>Additional comments:</b>		

Section 8 – Payroll controls		
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 1 <sup>st</sup> 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	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. 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.
<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. Deductions paid to HM Revenue and Customs during the year under review were made in accordance with timescales as set out in the regulations
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	YES	Council provides its member of staff with a pension as detailed on the payslip. Council is aware they must provide a re-declaration to the Pension Regulator every three years with the last re-declaration carried out 27 <sup>th</sup> April 2020.
<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.
<b>Additional comments:</b> 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.		

<sup>8</sup> 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?<sup>9</sup></i>	YES	A copy of the councils Asset Register was reviewed and reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end 31 <sup>st</sup> March 2022) was £67,146.91. and is in accordance with that detailed in the 2021/2022 AGAR.
<i>Is 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>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	YES	The Asset Register details regular reviews with full council discussing at a meeting held 28th April 2021 and again 30th March 2022.
<i>Cross checking of insurance cover</i>	YES	At a meeting of council held 26th May 2021 it was agreed the insurance covers all assets held.
<b>Additional comments:</b>		

<sup>9</sup> Practitioners Guide

<b>Section 10 – bank reconciliation</b> 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 on a monthly basis with full council agreeing the figures and the Chairman signing the reconciliation.
<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 £59,953.64.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded on a monthly basis approved by full council and signed by the chairman. In accordance with Proper Practices, Council has implemented a system whereby full council assesses and formally approved the reconciliations with the chairman signing off the bank reconciliation. This is not only good practice but also is a safeguard for the RFO and fulfils one of the authority's internal control objectives

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	YES	The accounts are produced on receipts and expenditure basis.
Financial trail from records to presented accounts	YES	There is a clear financial trail from budgeting, invoice, authorisation, payment and banking.
Has the appropriate end of year AGAR <sup>10</sup> documents been completed?	YES	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it will be required to complete Part 3 of the AGAR. This was presented to the auditor signed and dated following approval at the council meeting.
Did the Council meet the exemption criteria and correctly declared itself exempt?	N/A	
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?	YES	Council correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.
Have the publication requirements been met in accordance with the Regulations?	YES	<p>The Council has mostly complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 March 2021 and published the following on a public website:</p> <ul style="list-style-type: none"> <li>• Internal Audit Report of the AGAR</li> <li>• Section 1 – Annual Governance Statement of the AGAR</li> <li>• Section 2 – Annual Accounting Statements of the AGAR</li> <li>• Section 3 – External Audit Report and Certificate.</li> <li>• The Notice of the conclusion of audit</li> <li>• The Notice of the period for the exercise of public rights must also be published</li> </ul>

<sup>10</sup> Annual Governance & Accountability Return (AGAR)



Last reviewed: 7<sup>th</sup> April 2022

***Additional comments:***

<b>Section 12 – internal audit</b> 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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	YES	The Internal Audit Report was minuted under agenda item 11407 as being received and reviewed by full council at a meeting held 26th May 2021.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	Recommendations reported within the previous internal audit appear to have been mostly addressed.
<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 26th January 2022.
<b>Additional comments:</b>		

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		Internal auditor commentary
Has the Council considered the previous external audit report? <sup>11</sup>	YES	No issues were raised within the external report other than a revision of the figures which was amended accordingly.
Has appropriate action been taken regarding the comments raised?	N/A	As above
<b>Additional comments:</b>		

<sup>11</sup> 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.

<b>Section 14 – additional information</b> The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>12</sup> <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> <sup>13</sup>	YES	The Annual Parish Council Meeting was held 26 <sup>th</sup> May 2021 with its first item on the agenda the election of the Chairman and signing of the Declaration of Acceptance of Office as specified in the councils Standing Orders.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>14</sup>	YES	Council has a page numbering system with minutes signed and dated as a true record of the meeting held.
<i>Is there a list of members' interests held?</i>	YES	Evidence was seen on the District Authority'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	Councils with income over £25,000 but under £200,00 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000). Council is working towards ensuring compliance with the requirements under the Transparency Code 2015.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> <sup>15</sup>	YES	The Council is registered with the ICO as a data controller. Registration Certificate ZA426312 expiry date 13th June 2022.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	YES	The council has taken positive steps to ensure compliancy with a good portfolio of documentation available on the councils website which are regularly reviewed at full council meetings.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?</i> <sup>16</sup>	YES	The council has published a Website Accessibility Statement.

<sup>12</sup> The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

<sup>13</sup> The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

<sup>14</sup> Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

<sup>15</sup> Data Protection Act 2018

<sup>16</sup> Website Accessibility Regulations 2018

Last reviewed: 7<sup>th</sup> April 2022

<i>Does the council have official email addresses for correspondence?<sup>17</sup></i>	YES	The clerk and councillors have gmail email addresses linked to the council. 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.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	These were not viewed at the time of the internal audit.
<b>Additional comments:</b>		

Signed: J.Lawes

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 16<sup>th</sup> June 2022

On behalf of Suffolk Association of Local Councils

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<sup>17</sup> Practitioners Guide