

Internal Audit Report for Blyford and Southerton Parish Council for the period ending 31 March 2023

Clerk	Mrs A Donnarchie
RFO (if different)	
Chairperson	Cllr G Walker
Precept	£3,000
Income	£5,512 (from exemption certificate)
Expenditure	£6,301 (From exemption certificate)
General reserves	£6,601.44 plus £2,000 for 'unplanned' eventualities = £8,601.44
Earmarked reserves	£6,200.00 minus £2,000 for 'unplanned' eventualities = £4,200.00
Audit type	Year End (remote)
Auditor name	Colin Poole

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 2022/23 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws, and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being conducted as planned

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	
<i>Is the cash book up to date and regularly verified?</i>	Yes	Regular reports are presented to the council
<i>Is the arithmetic correct?</i>	Yes	
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council conducted its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	<i>Reviewed at the meeting held 18/07/2022 item 8</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>Reviewed at the meeting held 17/07/2023 Item 8a</i>
Has the Council properly tailored the Financial Regulations?	Yes	<i>The Council should satisfy itself that the limits set in paras 5.8, 11.1h and 12.2 are as they wish them to be.</i>
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	
<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		Internal auditor commentary
Is there supporting paperwork for payments with appropriate authorisation?	<i>Part-met</i>	<p><i>Generally minutes show that invoices have been presented to the council for authorisation for payment.</i></p> <p><i>On 16/05/2022 The minutes record that the council approved grants of £500 each to two churches. These grants were not specified on the agenda which only vaguely advised that the council was considering funding requests, without any detail specifying who the grants were to and what those requests were for. The minutes of the meeting held 3/10/2022 indicate that this was a contribution towards insurances.</i></p> <p><i>It is unlawful for councils to transact business that is not specified on the agenda (LGA1972 sch12 s10(2)). Also, in the case of these grants, LGA1894 s8(i) sets a general prohibition on parish councils to fund 'works' to buildings owned by the church, building insurance is almost certainly within that definition, but no note of legal advice having been taken is recorded. It is therefore particularly important that the agenda and minutes in relation to such grants identify the purpose of the funding to demonstrate the grant is lawful.</i></p>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	<i>The new Clerk claimed back £201.32 VAT for the period 2019-2022 on 1/08/2022, which was received on 11/08/2022.</i>

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	<i>Not applicable</i>	
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	<i>Not Seen</i>	<i>The powers used for expenditure are not listed on the accounts or in the minutes. Recommendation: the council should record in the minutes and or accounts the power under which payments are made, including grants. This provides proof both of lawful expenditure and due diligence in making decisions.</i>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	<i>N/A</i>	
<i>Additional comments: Well done on recovering the VAT, it is important that this is regularly claimed.</i>		

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	
<i>Is there evidence that risks are being identified and managed?</i>	Yes	Risk Assessment and Management was reviewed on 16/05/2022 item 7a
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability</i>	Yes	<i>Hiscox insurance EL: £10m</i>

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 £8.82 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

<i>and fidelity guarantee and has been reviewed on an annual basis?</i>		<i>PL:£10m (£12m from 1/03/2023) FL: £250,000 from 1/03/2023</i>
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	<i>Reviewed 16/05/2022</i>
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>	Not Met	<i>Recommendation: SALC can provide a template for this review. Once completed, it is only necessary for the full council to consider annually whether anything has changed.</i> https://www.nalc.gov.uk/library/our-work/jpag/3698-practitioners-guide-2022/file section 4
<i>Additional comments:</i>		

⁴ Accounts and Audit Regulations

⁵ Practitioners Guide

Section 5 – Budgetary controls The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	No	The budget for the year under review was set 17/01/2022. The minutes do not detail the budget that was approved and this information was not on the agenda, which coincidentally, the version on the council website isn't signed by the proper officer. Recommendation: The actual budget approved needs to be recorded in the minutes, which was also absent from the minutes of 16th January 2023. This is so there can be no doubt as to what budget was actually set.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	No	The precept was detailed as 'keep at £3,000', which indicates that there was no increase. However, the minutes do not detail the tax base, so the impact on individual band D households was not set out.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Regular reports are given at council meetings
<i>Reserves held – general and earmarked⁶</i>	Yes	The reserves are set out in the annual accounts. They are incorrectly labelled 'unrestricted' and 'restricted' reserves. These are general and earmarked reserves. The earmarked reserves appear overstated by the inclusion of two entries, £500 for 'unplanned asset requisition' and £1,500 for 'unplanned contingency'. The council's attention is drawn to Governance and Accountability page 55, para 5.199. Earmarked reserves are for a <u>specific</u> future expense, not unplanned ones. General reserves are held for this purpose, see Governance and Accountability page 38 para 5.32. Therefore

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

		<p>the general reserves can be regarded as being £2000 higher than stated, at £8,601, which represents 16 months' net revenue expenditure. Good practice for a small authority would be to hold between 9-12 months' equivalent. There is no specific right of a council to accumulate funds without good reason.</p> <p>Recommendation: The Council should review its reserves policy (last reviewed May 2022) and either identify valid reasons for earmarking funds or produce a plan to reduce the level of general reserves.</p>
<p><i>Additional comments: No recommendations in respect of the precept setting as the minutes of the meeting held 16th January 2023 demonstrated good practice in recording the setting of the precept.</i></p>		

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	
<i>Is income reported to full council?</i>	Yes	
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The council served a precept notice on East Suffolk Council for £3,000 on 3/02/2022. This was paid by remittance dated 1/04/2022 and received 29/04/2022.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	No	Not applicable at this moment in time, but any future development may generate CIL income, so the Council will need to ensure proper treatment at that time.
<i>Is CIL income reported to the council?</i>	No	
<i>Does unspent CIL income form part of earmarked reserves?</i>	No	
<i>Has an annual report been produced?</i>	No	
<i>Has it been published on the authority's website?</i>	No	
Additional comments:		

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures, and verification processes and that these are up to date.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	N/A	Not held
<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 were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. 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>	Yes	At the meeting held 22/03/22 (item 12) the council went into private session to consider the Clerk’s contract and pay scales.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	N/A	
<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	
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	The new Clerk has advised they are in contact with the pensions regulator to establish the correct arrangements.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	<i>Mileage, expenses and working from home allowance is paid</i>
<p>Additional comments: Recommendation: Going into private session is correct for considering employee-specific employment matters. However,</p> <p>a) The council used the wrong power to exclude the public. LGA 1972 S100 is for principal councils only and use by parishes makes an exclusion unlawful. The correct power for parishes is the Public Bodies (Admission to Meetings) Act 1960.</p> <p>b) Adoption of a general uplift in national pay rates isn’t employee-specific, even if there is only one employee, as adoption doesn’t require the actual scale point to be identified. If there were other matters, then the adoption of the general uplift would be in open session and the other matters potentially taken in closed session.</p>		

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

c) The minutes must record the outcome of agenda item held in closed session without breaching data protection, e.g. in this instance a minute to the effect “The council noted the NJC scales applicable to the council had been uplifted by national agreement and agreed to adopt the scales as amended” would have confirmed the decision without revealing what that meant to the clerk’s income. The minutes as they stand do not provide any provenance on which applying the pay uplift can rely, if challenged.

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>	<i>Part Met</i>	An asset register was presented dated 15/05/2023. The minutes for the meeting held 15/5/2023 do not record approval and adoption of this register. The value of the assets has been amended from the reported cost of acquisition, without an explanation being noted on the register. The council’s attention is drawn to Governance and Accountability page 41 para 5.64 and 5.65 An inspection of fixed assets was reported back to council 3/10/22 and maintenance agreed. The insurance cover appears matched to the asset valuation.
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	<i>Yes</i>	
<i>Are records of deeds, articles, land registry title number available?</i>	<i>N/A</i>	
<i>Is the asset register up to date and reviewed annually?</i>	<i>Yes</i>	
<i>Cross checking of insurance cover</i>	<i>Yes</i>	
Additional comments: Recommendation: The council should follow the proper practice set out in Governance and Accountability in respect to the information that should be held on an asset register and proper treatment of asset values, with a separate column showing replacement cost for insurance purposes.		

⁹ Practitioners Guide

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	Spot-check for the period July-September 2022 was satisfactory
<i>Do bank balances agree with bank statements?</i>	Yes	The printed bank statements were checked and found to agree with the reconciliation: 24/03/2023 HSBC Current Account 5154 = £5,376.85 21/03/2023 HSBC Savings Account 2867 = £7,424.59
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Receipts and payments basis
<i>Financial trail from records to presented accounts</i>	Yes	
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	No	Signing of the declaration of exemption was on the agenda for 16/05/2022 but is not mentioned in the minutes, which are the legal record of what happened in the meeting.
<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	26 th June to 4 th August, exhibiting good practice in clearly exceeding the minimum period.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	
<p>Additional comments: <i>The minutes of the meeting held 16/05/2022 do not record separately the approval of the annual governance statements followed by the approval of the accounting statements, by combining them as a single agenda item. This is contrary to proper practice as set out in para 1.43 of Governance and Accountability. The failure to record that the signing of the exemption certificate was approved means it cannot be demonstrated that the council approved it being signed at all.</i></p> <p><i>In addition, the minutes show that the annual governance statements were signed 6 agenda items <u>before</u> the council considered the risk assessment, and the agenda item considering the adequacy of the internal financial controls, which was deferred to the July meeting. Both of those items need to be adopted <u>before</u> the council is capable of signing a warranty that they had controls in place (Governance and Accountability p10)</i></p> <p>Recommendation: <i>Even if it means taking up more paper, it is necessary to record approvals in accordance with proper practice, in sufficient sub-headings to demonstrate each vote was indeed taken both separately and in the right chronological order.</i></p>		

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 Council considered the previous internal audit report?</i>	Yes	The report was considered at the meeting held 18/07/2022.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	Heelis and Lodge were appointed 21/03/2023. SALC were appointed 18/09/2023
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹²</i>	N/A	Council is exempt
<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 (i.e., All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.

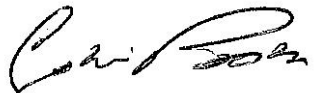
Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	Yes	The Annual Meeting of the Council was held 16 th May and the first item on the agenda was the election of the Chair.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Part Met	Pages are not numbered as required in the internal controls document adopted May 2023
<i>Is there a list of members' interests held?</i>	Yes	The register on the District Council website was examined. Recommendation: Councillors should review their register entry regularly to ensure it is up to date. Attention is particularly drawn to DPI5, beneficial interest in any land in the Council's area, including your place(s) of residence, for which several councillors have listed 'none', which is a surprisingly high proportion.
<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	
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	Yes	ZA129945 to 31/05/2023
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

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

¹⁵ Data Protection Act 2018

<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	Suffolk Cloud Accessibility Statement
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	clerkblyfordandsothertonpc@gmail.com Recommendation: Note Governance and Accountability page 12 para 1.26 on this matter.
<i>Is there evidence that electronic files are backed up?</i>	Yes	The clerk advised that regular back-up is to a USB stick. Recommendation: The USB stick should be held in a separate dwelling with suitable password protection. The Council may wish to review the suitability of this method of backing up of data.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	There are currently no committees.
<p>Additional comments: <i>The New Clerk is clearly making good progress ensuring that Blyford and Southerton Parish Council is following good practice. It cannot all be done at once but the improvement is very evident. Good support and training for the Clerk will help this process. Thank you for her assistance in completing this audit.</i></p>		

Signed: 

Date of Internal Audit Visit: 30/09/2023 Date of Internal Audit Report: 10/10/2023

On behalf of Suffolk Association of Local Councils

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide