

Internal Audit Report for Wherstead Parish Council

for the year ending 31st March 2023

Clerk	Samantha Barber
RFO (if different)	As above
Chairperson	David Baldry
Precept	£5,985.00
Income	£11,122.76
Expenditure	£10,108.23
General reserves	£5,300.00
Earmarked reserves	£39,515.00
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:

- 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	The council uses an excel spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear 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 council's underlying statements. Regular reports are generated and circulated to councillors detailing receipts and payments 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.
Additional comments: The ledger and the minutes clearly identify the spending power used for each item, evidencing the council is operating within its mandate.		

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	At a meeting on 10 th January 2023 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 15 th November 2022. These are available to view on the council's website and are based on the NALC Model Financial Regulations 2019. COMMENT: Council might wish to review the Procurement Thresholds amendments (SI 2022/139) of the Public Contracts (Amendment) Regulations 2022 which came into force on 21st December 2022 and make the changes to the contract value limits from £25,000 to £30,000 for non-central government authorities. The contract value limits are to be calculated inclusive of VAT (effective from 1 st January 2022).
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	YES	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority. Council's own Financial Regulations (1.8) state that the Clerk is the RFO.
Additional comments:		

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?	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	Councils Risk Assessment details that all payments need two authorisers both by cheque and electronically. The Council review the bank statement at every meeting and bank balances are reported. A copy of the up-to-date accounts are sent to all councillors prior to a meeting. Councils Financial Regulations 6.10. states 'If thought appropriate by the council payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment.' RECOMMENDATION: To record which members approved the online payments, those councillors could sign, or initial invoices to retain a trail of evidence.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is clearly identified in the cash book with the year-end total of £615.58 and a claim made during the course of the year to HMRC for the value of £2,460.96. This was evidenced as received in the Barclays Current Account on 19 th May 2022.

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	The council has not adopted the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	There were no s137 payments made during the period 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 loans.
Additional comments:		

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	YES	This was considered for the period under review at the meeting of the council on 6 th October 2022 and covers in general terms the matters which would prevent a smaller relevant body from functioning.
<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</i>	YES	Council had insurance in place under a BHIB Policy which showed core cover for the following: Public Liability: £10m; Employers Liability £10m;

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>		and Fidelity Guarantee of £50k. The level of Fidelity Guarantee meets the recommended guidelines which provides that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants. Council is on a 3 year fixed arrangement, expiring 2 nd June 2024. COMMENT: The fidelity guarantee on the policy schedule provided is close to the recommended figure for the period under review. It is noted that at a meeting of council held 7 th March 2023 that the level of fidelity cover was reviewed and confirmed as acceptable at £60k being increased following the recommendation within the previous audit review.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	At a full council meeting on 6 th October 2022, it was evidenced that the council reviewed its Internal Control Check. 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 appointment⁵</i>	YES	The effectiveness of the internal audit was discussed by full Council at a meeting held 6 th October 2022 within the Internal Control Statement. 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 internal audit is to test and report to the authority on whether its system of internal control is adequate.
Additional comments:		

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>	YES	A budget was discussed, agreed and set at a meeting of full council held 11 th January 2022.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £5,985 and formally approved at a meeting of full council on 11 th January 2022. Evidence of the submission to Babergh District Council was viewed by the Internal Auditor.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Expenditure and budget variances are reported at council meetings alongside the bank reconciliation and reported to full council.
<i>Reserves held – general and earmarked⁶</i>	YES	The councils accounts show a general reserve of £5,300 and an earmarked reserve of £39,515, broken down as: £1,000 – Elections £35,787 – CIL £310 – Covid Grant £454 – Neighbourhood Plan £1,964 WWRA
Additional comments:		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
Is income properly recorded and promptly banked?	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.
Is income reported to full council?	YES	Income is reported to full council and recorded within the minutes.
Does the precept recorded agree to the Council Tax Authority’s notification?	YES	The bank statements evidence the receipt of the precept of £5,985 as per the Council Tax Authority notification received in two separate payments in April and September at £2,992.50 each.
If appropriate, are CIL reporting schedules in accordance with the Regulations? ⁷	YES	A CIL report for the year ended 31 st March 2023 is provided on the council’s website, detailing the following: £35,847.14 Start Balance £0.00 Income £60.00 Expenditure £35,787.14 End Balance
Is CIL income reported to the council?	N/A	
Does unspent CIL income form part of earmarked reserves?	YES	
Has an annual report been produced?	YES	
Has it been published on the authority’s website?	YES	
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 does not operate a petty cash system.
<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. 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>	YES	The council had 1 employee on its payroll at the period end of 31st March 2023. Employment contracts were not reviewed but confirmed to be in place. The Clerk / RFO began their employment with Wherstead Parish Council on 1 st July 2022. Salary is approved by full council.
<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	The payroll function is operated in accordance with HM Revenue and Custom guidelines.
<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.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	Council confirmed it complied with its pension responsibilities at a meeting held 6 th October 2022 following the employment of the new staff member.
<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.
Additional comments: 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.		

⁸ 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?⁹</i>	YES	The declared value for all assets at year-end 31 st March 2023 as detailed in Section 2 of the Accounting Statements was £10,233. The location, item, description, date acquired, value, condition and replacement costs of assets is detailed within the register. Records of deeds, articles and land registry documents were not viewed at the time of audit.
<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 annual reviews.
<i>Cross checking of insurance cover</i>	YES	At a meeting of council held 10 th May 2022 insurance cover was agreed as acceptable.
Additional comments:		

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	Bank Reconciliations are conducted at each meeting with council approving the accounts and the balance figures reported.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and, as at year end the balance across the council's accounts stood at £45,567.79 as recorded in the Draft Statement of Accounts. £7,05.68 Current Account £35,787.14 Business Account £2,728.97 Business Account
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded on a regular basis at each meeting of full council and recorded within the minutes.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	YES	The accounts are produced on receipts and payments 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 ¹⁰ documents been completed?	YES	As the Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Section 2 of Part 2 of the AGAR.
Did the Council meet the exemption criteria and correctly declared itself exempt?	N/A	The council did not declare itself exempt for 2021/2022 instead opting for a limited assurance review.
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?	Partly Met	Evidence of a confirmation of the dates of the period for the exercise of public rights was seen on the council website detailing Friday 1 st July to Thursday 11 th August. COMMENT: There was no evidence within council minutes for the setting of the dates for the exercise of public rights, and the form used and published clearly states <u>This form is not for publication on your website</u> with council using the incorrect form.
Have the publication requirements been met in accordance with the Regulations? ¹¹	YES	The council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 as the following were published on the public website operated by the Council: <ul style="list-style-type: none"> • 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

		• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
<i>Additional comments:</i>		

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 Internal Audit Report was considered by full council at meetings held 12 th July and 6 th October at which it was agreed the Clerk was to work through any recommendations.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Partly Met	Following the appointment of the new clerk, it is evidenced that some of the comments / recommendations within the Audit Report have been actioned. Items outstanding include: <ul style="list-style-type: none"> • The adoption of a Model Publication Scheme • Further GDPR policies – Data Retention Policy, Impact Assessment Policy
<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 7 th March 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>	YES	Council recorded the receipt of the external report at a meeting of council held 6 th October 2022.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	There were no action points raised within the report.
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		Internal auditor commentary
Was the annual meeting held in accordance with legislation? ¹³	YES	The Annual Parish Council Meeting was held 10 th May 2022 with its first item on the agenda the election of the Chairman as specified in the councils Standing Orders.
Is there evidence that Minutes are administered in accordance with legislation? ¹⁴	YES	Council has an agenda and page numbering system, with minutes approved by full council and detailed as signed and dated as a true record of the meeting held.
Is there a list of members' interests held?	YES	Evidence was seen on the District Authority website of the Register of Interests for current Parish Councillors. COMMENT: A link is provided on the parish council website page for members, however does not work.
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	N/A	Council has no trustee responsibilities.
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	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 2021/2022 not later than 1 July: <ul style="list-style-type: none"> • Internal Audit Report • List of Councillors and Responsibilities • End of Year Accounts • Annual Governance Statement • 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.

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

		RECOMMENDATION: To be compliant with the Transparency Code council must also publish the following: <ul style="list-style-type: none"> Items of Expenditure Above £100 including recoverable and non-recoverable VAT
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	YES	The Council is registered with the ICO as a data controller as evidenced in the payment of £35.00 made 10 th June 2022.
Is the Council compliant with the General Data Protection Regulation requirements?	Partly Met	<p>The council has taken steps to ensure compliancy. Documents detailed on the council's website include: Subject Access Request Policy (SAR), Data Protection Information Management Policy, Social Media and electronic Communication Policy.</p> <p>RECOMMENDATION: Council should look to expand its data protection policies to ensure regulations are met, as reported in the previous internal review these should include a Data Retention Policy and Impact Assessment Policy.</p> <p>Additional documents to consider include: Consent Form, Data Asset Register, General Privacy Notice, Privacy Notice Staff / Councillors, Security Breach Procedure.</p>
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	The clerk and councillors have official email addresses directly linked to the council.
<i>Is there evidence that electronic files are backed up?</i>	YES	Councils Risk Assessment documents that the Parish Council's electronic records are stored on USB and not on the hard drive of the Clerk's laptop. Records are regularly backed up after each Parish Council meeting (bi-monthly).
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The council does not have committees
Additional comments:		

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

Signed: *J. Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 16th June 2023

On behalf of Suffolk Association of Local Councils