

Internal Audit Report for Peasenhall Parish Council for the year ending 31st March 2022

Clerk	Lisa Eveleigh
RFO (if different)	As above
Chairperson	Cllr Steve Pewsey
Precept	£11,957.39
Income	£14,248.29
Expenditure	£7,282.50
General reserves	£11,140.00
Earmarked reserves	£27,000.00
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 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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	YES	The council uses a computerised system to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management 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 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.
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	At a meeting on 27 th November 2021 the council conducted 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 The Standing Orders are published on the council's website.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a council meeting held 27 th November 2021. These are available to view on the council's website and are based on the NALC Model Financial Regulations 2019. The Financial Regulations are published on the council's website.
Has the Council properly tailored the Financial Regulations?	YES	The 2021 Model 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. This was confirmed at the meetings of full council held 26 th January 2022 and is documented within the minutes.
Additional comments: Cllr Potter carried out the role of interim RFO during a period at which there was a change in clerk. It is recorded within the minutes that Cllr Potter was at the time the only signatory for bank transfers and cheque signing, however the minutes record the payments made, and invoices are initialled by two members showing that the council has managed the potential risks.		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	YES	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	The council Risk Assessment Policy dated February 2022 details BACS transfers require two authorisations.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is clearly identified in the cash book with a claim made during the year to HMRC for the value of £355.90. This was recorded within the full council minutes at a meeting held 23 rd February 2022.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	NO	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?	YES	S137 payments made during the period under review totalled £794.00. These are recorded and minuted and are within the statutory limits of the s137 allocations

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 £8.41 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

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 23 rd February 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 and fidelity guarantee and has been reviewed on an annual basis?</i>	YES	Council has insurance in place under a BHIB Policy which shows core cover for the following: Public/Products Liability: £10m; Employers Liability: £10m and Fidelity Guarantee of £250k. 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.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	NO	The Internal Controls were not reviewed during the period under audit with the last reviewed documented as taking place 31 st March 2020. The Internal Controls on the council's website are dated 2019/2020. At a full council meeting on 27 th April 2022, it was evidenced that the council reviewed its Internal Control Check.

⁴ Accounts and Audit Regulations

		<p>RECOMMENDATION: Council should ensure its Internal Controls are reviewed at a minimum on an annual basis. This would demonstrate public finances are adequately protected and managed and evidence necessary steps 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.</p>
<p><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></p>	<p>YES</p>	<p>The Council's Risk Assessment details the effectiveness of the Internal Audit / Auditor. This was reviewed at a meeting of council 23rd February 2022. By reviewing the effectiveness for internal audit, the council demonstrated that it recognised that the function of Internal Audit is to test and report to the authority on whether its system of internal control is adequate.</p>
<p>Additional comments:</p>		

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 agreed and set at a meeting of full council 27 th January 2021.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £11,957.39 and formally approved at a meeting of council on 27 th January 2021. Evidence of the submission to East Suffolk Council was viewed by the Internal Auditor.
<i>Regular reporting of expenditure and variances from budget</i>	Partly Met	Expenditure v Budget reporting is detailed in the Internal Control Statement to be conducted on a quarterly basis and reported to full council. This is only recorded to have taken place for the first quarter in June 2021 and the second quarter October 2021. Expenditure is clearly reported at council meetings alongside bank balances. Comment: Council has had a change in Clerk / RFO within the year under review with a councillor having to fulfil the role of RFO until 26 th January 2022.
<i>Reserves held – general and earmarked⁶</i>	YES	The councils accounts show a general reserve of £11,140 and an earmarked reserve of £27,000.
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
<i>Is income properly recorded and promptly banked?</i>	YES	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 and recorded within the minutes.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	YES	The bank statements and minutes evidence the receipt of the precept of £11,957.39 as per the Council Tax Authority notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	For the period under review the council received no CIL income and held no CIL monies in their accounts. Comment: It is noted in the minutes of the council meeting held 24 th November 2021 that the council approved a Community Infrastructure Levy Report, however this is not provided on the council website. If the council has never received any CIL income this is not required.
<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 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>	<i>Not Seen</i>	The council had 1 employee at the period end of 31st March 2022.
<i>Has the Council approved salary paid?</i>	<i>YES</i>	Employment contracts were not reviewed during the Internal Audit which was conducted remotely.
<i>Minimum wage paid?</i>	<i>NO</i>	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	<i>YES</i>	The Clerk advised she was recruited as a self-employed literary agent and by agreement with Peasenhall Parish Council, invoices them on a monthly basis, paying her own National Insurance contributions. They have now recognised this is not correct practise and are in communication with SALC Payroll services to correct this action moving forward.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	<i>NO</i>	
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	<i>NO</i>	RECOMMENDATION: Following the employment of the new clerk the council should register details with the Pension Regulator and opt in or out accordingly.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	<i>YES</i>	Council approves all expenses as and when occurred.
Additional comments:		

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 2022 on the Asset Register was £27,747.26 which shows movement from the previous year which was recorded as £27,689.48.
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	YES	RECOMMENDATION: Section 2 Accounting Statements of the AGAR records total fixed assets at £27,869.00 however the Asset Register records a figure of £27,747.26.
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	The Annual Return figure should be amended to be that recorded on the Asset Register. Records of deeds, articles, land registry not viewed.
<i>Is the asset register up to date and reviewed annually?</i>	YES	The Asset Register details annual reviews with full council agreeing the register at a full council meeting held 23 rd February 2022.
<i>Cross checking of insurance cover</i>	YES	Council has insurance for assets to the value of sums under generic headings. Comment: Upon renewal, council should document within the minutes that the insurance policy has been reviewed and covers all that is required.
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	Evidence was provided of quarterly bank reconciliations which reconcile with the cash sheet. The bank balances are reported on a monthly basis at each full council meeting. Comment: As previously advised, council should ensure they minute the quarterly banking reconciliations in accordance with the councils own Internal Control Statement.
<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 £17,676.52 as recorded in the Draft Statement of Accounts.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded at each council meeting within the Finance Report.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	The accounts are produced on receipts and payments basis.
<i>Financial trail from records to presented accounts</i>	YES	There is a clear financial trail from budgeting, invoice, authorisation, payment and banking.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	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. RECOMMENDATION: Section 2 Accounting Statements (2) Precepts or Rates and Levies details the precept received as £12,062 . This should be £11,957 and not include the grant of £105.00 . The grant should be detailed in Box 3 Total Other Receipts.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	YES	As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2020/21, it was able to certify itself as exempt. At the meeting of 6 th May 2021, Council agreed that it would be exempt from an external audit due to its gross income and expenditure not exceeding £25,000.
<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	There was no evidence to demonstrate that the smaller authority correctly provided for the exercise of public rights.
<i>Have the publication requirements been met in accordance with the Regulations?</i>	Partly Met	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"> • 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

¹⁰ Annual Governance & Accountability Return (AGAR)

	<ul style="list-style-type: none">• Analysis of variances• Bank reconciliation <p>RECOMMENDATION: Council must also publish the notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</p>
<p><i>Additional comments:</i></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.		
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 a meeting held 28 th July 2021 at which recommendations were considered.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	It is evidenced within the minutes items raised within the Audit Report have been actioned.
<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 27 th October 2021.
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?¹¹</i>	N/A	As the council was a smaller authority it was exempt from a limited assurance review and therefore no external report was issued.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	As above
Additional comments:		

¹¹ 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> ¹² <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> ¹³	YES	The Annual Parish Council Meeting was held 6 th 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> ¹⁴	YES	Council has an agenda and page numbering system.
<i>Is there a list of members' interests held?</i>	YES	A link is provided to the East Suffolk Council 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	The council does not function as a sole trustee.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	YES	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2021/2022 not later than 1 July: <ul style="list-style-type: none"> • Internal Audit Report • List of Councillors and Responsibilities • Items of Expenditure Above £100 including recoverable and non-recoverable VAT • End of Year Accounts • Annual Governance Statement • Asset Register

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

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

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

		<ul style="list-style-type: none"> and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	YES	The Council is registered with the ICO as a data controller. Registration Certificate C1178528 expiry date 4 th September 2023.
Is the Council compliant with the General Data Protection Regulation requirements?	YES	The council has taken steps to ensure compliancy and has adopted a Data Protection policy which is available on the council's website, alongside a Personal Data Audit and Subject Access Policy and Procedure document. Comment: The documents on the website are dated 2018 and 2020 and would benefit from being reviewed.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	NO	The council has not published a Website Accessibility Statement. Comment: Guidance can be found on the SALC website or by your website provider.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	The clerk of the council has an official email address, however email addresses for councillors all differ and appear to be personal accounts. Comment: In accordance with the Practitioners Guide the importance of smaller authorities using secure e-mail systems and gov.uk addresses, it is recommended every authority has its own e-mail addresses which is owned by the authority rather than relying on the use of personal e-mail addresses that can change regularly. 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	
Additional comments:		

Signed: J.Lawes

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

SALC Internal Audit Report template (v.3)

Last reviewed: 7th April 2022

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 20th September 2022

On behalf of Suffolk Association of Local Councils