

## Internal Audit Report for Exning Parish Council for the year ending 31 March 2021

Clerk	Cathy Whitaker
RFO (if different)	
Chairperson	Cllr Terry Wood
Precept	£60,000
Income	£76,485.61
Expenditure	£71,500.84
General reserves	£30,000
Earmarked reserves	£25,912
Audit type	Annual
Auditor name	<b>Sandra Brown</b>

### Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- the effectiveness of operations
- the economic and efficient use of resources

- compliance with applicable policies, procedures, laws and regulations
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- the integrity and reliability of information, accounts and data

## Methodology

When conducting the audit, the internal auditor may:

- carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2020/21 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

<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 a computerised spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	This provides good evidence to support the Council’s underlying statements.
<i>Is the arithmetic correct?</i>	Yes	Accounting records were spot checked – they are well maintained and clearly identify expenditure and income at any given point.
<b>Additional comments:</b> <i>It was noted a covid-19 volunteer shopping payment scheme was run by Council with a minute reference at a Council meeting held on 23 September 2020 that the scheme had closed with all accounts in balance.</i>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	<i>At the meeting on 22 July 2020 Council amended Standing Orders to reflect the update in procurement thresholds. At a Council meeting of 24 February 2021 the Council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018)</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>At the meeting on 22 July 2020 Council amended Financial Regulations to reflect the update in procurement thresholds. At a Council meeting of 24 February 2021 the Council carried out an annual review of its Financial Regulations. Use of the Model Financial Regulations (produced by NALC in 2019)</i>
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	<i>The Clerk is the Responsible Financial Officer.</i>
<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	<i>A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each full Council meeting a list of payments is presented to 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 supported by a straight forward and clear audit trail for each payment.</i>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	<i>There is clear evidence of good practice – payments are checked by two councillors against invoices and online authorisation is then completed demonstrating the council is working in line with its own Financial Regulations. A schedule of both due and retrospective regular payments are submitted to the Council for approval at each meeting and appended to the Minutes. This is also published on the Council's website.</i>
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<i>Correctly identified in the cash book.</i>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	No	<i>The Council has not adopted the General Power of Competence.</i>

<sup>2</sup> Localism Act

Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	<i>Payments for the year under review total £250.</i>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
<b>Additional comments:</b>		

<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.		
<b>Evidence</b>		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 24 February 2021 and covers in general terms the matters which could prevent a smaller relevant body from functioning.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The financial risk assessment covers the financial and property risks including maintenance of assets. At a Council meeting held on 23 September 2020 a minute reference was made confirming the annual playground inspection had been carried out.
<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	<i>General insurance from Zurich for the period under review shows core cover. Fidelity Guarantee cover is £250,000 which given the current balances held by the Council is within the recommended guidelines.</i>

<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 £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

		<p><i>Public Liability £12million</i></p> <p><i>Employment Liability £10million</i></p> <p><i>The Council's insurance cover was renewed at their meeting on 24 June 2020 and there is a minute to show the cover was reviewed and considered appropriate which shows good practice.</i></p>
<p><i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i></p>	<p>Yes</p>	<p><i>At a meeting of 24 February 2021 it was evidenced that the Council has a comprehensive financial risk assessment that demonstrates public finances are adequately protected and managed and evidence that any 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.</i></p>
<p><i>Evidence that a review of the effectiveness of internal audit has been carried out during the year<sup>5</sup></i></p>	<p>Yes</p>	<p><i>The effectiveness of internal audit was discussed by full Council within the internal control statement submitted and approved at a meeting of 24 February 2021.</i></p>
<p><b><i>Additional comments:</i></b> <i>the Council has identified a number of risks to Exning Parish Council and taken steps to control these. These are clearly identified and approved by the Council. In accordance with proper practices the Council has demonstrated it has taken steps to manage key risks in a way it can justify to a level which is tolerable by transferring the risks and taking out insurance, and that the review of insurance cover has been reported back to full Council and duly minuted. By reviewing the terms of reference for internal audit the council has followed guidance and demonstrates it recognises that the internal audit function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.</i></p>		

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

<sup>5</sup> Governance and Accountability Guide

<b>Section 5 – Budgetary controls</b>		
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		
<b>Evidence</b>		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for the year 20/21 in the sum of £60,000 was discussed at a Council meeting of 23 October 2019 and approved by full Council at a meeting on 27 November 2019.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £60,000 and formally approved at a meeting of 27 November 2019.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Council receives quarterly reports showing comparisons between budgeted and actual income and expenditure and accords with the Council's own Standing Orders.
<i>Reserves held – general and earmarked<sup>6</sup></i>	Yes	The Council's final accounts show general reserves in the sum of £30,000 with earmarked reserves in the sum of £25,912 with overall reserves standing at £55,912.
<b>Additional comments:</b> Council should note guidance as issued under the Practitioners Guide which states that an authority needs to have regards to the need to put in place a General Reserves Policy and have reviewed the level and purpose of Earmarked Reserves.		

<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



<b>Section 6 – income controls</b>		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
<b>Evidence</b>		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	A number of items of income were cross-checked against the cash book and bank statements and found to be in order. In accordance with proper practices the Responsible Financial Officer ensures that accounting records contain day to day entries of all sums of money and that income received is promptly banked when necessary.
<i>Is income reported to full council?</i>	Yes	In accordance with the Council’s Standing Orders.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The Council received a precept of £60,000 during the year under review in one payment from West Suffolk Council.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	N/A	No CIL payments received.
<i>Is CIL income reported to the council?</i>		
<i>Does unspent CIL income form part of earmarked reserves?</i>		
<i>Has an annual report been produced?</i>		
<i>Has it been published on the authority’s website?</i>		
<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>	Petty cash not in operation.
<i>If appropriate, is there an adequate control system in place?</i>		
<b>Additional comments:</b>		

<b>Section 8 – Payroll controls</b>		
<p>The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1<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.</p>		
<b>Evidence</b>		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>		At year end Council has four employees during the period under review.
<i>Has the Council approved salary paid?</i>	Yes	Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council.
<i>Minimum wage paid?</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>	Yes	The payroll function is operated in accordance with HM Revenue and Customs guidelines. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	Yes	It is noted that the internal audit report for the previous year commented that Council is aware of its pension responsibilities and that Council has auto-enrolled with the Pension Regulator.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	<i>Council approves all expenses due to be paid in accordance with its own Financial Regulations.</i>
<p><b>Additional comments:</b> Council should note the changes in the Practitioners Guide for 2020 on the treatment of what can be included as employment expenses within the Annual Governance and Accountability Guide 2020 – section 2.16 refers. If applicable, any working from home payments are not to be included within Staff Costs and should be allocated within All Other Payments on the AGAR.</p>		

<sup>8</sup> The Pension Regulator – [website click here](#)

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<b>Section 9 – Asset control</b>		
<p>The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.</p>		
<b>Evidence</b>		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	Declared value is £341,965 for the year 20/21 showing an uplift of £2,875 for the period under review.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	The asset register lists items under insurance that fall within the Council's remit for maintenance and ownership. The register states value as at the date of acquisition and where assets have been gifted or have an unknown value have been given an approximate value.
<i>Are records of deeds, articles, land registry title number available?</i>		
<i>Is the asset register up to date and reviewed annually?</i>		The internal auditor assumes the asset register was reviewed by the Council at its meeting on 24 June 2020 within the review of the adequacy of the insurance policy for Exning Parish Council. <b>Recommend: Council makes a minute reference to the annual review of its asset register.</b>
<i>Cross checking of insurance cover</i>	Yes	Insurance cover £80,929.70 Cemetery Chapel and £36,418.58 Cemetery Outhouses and itemised items with a total of £266,503.39 and is in accordance with the Policy held.
<b>Additional comments:</b>		

<sup>9</sup> Governance and Accountability for Smaller Authorities in England – March 2019



<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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation at each meeting is correctly verified by the Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.
<i>Do bank balances agree with bank statements?</i>	Yes	<i>Bank balances agree with period end statements and, as at year end 31<sup>st</sup> March 2021 for the period under review the balance across the Council's accounts stood at £67,884.46</i> <i>Barclays Active Saver Account £63,667.92</i> <i>Barclays Community Account £4,216.54</i>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to the Council including a quarterly summary of income and expenditure in accordance with the Council's own Standing Orders. The Council is aware that in accordance with proper practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows and therefore aids decision-making.

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on a receipts and payments basis and all found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	The end of year accounts and supporting documentation were well presented for the internal audit review.
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	Yes	The Council is a smaller authority with gross income and expenditure exceeding £25,000, it has completed Sections 1 and 2 of Part 3 of the AGAR. Council may wish to
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	
<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	Public Inspection: The internal auditor was able to find details of the arrangements for the exercise of public rights for the period under review on the public website used by the Council.
<i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i>	Yes	Accounts and Audit Regulations 2015: The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure exceeding £25,000 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – External Auditor Report and Certificate Notice of the period for the exercise of public rights and other information required by Regulation 15(2), Accounts and Audit Regulations 2015.

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

<sup>11</sup> Accounts and Audit Regulations 2015

***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 previous internal audit report been considered by the Council?</i>	Yes	The Internal Auditor's Report for the year ending 31 March 2020 has been considered and reviewed by the Council at their meeting on 24 June 2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The following recommendations were considered and agreed by the Council: Annual review of insurance policy – Actioned
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed as the Council's internal auditor at a meeting of the Council on 24 March 2021 for the period under review.
<b>Additional comments:</b>		

<b>Section 13 – external audit for the period under review</b>		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?<sup>12</sup></i>	Yes	The Limited Assurance Review for the period ending 31 March 2020 was presented to Council at its meeting on 28 October 2020.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	No matters of concern.
<b>Additional comments:</b>		

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<sup>12</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 (ie. All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

<b>Section 14 – additional information</b>		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>13</sup> <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> <sup>f14</sup>	No	For the period in question, as a result of the COVID-19 pandemic the Council chose not to hold an Annual Meeting of the Parish Council.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>15</sup>	N/A	Not seen – as virtual audit.
<i>Is there a list of members' interests held?</i>	Yes	A list of members interests is available via a link on the website of Exning Parish Council to the listings on the West Suffolk Council website.
<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>		Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000)
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> <sup>16</sup>	Yes	The Council is correctly registered with the ICO as a data controller in accordance with legislation – ZA271589
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy – evidenced as follows: Privacy Notices Procedure for dealing with subject access requests and data breaches. Data retention policy including disposal of documents.

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

<sup>14</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>15</sup> Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

<sup>16</sup> Data Protection Act 2018

<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>17</sup></i>	Yes	At a meeting of Council on 23 September 2020 Council agreed to an accessibility statement for the Council's website and this was evidenced on the Council's website.
<i>Is there evidence that electronic files are backed up?</i>	Yes	Within the Council's Risk Assessment back-ups of files are taken daily, auto backup to the Cloud.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
<b>Additional comments:</b>		

Signed: S.J. Brown

Date of Internal Audit Report: 30<sup>th</sup> April 2021

On behalf of Suffolk Association of Local Councils

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<sup>17</sup> Website Accessibility Regulations 2018

**Exning Parish Council's Response to the Internal Audit Report  
(carried out by Suffolk Association of Local Councils) for Financial Year 2019/2020  
Action Plan against Recommendations/Comments**

<b>REQUIREMENT</b>	<b>COMMENTS/RECOMMENDATIONS (IA – SALC)</b>	<b>ACTION PLAN (CLERK – EPC)</b>
<b>5 Budgetary Controls</b>	<b>Additional Comments:</b> Council should note guidance as issued under the Practitioners Guide which states that an authority needs to have regards to the need to put in place a General Reserves Policy and have reviewed the level and purpose of Earmarked Reserves.	<b>June 2021</b> agenda item – To approve a Reserves Policy for Exning Parish Council. Policy and General/Earmarked Reserves to be annually reviewed, going forward, at point of Budget process.

**Cathy Whitaker**

**Clerk to Exning Parish Council**

**23/6/2020**