

Internal Audit Report for Sweffling Parish Council

for the year ending 31st March 2023

Clerk	Alyson Chivers
RFO (if different)	As above
Chairperson	Councillor John Tesh
Precept	£3,900.00
Income	£6,068.25
Expenditure	£10,486.65
General reserves	£7,247.00
Earmarked reserves	£0.00
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 payments and receipts 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		Internal auditor commentary
Have Standing Orders been adopted, up to date and reviewed annually?	YES	At a meeting on 10 th May 2022 the council carried out an annual review of its Standing Orders, these are available to view on the council's website and are based on the Model Standing Orders produced by NALC IN 2018 which take into account changes in legislation from those produced in 2013. <i>The Standing Orders published on the council website are that of those adopted at a meeting held 29th June 2023.</i>
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a council meeting held 10 th May 2022. These are available to view on the council's website and are based on the NALC Model Financial Regulations 2019. <i>The Financial Regulations published on the council website are that of those adopted at a meeting held 29th June 2023.</i>
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		<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?	N/A	At a meeting held 8 th November 2022 council agreed to stop using online banking and reverted back to using cheques. One payment is made by monthly direct debit to Zurich Insurance.
Is VAT correctly identified, recorded, and claimed within time limits?	Partly Met	VAT was not separately identified within the 2022-2023 cash book. A payment was received from HMRC to a value of £2,157.76 received 9 th June 2022 and was evidenced in the cashbook as income received, and recorded in the Business Account bank statement. RECOMMENDATION: Council should look to include a breakdown of the payment details to include VAT values.
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.

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	NO	Section 137 payments were not separately identified in the cashbook. RECOMMENDATION: Council should look to include a column within its cashbook detailing the power used for each expenditure. This would provide clear evidence that that council is working within its remit and separately detail any payments made under s137.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	NO	The council has no loans.
Additional comments:		

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.

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 10 th May 2022, and also detailed at further meetings held 29 th June and 11 th July 2022 and covers in general terms the matters which would prevent a smaller relevant body from functioning. This is published on the council website.
<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 an Ansvar Policy which shows core cover for the following: Public/Products Liability £10m; Employee Liability £10m and Fidelity Guarantee of £25k. 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	There was no evidence that a review of the council internal controls was carried out during the period under review. COMMENT: Evidence was provided to the Internal Auditor that at a meeting of council held 29 th June 2023 the council reviewed its Internal Control Check for the period of 203/2024. This is a positive step for the council moving forward and 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.

⁴ Accounts and Audit Regulations

<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>NO</p>	<p>As above, there is no evidence to suggest the effectiveness of the internal audit was discussed by Council for the period under review.</p> <p>COMMENT: Evidence was provided to the Internal Auditor that at a meeting of council held 29th June 2023 the council reviewed the effectiveness of the Internal Audit within its Internal Control review for the period of 203/2024. This is a positive step for the council moving forward and clearly demonstrates that 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.</p>
<p>Additional comments:</p>		

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

⁵ Practitioners Guide

Evidence		Internal auditor commentary
Verify that budget has been properly prepared and agreed	YES	A budget was agreed and set at a meeting of full council held 19 th January 2022.
Verify that the precept amount has been agreed in full Council and clearly minuted	YES	The precept was set at £3,900 and formally approved at a meeting of full council on 19 th January 2022.
Regular reporting of expenditure and variances from budget	NO	Expenditure against budget reporting was not conducted during the period under review. At a meeting held 11 th October 2022 it was minuted that the quarterly report had not been completed due to the council not having a clerk. The council has published its year end comparison figures on the Parish website. RECOMMENDATION: In accordance with the Standing Orders, council should look to provide quarterly reporting of expenditure and budget variances at meetings held April, July, October, January.
Reserves held – general and earmarked ⁶	YES	The councils accounts show a general reserve of £7,247 and an earmarked reserve of £0.00. COMMENT: Council should be aware of the guidance as issued by Proper Practices which states that it is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 12 months of Net Revenue Expenditure. There is no upper limit for Earmarked Reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually).
Additional comments:		

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
----------	-----------------------------

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

<i>Is income properly recorded and promptly banked?</i>	<i>YES</i>	Income received by the council included the precept of £3,900, a VAT reclaim of £2,157.76 and Bank Interest. These are correctly recorded in the council cashbook and are in accordance with the bank statements.
<i>Is income reported to full council?</i>	<i>Partly Met</i>	At the meeting held 10 th May 2022 the minutes recorded the cashbook had been circulated prior to the meeting commencing which detailed any income received. There is no evidence of this being done, or income recorded at any meetings thereafter.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	<i>YES</i>	The bank statements and minutes evidence the receipt of the precept of £3,900 as per the Council Tax Authority notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	<i>YES</i>	A CIL report for the year ended 31 st March 2023 recorded a starting balance of £3,537.99 with the full amount spent during the course of the year leaving a zero balance. There was no income received during the period of 2022-2023. A report has been produced and was provided to the Internal Auditor, this is yet to be published. RECOMMENDATION: Council is to publish its CIL report on the council website within its financial documentation.
<i>Is CIL income reported to the council?</i>	<i>N/A</i>	
<i>Does unspent CIL income form part of earmarked reserves?</i>	<i>N/A</i>	
<i>Has an annual report been produced?</i>	<i>YES</i>	
<i>Has it been published on the authority's website?</i>	<i>NO</i>	
Additional comments:		
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	

⁷ Community Infrastructure Levy Regulations 2010

<i>Is petty cash in operation?</i>	<i>N/A</i>	The council does not operate a petty cash system.
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	As above
<i>Additional comments:</i>		

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 during the period of 2022-2023 detailing one quarterly payment of £381.20. The council found itself without a clerk for a period of time. A new clerk was employed, as detailed within the council minutes of the meeting held 29 th June 2023 and it was confirmed a contract is in place.
<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. There were no applicable deductions due to be paid to HM Revenue and Customs for the year under review
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	N/A	As council did not have an employee for a significant amount of time it is unconfirmed if council was aware of its pension responsibilities. RECOMMENDATION: With the new member of staff council should note that under the Pensions Act 2008, every employer in the UK must put certain staff into a workplace pension scheme and contribute towards it. This is called 'automatic enrolment' and details can be found at: www.thepensionsregulator.gov.uk The link below will also provide further details of Council's obligations as an employer: https://www.thepensionsregulator.gov.uk/en/employers

⁸ The Pension Regulator – [website click here](http://www.thepensionsregulator.gov.uk)

		Council should also note that every three years an employer must put certain staff back into a pension scheme. This is known as 're-enrolment'. This is an employer's legal duty and Councils must let the Pension Regulator know when they have completed the task by completing and submitting a re-declaration of compliance.
<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.		

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 was £27,308 as detailed in the Asset Register and Section 2 of the Accounting Statements. The value of the assets are included, alongside the value for insurance. Records of deeds, articles and land registry documents were not requested for the 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>	NO	There was no evidence of a review of the Asset Register taking place for the period under review of 2022-2023. COMMENT: It is noted council reviewed its asset register at a meeting held 29 th June 2023, however this was outside of the period under review.
<i>Cross checking of insurance cover</i>	YES	Council has All Risks cover to the value of £1k. At a meeting of council held 11 th October 2022 the insurance payment was approved at which it is assumed council confirmed the cover to be acceptable. RECOMMENDATION: That council formally record the review and acceptance of the insurance policy prior to it being due for renewal.
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 were evidenced as taking place within the year under review, with this then being published on the council website. RECOMMENDATION: Council should look to report quarterly reconciliations within their council meetings. This could be done at the same time as the budget / expenditure reporting in April July, October, January.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and, as at year end 31 st March 2022 the balance across the council's accounts stood at £7,247.80 as recorded in the Bank Reconciliation and in accordance to the bank statements. Community Account £2,368.10 Business Account £4,879.70
<i>Is there regular reporting of bank balances at Council meetings?</i>	Partly Met	Account balances were recorded at a meeting held 14 th February 2023. RECOMMENDATION: As above, council could record the account balances within their bank reconciliations within the quarterly reviews.

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?	NO	There is no evidence to document the council correctly declaring itself exempt. The Exemption Certificate is dated as being approved at a meeting held 10 th May 2022 under agenda number 5, however the minutes document that whilst this was presented to council by the clerk it was deferred to a future meeting. RECOMMENDATION: Council is required to record its confirmation of exemption within its minutes.
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?	NO	There was no evidence to detail the approval or publication of the exercise of public rights for 2021/2022 as required by the Accounts and Audit Regulations.
Have the publication requirements been met in accordance with the Regulations? ¹¹	Partly Met	The council has not fully complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 as the following were not published on the public website operated by the Council: <ul style="list-style-type: none"> • Section 1 – Annual Governance Statement 2021/22, page 5 • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

		<p>Other required items were documented as correctly published, these included:</p> <ul style="list-style-type: none">• Certificate of Exemption, page 3• Annual Internal Audit Report 2021/22, page 4• Section 2 – Accounting Statements 2021/22, page 6• Analysis of variances• Bank reconciliation
<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>	<i>NO</i>	There is no evidence to suggest the council has considered the previous Internal Audit Report.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	<i>NO</i>	During the period under review council did not appear to take the appropriate action from the recommendations made, it is however noted that following the appointment of the new clerk and the meeting of 29 th June 2023 may items have been considered and acted on accordingly.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	<i>NO</i>	There is no evidence to record the appointment of the Internal Auditor for 2022-2023.
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		Internal auditor commentary
Has the Council considered the previous external audit report? ¹²	N/A	As the council was a smaller authority it was exempt from a limited assurance review and therefore no external report was issued.
Has appropriate action been taken regarding the comments raised?	N/A	As above
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 as specified in the councils Standing Orders.
Is there evidence that Minutes are administered in accordance with legislation? ¹⁴	YES	Council has an agenda numbering system with the minutes approved at each meeting and the Chair authorised to sign.
Is there a list of members' interests held?	YES	Evidence was seen on the East Suffolk Council website of the Register of Interests for current Parish Councillors. Council is reminded that whilst the monitoring officer of the East Suffolk Council must arrange for the parish council's register of members' interests to be available, where the parish council has its own website, its register of members' interests should also be published on that website. (Openness and transparency on personal interests - A guide for councillors – August 2012)
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	N/A	The council has no trustee responsibilities.
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	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

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

		<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 ZB018491 expiry date 14 th March 2024.
Is the Council compliant with the General Data Protection Regulation requirements?	Partly Met	The council has taken steps to ensure compliancy. Documents detailed on the council's website include: Data Protection Policy, Equality & Diversity Policy, Legal and Privacy Statement. RECOMMENDATION: That the council looks to include further policies to its portfolio, including a Data Retention Policy.
<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 on the Council operated website detailing the technical information along with the methods used for testing the website, the steps being taken to improve accessibility and how the site is being improved to ensure that content meets the WCAG 2.1 Standard under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018. Recommendation: Council should ensure that it publishes a Website Accessibility Statement. Your service provider should be able to assist you with this.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	The clerk of the council has an official email address.
<i>Is there evidence that electronic files are backed up?</i>	YES	It was confirmed in the previous audit that council has in place a system to back-up the council data.
<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:		

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: 30th January 2023

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 14th July 2023

On behalf of Suffolk Association of Local Councils