

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

Clerk	Jillian Rowland
RFO (if different)	
Chairperson	David Etchells-Butler
Precept	£22,000
Income	£91,542.77
Expenditure	£62,313.37
General reserves	£32,389
Earmarked reserves	£50,841
Audit type	Annual
Auditor name	Sandra Brown

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 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.
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 the meeting on 7 February 2022 the Council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018) Comment: Council may wish to update Section 18 Financial Controls and Procurement when next reviewed to reflect the changes to the NALC Model - April 2022
Are Financial Regulations up to date and reviewed annually?	Yes	At the meeting on 7 March 2022 the Council carried out an annual review of its Financial Regulations. Use of the Model Financial Regulations (produced by NALC in 2019)
Has the Council properly tailored the Financial Regulations?	Yes	Financial Regulations have been tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	In accordance with legislation the Clerk was appointed RFO at a full Council meeting on 7 June 2021 and 7 March 2022
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	<i>A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each Council meeting a list of payments with powers is presented to ensure formal approval of expenditure and this is correctly minuted. Invoices are checked by two Councillors and signed in accordance with Council's Internal Controls. 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?	No	<i>Internet banking is not used by Council</i>
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	<i>Identified in the cash book and the claim for 2020-21 received in the sum of £2413.19</i>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	Yes	<i>The Council has not adopted the General Power of Competence</i>

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	<i>Payments for the year under review total £668 and are in accordance with statutory limits.</i>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
<i>Additional comments: It was noted in Council minutes of 4 October 2021 Council agreed a grant for churchyard maintenance. NALC's view is that the 1894 LGA does restrict parish councils from spending on works relating to the affairs of the Church and this includes grass cutting and churchyard maintenance however the Government's current view on the legal issue is that there is not a need for further legislation as they believe the 1894 Act restrictions do not override the provisions in later Acts of Parliament. Whilst there is no consensus on this issue, a council that considers making a payment in these circumstances needs to consider whether it is prudent to take a course of action that it cannot be certain is legally valid.</i>		

Section 4 – Risk management The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	The financial and general risk assessment was reviewed for the year at the meeting of the Council on 7 February 2022 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	Council is responsible for play equipment with a Councillor carrying out monthly checks and an independent annual inspection carried out by MSDC with clear minute references made.

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.

<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	General insurance from BHIB for the period under review shows core cover: Public Liability £10 million Employment Liability £10million Fidelity Guarantee cover if £250,000 which given the current balances held by the Council is within the recommended guidelines of year end balances plus 1st instalment of precept received. The Council's insurance cover was reviewed at their meeting on 3 May 2021 with a minute reference to show the cover was reviewed and considered appropriate.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	At a meeting of Norton Parish Council and as approved at a meeting of full Council on 2 August 2021; a Councillor was nominated to monitor and report on the Internal Control of Council. The Internal Control report was approved by Council at its meeting of 6 September 2021 and the Internal Control Statement was reviewed and approved at a Council meeting of 7 March 2022. It was evidenced that the Council has a 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. In accordance with the Accounts and Audit Regulations 2015 the Council has understood the requirements to have in place safe and efficient arrangements to safeguard public money.
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including</i>	Yes	The effectiveness of internal audit was included with the internal control document submitted and approved at the meeting above on 7 March 2022.

⁴ Accounts and Audit Regulations

<i>consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>		
Additional comments: <i>The Council has identified a number of risks and taken steps to control these. These are clearly identified and approved by 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>		

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
Verify that budget has been properly prepared and agreed	Yes	The budget for the year 2021/22 was approved by Council at a meeting on 4 January 2021.
Verify that the precept amount has been agreed in full Council and clearly minuted	Yes	The precept for the year 2021/22 was set at a meeting of Council on 4 January 2021 at the sum of £22,000 with a clear minute reference made.
Regular reporting of expenditure and variances from budget	Yes	The minutes examined evidence a monthly budget report is presented to Council and accords with the Council's own Standing Orders and Internal Controls. The budget reports are available on the Council's website which shows good practice.
Reserves held – general and earmarked ⁶	Yes	The Council's final accounts show general reserves in the sum of £32,389 With earmarked reserves in the sum of £50,841 with overall reserves standing at £83,230 (rounded) Comment: The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between 3 and 12 months net revenue expenditure. At the current level, Council's general reserves are considered to be within this level. However, the General Reserve is higher than the annual precept and Authorities have no legal powers to hold revenue reserves other than those for reasonable working capital and for specifically earmarked reserves. Comment: Council shows good practice having a Reserves Policy in place which was reviewed at a Council meeting of 7 February 2022.

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

Additional comments: *The Council shows good practice in that recommended key stages of the budgetary process have been followed:*

- *decide the form and level of detail on the budget*
- *review the current year budget and spending*
- *assess levels of income*
- *bring together spending and income plans*
- *provide for contingencies and consider the needs of reserves*
- *approve the budget*
- *confirm the precept*
- *review progress against the budget regularly throughout the year*

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 items of income were cross-checked against the cash book and bank statement 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.
<i>Is income reported to full council?</i>	Yes	Income reported to full Council within the monthly financial reports and itemised within the Minutes.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The Council received precept of £22,000 during the year under review in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	CIL funds received for the year under review show receipts of £57,917.36 as reported to full Council 3.5.21 & 8.11.21. In accordance with the Regulations the Council having received a proportion of CIL funds and ensured that retained balances are transferred to the earmarked reserves specifically allocated. The Council has complied with its duty to produce an annual report that details the amount of CIL funds received and spent. The Council has demonstrated it understands the requirements to comply with its duty to produce an annual report that details the amount of CIL funds received and spent. The annual report for the year ending 31 March 2022 showing income received and retained balances was viewed by the internal auditor and the Council has complied with its duty to upload the annual report onto its website.
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority's website?</i>	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	Petty cash not used by the Council.
<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 2011, 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>	N/A	Council had two employees during the year under review. Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. The remuneration payable to the employee has been approved in advance by the Council.
<i>Has the Council approved salary paid?</i>	Yes	
<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 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 the employee. Deductions are paid to HM Revenue on or before the dates prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	It was noted that the internal audit report for the previous year mentioned that Council is aware of its pension responsibilities with a declaration of compliance carried out in September 2017. Comment: Council should note that every three years, when they complete their re-enrolment duties, they will also need to submit a re-declaration of compliance to tell The Pension Regulator what it has done at re-enrolment.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	<i>Any additional costs and expenses incurred are approved by Council.</i>

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

Additional comments:

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 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 been given an approximate value. Declared value is £142,298.42 for the year under review which shows an uplift of £38,918 in the year under review.
<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>	No	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was reviewed by the Council at its meeting on 3 May 2021 confirming it covers assets within the ownership or responsibility of the Council. The Asset Register was updated by Council at its meeting of 7 March 2022.
<i>Cross checking of insurance cover</i>	Yes	Contents have been given a value in accordance with the Policy held.
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	There is evidence of good financial practice and the Council has implemented a system whereby a quarterly bank reconciliation 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 the period end statements and, as at year end (31 March) for the period under review the balance across the Council's accounts stood at £83,230.44</i> <i>Santander Current Account £28,039.40</i> <i>Santander Business Account £55,579.20</i> <i>O/S payment £388.16</i>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to the Council at each meeting. 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.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
<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 auditor review.
<i>Has the appropriate end of year AGAR¹⁰ 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 Form 3 of the AGAR.
<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	The internal auditor was able to find details of the arrangements for the Exercise of Public Rights on the public website used by the Council.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with an income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 March 2021 and published the following on their 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

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Additional comments:

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	Internal Auditor's Report for the year ending 31 March 2021 has been considered and reviewed by the Council at their meeting on 2 August 2021
<i>Has appropriate action been taken regarding the recommendations raised?</i>	N/A	No recommendations had been raised.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed to act as the Council's internal auditor at a meeting of the Council on 7 March 2022 for the period under review.
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	The Limited Assurance Review for the period ending 31 March 2021 was considered by Council at its meeting on 4 October 2021.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	There were no matters arising which had come to the attention of the External Auditor giving cause for concern that relevant legislation and regulatory requirements had not been met.
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e., All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	Yes	The Annual Meeting of the Council was held on 3 May 2021 and the first item on the agenda was the election of the Chair.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	Not seen – as virtual audit. Full Council minutes clearly document the approval of the previous minutes and that they are duly signed. Absence is approved when applicable.
<i>Absence is approved?</i>	Yes	
<i>Is there a list of members' interests held?</i>	Yes	A list of members interests is held on Mid Suffolk District Council's website. Comment: Council may wish to include a direct link on their website to MSDC list of members interests.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	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> ¹⁵	Yes	The Council is correctly registered with the ICO as a data controller in accordance with legislation – ZA534694
<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: General Privacy notice Subject Access Policy Data Protection Policy The Council have reviewed policies at a meeting of 7 February & 7 March 2022 and duly published where relevant.

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

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

¹⁵ Data Protection Act 2018

		Recommend: Council put in place a Data Retention Policy and Data Breach 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 on its website a website accessibility statement. Recommend: Council publishes on its website a website accessibility statement – Regulation 8 of the Public Sector Bodies (websites and Mobile Applications) (No 2) Accessibility Regulations 2018.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	Council has an official email address: nortonparishclerk@outlook.com
<i>Is there evidence that electronic files are backed up?</i>	N/A	The Internal Auditor presumes all electronic files are backed up
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	
Additional comments:		

Signed: S.J. Brown

Date of Internal Audit Report: 14.6.2022

On behalf of Suffolk Association of Local Councils

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide