

Internal Audit Report for Trimley St Martin Parish Council
for the audit year to 31/3/21

Clerk	Caroline Ley
RFO (if different)	
Chairperson	Yvonne Smart
Precept	£ 31,275.00
Income	£ 51,553.51
Expenditure	£ 39,621.05
General reserves	£12,773
Earmarked reserves	£62,309
Audit type	Annual Audit
Auditor name	Linda Harley

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

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 management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The up to date cash book 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 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.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	At the meeting on 3/11/20 the council carried out an annual review of its Model Standing Orders (produced by NALC in 2018). Figures relating to financial controls and procurement are up to date.
Are Financial Regulations up to date and reviewed annually?	Yes	At the meeting on 2/6/2020 the council carried out an annual review of its NALC Model Financial Regulations 2019. Comment: The Council may wish to update the information relating to thresholds for contracts which is out of date.
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	No	The Council has not appointed a RFO in this audit year. Comment: In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council may wish to minute the annual appointment of their RFO.
<i>Additional comments:</i>		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
<p>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.</p>		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	All payments are authorised by full Council and noted in the minutes. The council shows good practice by including the powers under which payments are made in the minutes and also noting any transfers between accounts.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	Internet banking is not used.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	VAT is identified in the cash book and the claim for the period under review in the sum of £3,318.88 is dated 1/4/20 to 31/3/21. The regular analysis of VAT is also included in the internal control document.
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?		Payments for the year under review total £1,034 and are in accordance with statutory limits.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council does not have any loans.
Additional comments:		

<p>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.</p>		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	This was considered and reviewed for the period under review at the meeting of the council on 2/3/2021 and covers in general terms the matters which could prevent a smaller relevant body from functioning. The Council has continued to ensure that effective and efficient financial administration is in place. A wide range of formal policies, procedures and protocols have been adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control.

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

<i>Is there evidence that risks are being identified and managed?</i>	Yes	The Council has included in their risk assessment documentation the maintenance of assets including the monthly condition of the notice boards and bus shelters.
<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	The Council reviewed their Hiscox insurance cover at the meeting on 1/9/2020 and this was noted in the minutes. The Council shows good practice by including an annual review of their insurance in their risk assessment documentation and noting the adequacy of insurance in their internal control document. Both Public and Employers liability are covered for £10 million. Fidelity cover is provided up to £150,000 which given the current balances held by the council, is within the guidelines
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	As approved at a meeting of full council on 2/3/2021 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>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	No	There is no evidence in the minutes that a review of the effectiveness of internal audit has been carried out during the audit year. Comment: By reviewing the terms of reference for internal audit, Council has followed guidance within the Governance and Accountability Guide and recognises that the internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Additional comments:

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	The budget for the year 2021-2021 in the sum of £37,775 was approved by full Council at a meeting on 7/1/2020. The Council shows good practice in that recommended key stages of the budgetary process have been followed namely: <ul style="list-style-type: none"> • Decide the form and level of detail of 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 or rates and special levies and • Review progress against the budget regularly throughout the year

<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £31,275 and formally approved at a meeting on 7/1/2020. This was clearly noted in the minutes.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The minutes examined evidence comparisons between budgeted and actual expenditure and accords with the Council's own Standing Orders.
<i>Reserves held – general and earmarked⁶</i>		As at 31/3/21 the Council had reserves of £75,082 made up of a general reserve of £12,773 and earmarked reserves of £62,309. Council shows good practice by noting the adequacy of reserves in their risk assessment documentation.
<i>Additional comments:</i>		

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 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.
<i>Is income reported to full council?</i>	Yes	In accordance with the Council’s Standing Orders, income received is noted in the minutes.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The precept recorded of £31,275 agrees to the Council tax authority’s notification. Council shows good practice by noting in the risk assessment the application for and receipt of the precept.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	CIL funds received for the year under review show no receipts. In accordance with the Regulations the council have received a proportion of CIL funds in previous years of £12,308.97 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 annual report for the year ending 31/3/21 showing income received and retained balances was verified by the internal auditor and the council understands that it should comply 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	

⁷ Community Infrastructure Levy Regulations 2010

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

Section 8 – Payroll controls		
<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 1st 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.</p>		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	<i>N/A</i>	Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. The Council approved the Clerk’s salary and this was minuted on 2/2/21.
<i>Has the Council approved salary paid?</i>	<i>Yes</i>	
<i>Minimum wage paid?</i>	<i>Yes</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 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>	<i>Yes</i>	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?⁸</i>		A re-declaration of compliance with regards to automatic enrolment duties had been completed on 19/3/2020 with no staff being automatically enrolled.

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

<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	Expenses claimed are approved by full Council and supported by receipts.
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	Declared value is £14,927 which agrees with the amount entered in box 9 of the AGAR, ‘total fixed assets’. 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
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was confirmed by the Council at its meeting on 5/1/2021 confirming it covers assets within the ownership or responsibility of the Council. New purchases of picnic tables and additional dog bins were

⁹ Governance and Accountability for Smaller Authorities in England – March 2019

		added. The council shows good practice by including an annual review of its asset register in their risk assessment documentation.
<i>Cross checking of insurance cover</i>	Yes	In-line with the Council's own Financial Regulations, the Council has kept a record of all insurances effected by the council and the property and risks covered thereby and annually reviewed it.
<i>Additional comments:</i>		

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 bank reconciliation is correctly verified by the Council and noted in the minutes. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective. Regular bank reconciliations are included in the Internal Control Document.
<i>Do bank balances agree with bank statements?</i>		
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are recorded in the minutes along with details of the bank reconciliations.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
<i>Are appropriate accounting procedures used?</i>	Yes	The Council uses the receipts and payments accounting method.
<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>	Partly met	<p>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. Clerk’s expenses have been incorrectly included in the ‘Staff Costs’ box 4 on the AGAR.</p> <p>Recommendation : Council may wish to amend Box 4 of the AGAR relating to ‘staff costs’ which should only include the following items: gross salary of employees, employers national insurance contributions, employers pension contributions, gratuities for employees or former employees and severance or termination payments to employees. An adjustment would also need to be made under the figure for ‘total payments’ in box 6.</p>
<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</i>	Yes	It was noted in the minutes of 7/7/20 that the confirmation of the dates for the exercise of public rights had been posted on the website.

¹⁰ Annual Governance & Accountability Return (AGAR)

<i>of public right as required by the Accounts and Audit Regulations 2015?</i>		
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>		The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not 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 – The External Auditor Report and Certificate 2018/19, page 6 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015
<i>Additional comments:</i>		

¹¹ Accounts and Audit Regulations 2015

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 previous internal audit report been considered by the Council?</i>	Yes	The Internal Auditor’s Report for the year ending 31/3/2020 has been considered and reviewed by the Council at their meeting on 16/6/2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	It was noted in the minutes of 16/6/20 that the 1 item raised in the internal audit had already been actioned.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The Council appointed SALC as the internal auditor for 2020-2021 and this was confirmed in the minutes of 2/2/2021.
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 taken into account.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?¹²</i>	Yes	The Limited Assurance Review for the period ending 31/3/2020 was presented to the Council at its meeting on 1/12/2020 Council accepted and approved the report.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	No matters were raised.
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 (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.*

Section 14 – additional information		
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.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}	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. It was noted in the minutes on 1/9/20 that the current structure of the Council will continue until an Annual General Meeting can be held.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	N/A	The auditor was unable to check during this virtual audit.
<i>Is there a list of members' interests held?</i>	No	
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	Yes	The Parish Council are Corporate Trustees for the Memorial Hall. The Corporate Trustee is set up as a separate entity with its own Standing Orders, Financial Regulations and a separate bank account. Although a trust document is not in place, the responsibilities of the Parish Council are set out in the lease and relate to the basic structure of the Memorial Hall.
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	In line with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), the Council has shown good practice by choosing to publish on a public website for the year 2020/21: Internal Audit Report List of Councillors and Responsibilities

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

¹⁴ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

¹⁵ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

		<p>Items of Expenditure Above £100 including recoverable and non-recoverable VAT</p> <p>End of Year Accounts</p> <p>Annual Governance Statement</p> <p>Asset Register</p> <p>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.</p>
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	Yes	The Council has registered as a data controller with the Information Commissioner's Office under reference ZA130355.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Partly met	<p>The Council is working towards their responsibilities under the General Data Protection Regulation requirements and has adopted a Data Protection policy (which includes under appendix A the procedure for dealing with Subject Access Requests), a Freedom of Information Policy, a Data Retention Policy and a Privacy Statement.</p> <p>Comment: To be fully compliant with the General Data Protection Regulation requirements the Council may wish to adopt the following policies and publish them on their website:</p> <ul style="list-style-type: none"> • Impact assessments • Procedures for dealing with data breaches
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	No	In line with The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 The Council has published a website accessibility statement on their website.
<i>Is there evidence that electronic files are backed up?</i>	Yes	It is noted in the risk assessments that data is electronically backed up each month.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Partly met	The Council has 3 committees of which only one is active, the Planning Committee. Terms of reference for this committee was agreed at the

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018

		meeting in May 2019 and rolled forward due to the pandemic and there being no annual meeting in 2020. These have been reviewed in 2021.
<i>Additional comments:</i>		

Signed: *Linda Harley*

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 18/5/2021

On behalf of Suffolk Association of Local Councils