

## Internal Audit Report for Bradfield St George Parish Council for the period ending 31 March 2023

Clerk	Catherine Hibbert
RFO (if different)	
Chairperson	Peter Squirell
Precept	£ 5,500
Income	£ 6,852
Expenditure	£ 5,461
General reserves	£ 5,370
Earmarked reserves	£ 9,065
Audit type	Annual
Auditor name	<b>Karen Price</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:

- 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

<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 excel spreadsheets for the basis of their accountancy systems. Clear financial records are provided and are accurately recorded.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cash book is the main focus for the accounting of the parish council. Finance is discussed at each bi monthly meeting and qtlly summaries are provided and recorded within the minutes accordingly.
<i>Is the arithmetic correct?</i>	Yes	The accounts were spot checked and found to be in order and correct
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Standing orders were reviewed at the meeting on 11 <sup>th</sup> May 2022 and again at the meeting of 10 <sup>th</sup> May 2023. They can be viewed through the parish council website.
Are Financial Regulations up to date and reviewed annually?	Yes	Financial Regulations were reviewed at the same meetings on 11 <sup>th</sup> May 2022 and 10 <sup>th</sup> May 2023. They can be viewed through the parish council website. They are based on the model produced by NALC.
Has the Council properly tailored the Financial Regulations?	Yes	The Financial regulations have now been tailored to the parish council following recommendations from the internal audit report 21/22 and were reviewed at the meeting 10/05/23.
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	The Councils financial regulations state that the Clerk is the RFO.
<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	A cross section of expenditure items have been checked against the cash book, invoices and statements. A list of payments is presented for approval at each meeting, these are recorded within the minutes, demonstrating good practice. Payments are currently made using internet banking.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Internet banking is operated in accordance with the council's own financial regulations. Evidence is provided and retained showing which Cllrs authorised the payments.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is clearly identified; a claim was made covering the period 01/04/21 - 31/03/22 for a total of £693.29 received at bank on 30/06/22. The workbook shows VAT at year end to be £193.12 verified within the cash book.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly?	Yes	The Council adopted the General Power of Competence at their meeting of 9 <sup>th</sup> September 2020. This was re-declared at their meeting of 4 <sup>th</sup> May 2021 NS.
Are payments under s.137 <sup>2</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	There are no payments made using S137 powers for the year reviewed.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council has no such loans

<sup>2</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 £8.82 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

**Additional comments:**

<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
Is there evidence of risk assessment documentation?	Yes	The risk assessment documentation was reviewed at the full council meeting of 8 <sup>th</sup> March 2023.
Is there evidence that risks are being identified and managed?	Yes	The council have taken steps to identify, assess and record any risks associated with council business that could have financial or reputational consequences.
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?	Yes	Council has insurance in place commenced 01/10/22 under a parish protect policy through CAS (Ansvar) which shows core cover in place for the following: Public liability £10m, Public / Products Liability £10m and Fidelity Guarantee of £25k
Evidence that internal controls are documented and regularly reviewed <sup>3</sup>	Yes	At the full council meeting of 8 <sup>th</sup> March 2023, it was evidenced that the council reviewed the internal control policy and accepted and approved the policy.
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 appointment <sup>4</sup>	Yes	At the full council meeting of 8 <sup>th</sup> May 2023, it was evidenced that the council reviewed the effectiveness of internal audit within the review of the internal control policy and that the Council has followed guidance and recognises the function of the internal audit to test and report if the system of internal control is adequate. The council also appointed their internal auditor for the audit 2023 at the meeting of 8 <sup>th</sup> March 2023.

<sup>3</sup> Accounts and Audit Regulations

<sup>4</sup> Practitioners Guide

***Additional comments:***

<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 and precept was agreed and set at the meeting of full council on 10 <sup>th</sup> November 2021. A -1.57% change to the parish precept for 2022-2023 was set against the tax base at £5,500.00.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £5,500.00 at the meeting of full council on 10 <sup>th</sup> November 2022. And recorded within the minutes accordingly. Evidence of submission was viewed by the internal auditor.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Expenditure v budget reporting is evidenced and reported quarterly and documented within the minutes to full council.
<i>Reserves held – general and earmarked<sup>5</sup></i>	Yes	Current figures are earmarked reserves of £9,065 and general reserves of £5,370. A total of £14,435.
<p><b>Additional comments:</b></p> <ul style="list-style-type: none"> <li><b>Earmarked reserves should be held for genuine and intended purposes and should be subject to regular review and justification. The website states under the policy for reserves that this is for village projects but there was no documented breakdown of the projects earmarked just a generic label. It would be recommended to list the projects that make up the total fund otherwise the funds should be noted as general reserves.</b></li> </ul>		

<sup>5</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>		<b>Internal auditor commentary</b>
<i>Is income properly recorded and promptly banked?</i>	Yes	Income is recorded in accordance with the financial regulations. A sample of income items were cross checked against the cash book and bank statements – Found to be in order. A couple of receipts received paperwork did not identify the amount received. This should be written on if necessary to be able to cross reference more easily.
<i>Is income reported to full council?</i>	Yes	Income is reported and recorded within the minutes.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The bank statement and minutes evidence the receipt of the precept of £5,500 as per the council tax authority notification and was received by the parish council on 4 <sup>th</sup> May 2022 in one instalment.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?</i>	N/A	Council did not receive any CIL receipts for the year under review and has no retained balances.
<b>Additional comments:</b>		

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



<b>Section 8 – Payroll controls</b>		
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. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
<b>Evidence</b>		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	The council has 1 employee on payroll at the period end of 31 <sup>st</sup> March 2023. Employment contracts were not reviewed during the internal audit which was carried out remotely but the clerk has confirmed that a contract of employment is in place.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	Yes	
		The minimum wage is not applied to the council employee.
<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 HMRC guidelines and outsourced. Cross checks have been completed covering the salary payments and found to be in order.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	The payroll function is operated in accordance with HMRC guidelines. Deductions paid to HMRC were made within the required timescales.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</i>		Council recorded compliance with the Pension Regulator in September 2020. The next declaration is expected to be September 2023 to ensure continued compliance for their duties as an employer. Clerk has confirmed that this has been done.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	There are no expenses incurred by the Clerk during the year under review.
<b>Additional comments:</b>		

<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?</i>	Yes	The declared assets listing on the AGAR Section 2 for the financial year to 31st March 2023 state £19,172. This is in accordance with the accounting statements submitted to the internal auditor.
<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>	Not covered	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was updated at the meeting of 10 <sup>th</sup> May 2023 and is available on the parish council website.
<i>Cross checking of insurance cover</i>	Yes	Charity and community essentials cover provided through Ansvar for all risks as specified within the insurance schedule. Insurance valid from 1 <sup>st</sup> October 2022 – 30 <sup>th</sup> September 2023. Cover of £10m Public liability £10m, Products liability £10m and fidelity guarantee of £25k
<b>Additional comments:</b>		

<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	Bank reconciliations are conducted on a regular basis and reconcile with the cashbook. This is also recorded within the approved minutes.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements and at year-end 31 <sup>st</sup> March 2023 balance across the council's accounts stand at £5,458.63 Lloyds account and £8,976.38 Santander account as recorded in statement of accounts and year end bank reconciliation submitted for review.
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	The financial position of the council is reported by the RFO and the minutes show that bank reconciliations are received and accepted at each meeting.

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	The accounts are produced on receipts and payments basis, and all found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	Clear trail of financial records evidenced through budget, precept, invoices, authorisation payment and banking.
<i>Has the appropriate end of year AGAR<sup>6</sup> documents been completed?</i>	Yes	As the Council is a smaller authority with gross income and expenditure less than £25,000 it was required to complete Part 2 of the AGAR. This was presented to the auditor.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	As the council did not have gross income and expenditure exceeding £25,000 they were able to declare itself exempt from a limited assurance review for the year 21/22. The minutes of 11 <sup>th</sup> May 2022 confirm that council have reviewed the provisions for an exemption and approved the application for exemption.
<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 period for the exercise of public rights from 13 <sup>th</sup> June 2022 to 22 <sup>nd</sup> July 2022 which included the mandatory first 10 working days of July. This was available on the public website.
<i>Have the publication requirements been met in accordance with the Regulations?<sup>7</sup></i>	Yes	The council complied with the requirements of the regulations for smaller authorities with income and expenditure exceeding £25,000 as the following were published on the public website operated by the council. Annual Governance and Accounts Return Annual Governance statement External Audit report and certificate Notice of the period of the exercise of public rights Notice of the conclusion of audit.
<b>Additional comments:</b>		

<sup>6</sup> Annual Governance & Accountability Return (AGAR)

<sup>7</sup> Accounts and Audit Regulations 2015



<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 Council considered the previous internal audit report?</i>	Yes	The Council noted the report from the Internal Auditor for the financial year 2021-2022 at the meeting of the Parish Council on 13 <sup>th</sup> July 2022
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The Council noted the report from the Internal Auditor for the financial year 2021-2022 and noted the recommendation to update the finance regulations and amend the AGAR form were approved at this meeting. The finance regulations were updated at the May 22 meeting.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The council confirmed the appointment of SALC as their auditor for the financial year 22-23 at the full meeting of the council on 8 <sup>th</sup> March 2023.
<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 considered.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?<sup>8</sup></i>	<i>N/A</i>	For the year 2021-2022 the council was able to declare itself exempt from a limited assurance review.
<b>Additional comments:</b>		

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<sup>8</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 (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.*

<b>Section 14 – additional information</b>		
The internal auditor will look for 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>9</sup>	Yes	The Annual meeting was held on 11 <sup>th</sup> May 2022. The first item on the agenda was the election the Chairman and the signing of the declaration of acceptance of office as specified in the councils' standing orders.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>10</sup>	Yes	The minutes are page numbered consecutively for each individual meeting but not consecutively throughout the year. They are approved as true and accurate records of the meetings held.
<i>Is there a list of members' interests held?</i>	Yes	A link is not available on the parish council's website. Following the election in May 2023 all register of interests should be completed for all Cllrs in office.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	Council does not have any such responsibilities
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2022/2023 not later than 1 <sup>st</sup> July. <ul style="list-style-type: none"> <li>• Internal Audit Report</li> <li>• List of Councillors and responsibilities</li> <li>• Items of Expenditure above £100 including recoverable and non-recoverable VAT</li> <li>• End of Year Accounts</li> <li>• Annual Governance Statement</li> <li>• Asset Register</li> </ul>

<sup>9</sup> The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

<sup>10</sup> Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

		<ul style="list-style-type: none"> <li>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.</li> </ul>
<i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>11</sup></i>	Yes	The Council is correctly registered with the ICO as a data controller. Registration. Certificate Z2723879 – expiry date 12 <sup>th</sup> June 2023. The certificate should be made available on the parish council website.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy and has shown good practice by ensuring that the adopted policies are available to view on the website detailing the framework that the public can expect. for the handling of requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>12</sup></i>	Yes	There is a website accessibility statement available to view on the parish council website.
<i>Does the council have official email addresses for correspondence?<sup>13</sup></i>	Yes	The council has a uk. Email address that is not connected to personal email addresses.
<i>Is there evidence that electronic files are backed up?</i>	Yes	Council has confirmed that files are backed up onto a one-drive system
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	Council does not operate within a committee system.
<b>Additional comments:</b>		

Signed: **Karen Price**

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 3<sup>rd</sup> June 2023

On behalf of Suffolk Association of Local Councils

<sup>11</sup> Data Protection Act 2018

<sup>12</sup> Website Accessibility Regulations 2018

<sup>13</sup> Practitioners Guide