

North Tuddenham Parish Council

Internal Audit Report

Financial Year 2021-22

Prepared by Lorraine Trueman, 22 June 2022

I have completed an internal audit of the accounts for North Tuddenham Parish Council for the year ending 31 March 2022. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2021.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes, although VAT is not separated
	Is the cashbook arithmetically correct?	Yes
	Is the cashbook regularly balanced?	Yes
	If bank balances are in excess of £100,000 is there an appropriate investment strategy?	n/a
Standing Orders, Financial Regulations and payment controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes and these are reviewed annually
	Date Standing Orders last reviewed. Is this based on the latest version of Standing Orders?	Last reviewed in May 22. Figures in section 18, Financial Controls and Procurement need updating
	Date Financial Regulations last reviewed. Is this based on the latest version of Financial Regulations?	May, yes
	Has a Responsible Financial Officer been appointed with specific duties?	No, the RFO is a councillor
	Have items or services above the de minimus amount been competitively purchased?	N/A
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Yes
	Is there effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments?	2 signatories are required to sign cheques (RFO & Chair). The RFO often proposes expenditure
	Has VAT on payments been identified, recorded and reclaimed?	The only VAT reclaimed is on the SAM2 sign. No VAT is identified in the cashbook and only reclaimed VAT is recognised in the accounts

Internal control	Test	Observations
	If debit/credit cards are in use, what are the total monthly and individual transaction limits? Are there appropriate controls over physical security and usage of the cards?	No
	Is s137 expenditure separately recorded and within statutory limits?	n/a
	Have s137 payments been approved and included in the minutes as such?	Dec 21 approved
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	Yes
	Are appropriate arrangements in place, for example, for monitoring play areas, open spaces and sports pitches?	N/A
	Is insurance cover appropriate and adequate for land, buildings, public, employers' and hirers' liability, fidelity/employee/councillors' liability, business interruption and cyber security?	Amounts insured are higher than the value of the assets recorded
	Are internal financial controls documented and regularly reviewed?	Yes
Budgetary controls	Has the Council prepared an annual budget in support of its precept and has this been minuted at a Full Council meeting as being approved?	Yes
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	Yes budget for 22/23 included actuals for 20/21
	Is actual expenditure against budget regularly reported to the Council?	Actual spend and bank balances are reported regularly
	Are there any significant unexplained variances from budget?	Yes, budget for 21/22 was £3,528. Spend was £9,858
	Has the Council considered the establishment of specific earmarked reserves and reviewed them?	No evidence has been provided

Internal control	Test	Observations
Income controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	N/A
	Is petty cash expenditure reported to each Council meeting?	N/A
	Is petty cash reimbursement carried out regularly?	N/A
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the Council?	Yes
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the Council?	Yes
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes
Asset controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Is the assets register up to date? When was this last reviewed? Are additions and disposals in-year clear?	
	Do asset insurance valuations agree with those in the asset register?	Insurance value is higher than asset registers
	Does the asset value to be reported in the AGAR (section 2, Box 9) equate to the prior year reported value, adjusted for the nominal value of any new acquisitions and/or disposals?	There are 2 asset registers, the AGAR records £19,730, the website for 2022 records £20,491.80. Neither record acquisitions or disposals
	Are all long-term investments (i.e. over 12 months) covered by an investment strategy?	n/a
	If a loan has been taken out, are repayments reported to the Council?	n/a

Internal control	Test	Observations
	If the Council issued a loan to a local body, are there signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt?	n/a
Bank reconciliation	Is there a bank reconciliation for each account and is this regularly reported to Council?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
	Is the value of investments held summarised on the reconciliation?	n/a
Year-end procedures	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments)?	Yes
	Do accounts agree with the cashbook?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	n/a
Procedural	Is eligibility for the General Power of Competence properly evidenced?	Not adopted
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Yes
	Has the Council demonstrated that during the previous financial year it correctly provided for the exercise of public rights, as required by the Accounts and Audit Regulations? [Full publication requirements are detailed on page 1 of the AGAR.]	Yes
Exemption from external audit: Only for smaller councils with receipts and payments each	If the Council certified itself as exempt in the prior year, did it meet the exemption criteria and declare itself exempt? <i>[Confirm that the certificate was prepared and minuted by the Council within the statutory submission deadline.]</i>	Yes

Internal control	Test	Observations
totalling less than £25,000	<i>Confirm that the required information was published on the Council's website.]</i>	
Adherence to the Transparency Code: Only for smaller councils with receipts and payments each totalling less than £25,000	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	Yes
	Payments over £100 detailed on website?	No
	Electors' rights advertised on website?	Yes
	Councillors' responsibilities detailed on website?	The councillors are named on the website
	Last financial year's AGAR on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	N/A
Leases and other income streams	Are leases reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time? Is there an audit trail from invoicing to receipt of income/chasing of debtors?	Metal recycling income is received 2 p.a.
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council carried out an information audit?	Data Protection Policy reviewed Sept 21. Not clear if an information audit was carried out
	Has the Council put in place a privacy notice and policy?	No
Website accessibility (relates to the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018)	It is a legal requirement for councils to publish a website accessibility statement on its website. Has the Council published this statement?	Yes
	Has the Council updated and reviewed its statement [must be reviewed annually]?	Yes, Oct 21

Summary of my recommendations

Not all VAT has been identified as reclaimable, although the large expense of the SAM2 sign has been reclaimed. The cashbook should include a column for VAT with the expense figures excluding reclaimable VAT. This will make it easier to reclaim VAT once or twice a year.

Consider the segregation of duties and how to minimise any conflict of interest for the RFO. The RFO currently recommends action to be taken by the council, as RFO, proposes resolutions in connection with payments and other finances, as a councillor, and must sign all cheques (along with the Chair).

Actual spend was significantly higher than budget but there is no record of this in the minutes. Consider reporting to council actual spend v budget.

Ensure the correct asset figure is recorded on your AGAR and this agrees with the asset register on your website. It is also useful if your asset register can show acquisitions and disposals for the year.

The council must publish, on their website, the year end bank reconciliation, explanation of variances and a list of all payments over £100, along with the AGAR, budget and public rights notice.

Lastly, I would like to say thank you to both Vicky and David for their work in helping me audit the accounts and for answering my many questions.