

# *Public Sector Audit*

## **Saxby All Saints Parish Council**

### ***Internal Audit Report for the year ended 31 March 2020***

*Public Sector Audit*

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### **Internal Audit Report for the year ended 31 March 2020**

#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2020. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted:

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	<b>Test</b>	<b>Findings and Recommendations</b>
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b> The cash book is maintained on spreadsheets which are comprehensively analysed and provide all of the information required for the completion of the Annual Governance and Accountability Return.</p> <p>It is arithmetically correct and has been balanced monthly, as evidenced by detailed bank reconciliations.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b> The council's Standing Orders and Financial Regulations were reviewed and approved at the Annual Council meeting held on the 15th May 2019.</p> <p>In July 2018 NALC revised its Model Standing Orders from the previous Model that was published in March 2018. This was done to correct a minor error, update the previously published requirement to appoint a Data Protection Officer and clarify the position regarding the requirement for councils to advertise contracts in excess of £25,000 on the Contracts Finder website. The details of these amendments are contained in the NALC document "LO9 - 18 Model Standing Orders amendments" published in July 2018.</p> <p>During July 2019 NALC revised its Model Financial Regulations. The changes to the previous 2016 regulations are in respect of Contracts Regulations.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should update its Standing Orders and Financial Regulations to the latest NALC Models to reflect legislative changes.</li> </ul>

3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested all council payments during the year to ensure that there is a fully approved and authorised invoice, the payment appears in the cash book and that it has been authorised by council.</p> <p>I have reviewed payments for occurrence, completeness, accuracy, correct year of account and classification in the council's accounts.</p> <p>I have confirmed that VAT has been identified, correctly recorded and reclaimed.</p> <p>A separate account has been established for s137 expenditure and the £400 donation made during the year is well within the statutory limit.</p> <p>The two signature rule has been observed and evidenced by the signatories initialling the cheque stubs.</p>
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council maintains a formal Risk Register which was reviewed and adopted at the Annual Council meeting held on the 15th May 2019.</p> <p>The council owns a War Memorial, notice board, a bus shelter, a telephone box and sundry items of street furniture. Regular inspections of all council owned assets are undertaken by two council members. It is recognised as good practice for formal inspection sheets to be completed for all routine inspections of land and assets. These can be invaluable in the event of a claim against the council for injury, to evidence that the council has not neglected its legal responsibilities to third parties. Such inspection sheets should identify the area or asset inspected, dates of inspection and signature of the person who undertook the inspection. Any issues or faults should be noted and there should be provision on the sheets to note when any faults have been rectified. They should be passed to the Clerk for review, action if necessary and filing.</p>

		<p>I have reviewed the council's insurances and the indemnity limits are considered to be adequate.</p> <p>The council ensures that its electronic records are protected by backing up all electronic information monthly onto alternate hard drives, one of which is always stored offsite. Also, the council's data is backed up daily using a UK based cloud storage provider.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should consider the introduction of formal inspection sheets to evidence the inspections currently undertaken.</li> </ul>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>The council prepared a detailed annual budget in support of its Precept.</p> <p>The Council Tax Authority's precept remittance advice agrees to the income received and the cash book.</p> <p>Detailed budget monitoring reports, which compare original budget to actual expenditure to date, have been presented to each council meeting.</p> <p>The council's balances totalled £5,008 at 31/03/20, comprising £1600 which is earmarked for elections and a village name sign and a general reserve of £3,408. The general reserve represents 51% of the Precept and is considered to be adequate for the council.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and</p>	<p><u>Adequate income controls</u></p> <p><b>Findings</b></p> <p>Apart from the Precept and Council Tax Grant and a VAT refund, the council also received two donations in respect of the village name sign and Christmas tree.</p> <p>Documentation in respect of the Precept, Council Tax grant and the VAT refund from HMRC has been agreed</p>

	cash equivalents effective?	to the income received and it has been properly accounted for in the council's records. The donations received agree to the paying in slips, cash book and bank.
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p><b>Findings</b></p> <p>The council does not maintain a petty cash system. Any small items of expenditure are reimbursed to the Clerk and Council Members as part of the normal payment process.</p> <p>VAT has been correctly accounted for and all expenditure is reported to and authorised by council.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The Clerk has a formal contract of employment with clear terms and conditions.</p> <p>I have agreed all salary and allowances payments to the Clerk to those approved by the council and to the 2019 NJC pay award.</p> <p>Salary payments have been subject to PAYE and NI regulations during the year.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● Following the issue of updated guidance from HMRC during September last year, the council should note that it is unable to claim Employment Allowance unless it has charitable status. The council should, therefore, check that it is not claiming this allowance and, if it is, it should untick the box on the payroll software system to cease claiming it. Further advice can be obtained using the following link;  <a href="http://www.gov.uk/government/publications/employment-allowance-more-detailed-guidance/eligibility-for-employment-allowance-further-employer-guidance">www.gov.uk/government/publications/employment-allowance-more-detailed-guidance/eligibility-for-employment-allowance-further-employer-guidance</a></li> </ul> <p>It is acknowledged that this allowance has not been claimed in the current year but the status of the Basic</p>

		Tools software should still be checked to ensure that it cannot be claimed in the future.
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p><b>Findings</b></p> <p>The council maintains a register of all material assets owned or in its care.</p> <p>The basis of valuation of the assets shown in the register is cost, where known in accordance with the guidelines on the Annual Governance and Accountability Return.</p> <p>Purchases made during the year have been added to the register using the correct method of valuation.</p> <p>The council does not hold any investments.</p> <p>The total value shown on the asset register agrees to box 9, section 2 of the Accounting Statements.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>Bank reconciliations have been presented to council each month and have been authorised and dated by the Chairman.</p> <p>There are no unexplained balancing entries in the reconciliations.</p>
11	Were year-end accounts prepared on the correct accounting basis and supported by adequate working papers and adjustments, transfers,	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b></p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p>



	<p>contra entries etc. which are fully explained and justified?</p> <p>Is there an adequate audit trail from underlying records and where appropriate have debtors and creditors have been properly accounted for?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p>The statements agree with the cash book and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The 2018/19 Internal Audit Report was presented to council on the 15th May 2019. The recommendations were noted and approved.</p>
12	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.</p>
13	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p><b>Findings</b></p> <p>Section 2, Accounting Statements, of the Annual Governance and Accounting Return Part 2, identified that the council's gross income for last year or gross annual expenditure for the year did not exceed £25,000.</p> <p>The council has confirmed that the exemption criteria identified on the Certification of Exemption for last year were fully met.</p>
14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the	<p><u>Exercise of Public Rights</u></p> <p><b>Findings</b></p> <p>I have confirmed by a review of the council's website that, during the summer of 2019, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the</p>

	requirements of the Accounts and Audit Regulations 2015?	2015 Accounts and Audit Regulations.
15	Are the council's minutes maintained in accordance with legislative requirements?	<p><u>Correct maintenance of council minutes</u></p> <p><b>Findings</b></p> <p>The minutes provided to audit cover the whole year and are maintained in a loose leaf format.</p> <p>Each page of the minutes has been signed and dated by the person presiding thereat.</p> <p>Each loose leaf of the minutes is consecutively numbered as required by Schedule 12.41(1) of the Local Government Act 1972.</p>

## Executive Summary

The accounts and governance arrangements of the council have been maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the adoption of the above recommendations and consideration of the advisory note will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

Paragraph 5.106 of the NALC/SLCC 2019 Governance and accountability Guide identifies that:

“Authorities should note that it is not part of internal audit’s responsibility to review or ‘sign off’ the completed Annual Governance and Accountability Return. Internal audit report(s) should inform the authority’s responses to assertions 2 and 6 in the annual governance statement. Internal audit reports should therefore be made available to support and inform members considering the authority’s approval of the annual governance statement.”

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2019.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

29<sup>th</sup> April 2020

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