



# Spaldington Parish Council

## Internal Audit Report [Year Ending 31 March 2022]

|  |  |                                |                               |
|--|--|--------------------------------|-------------------------------|
| <b>Financial Year Ending:</b>            | <b>31 March 2022</b>   | <b>Date Audit Carried Out:</b> | <b>15 &amp; 16 April 2022</b> |
| <b>Internal Auditor:</b>                 | Ms Safia Kauser  | <b>Date Report Issued:</b>     | 16 April 2022                 |
| <b>Report Status:</b>                    | Draft  |                                |                               |
| <b>Audit Assurance Assessment Cover:</b> | The programme of cover has been designed to afford <u>reasonable assurance</u> that the Councils financial systems are operating in an effective manner and in compliance with the statutory legal framework. This audit assurance applies to each individual control area that has received a positive internal audit response. |                                |                               |
| <b>Audit Assurance Definition:</b>       | Reasonable Assurance Definition: There is generally a sound system of governance, risk management and control in place. Some issues non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.   |                                |                               |

**This internal audit report considers the best practice and internal auditing standards referenced within the Practitioners' Guide to Governance and Accountability for Local Authorities.**

Internal audit is an on-going function, undertaken regularly throughout the financial year, to test the continuing existence and adequacy of the authority's internal controls. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

**Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.**

## Background

### 1.1 Spaldington Parish Council

The parish council is the first tier of local government. The council has five Councillors and a part time Clerk and Responsible Financial Officer working five hours per week. Due to the expiry of the Remote meetings legislation from the 07 May 2021; the council delegated all decision making authority to the Parish Clerk/RFO in accordance with the Local Government Act 1972, section 101 and monthly advisory meetings were held remotely to inform members of the actions taken under delegated authority. The council has since returned to face-to-face meetings from January 2022. The precept for the 2021/22 financial year was £10,000, an increase in the region of £2,000 to cover the costs of the ongoing external audit investigation. Two employment policies have been adopted this year and work is underway to address the internal audit recommendations from the 2020/21 financial year. It is noted that a Risk Assessment Policy was considered at the August 2021 meeting but required formal adoption at a council meeting but a review of the minutes confirmed that it was not formally adopted during the financial year. Due to the historic issue with the previous administration, including the settlement of a legal claim, the council has received an increase in the rise of freedom of information requests and complaints that have been considered by the council (as reported in the minutes). This has subsequently had a financial impact on costs leading to additional overtime paid to the Clerk to answer the FOI requests and legal fees paid to a solicitor in relation to the complaints.

### 1.2 Objections to the Accounts – Challenge Correspondence

The external auditors are continuing to review challenge correspondence in relation to the 2019/20 and/or prior financial year accounts. It has been noted that the costs have accumulated in excess of £40,000 to date over the last three years as reported in the council minutes dated January 2022 which has resulted in the average cost of £700.00 for a Band D property (costs towards legal, insurance and external audit fees). The council were made aware in January 2022 that the ongoing costs will be in the region of £8-9k.

## Statement of Responsibility

### 1.3 Responsibility

The internal audit work was undertaken in accordance with the agreed scope of assignment and in accordance with the letter of engagement. The council as a corporate body is responsible for ensuring that council business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

**1.4** This report and findings are based on the information that was made available during the course of the audit. The matters raised in the report should not be read as a comprehensive statement of all the weaknesses identified or all improvements to be made. Internal Audit work should not be relied upon to identify all circumstances of fraud and irregularity, should there be any. Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

**1.5** The Internal audit report should inform the authority's responses to Assertions 2 and 6 in the Annual Governance Statement that forms part of the Annual Governance and Accountability Return [AGAR]. This internal audit report should therefore be made available to support and inform members considering the authority's approval of the annual governance statement.

## Internal Control Objectives and Assessment Summary of Responses

| Internal Control Objectives [As set out in the AGAR Internal Audit Report] |   | Internal Audit Response |
|--|---|-------------------------|
| <b>A</b>   | Appropriate accounting records have been kept properly throughout the year.   | <b>Yes</b>              |
| <b>B</b>   | This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.  | <b>Yes</b>              |
| <b>C</b>   | This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.  | <b>No</b>               |
| <b>D</b>   | The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.   | <b>No</b>               |
| <b>E</b>   | Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.  | <b>Yes</b>              |
| <b>F</b>   | Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.   | <b>Not applicable</b>   |
| <b>G</b>   | Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.  | <b>Yes</b>              |
| <b>H</b>   | Asset and investments registers were complete and accurate and properly maintained.   | <b>No</b>               |
| <b>I</b>   | Periodic and year-end bank account reconciliations were properly carried out.   | <b>Yes</b>              |
| <b>J</b>   | Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded. | <b>No</b>               |
| <b>K</b>   | IF the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")  | <b>Yes</b>              |
| <b>L</b>   | The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements   | <b>Yes</b>              |
| <b>M</b>   | The authority, during the previous year (2020/21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations ( <i>evidenced by the notice published on the website and/or authority approved minutes confirming the dates set</i> ).           | <b>Yes</b>              |
| <b>N</b>   | The authority has complied with the publication requirements for 2020/21 AGAR ( <i>see AGAR Page 1 Guidance Notes</i> ).  | <b>Yes</b>              |
| <b>O</b>   | <b>(For local councils only)</b><br>Trust funds (including charitable) – The council met its responsibilities as a trustee.   | <b>Not applicable</b>   |

## Internal Audit Findings and Recommendations

**A** Appropriate accounting records have been kept properly throughout the year.

| Internal Audit Testing  | Compliance | Comments / Recommendations   |
|---|------------|--|
| Do the previous year's annual return figures agree with the current year's opening balances in the cash book? | No         | <p>£6,731 Closing Balances reported at Box 8 of the accounting statements at 31 March 2021. This figure should be carried forward and recorded as the opening balances in the cashbook at 01 April 2021.</p> <p><b>RECOMMENDATION 1:</b><br/>That the opening balances are entered into the cashbook to ensure it is up to date and records the Councils cash balances.</p>  |
| Ledger maintained and up to date?<br>Arithmetic correct?  | Yes        | <p>A sample of invoices was selected to review against the cashbook and the bank statements and no issues were identified. We noted in our last year interim report the incorrect data input of Peninsula invoices and IPT reclaims. We note that during this financial year all Peninsula monthly transactions have been recorded correctly in the cashbook.</p> <p>It is noted that the salary and expenses are now coded to separate expense codes as recommended in the last year interim report.</p> <p>A donation of £1,501.59 was received from Spaldington CIC which was subsequently not cleared by the bank. The payment is shown recorded as income and then the entry is recorded as an expenditure payment which is not the correct way to record this as it inflates the income and expenditure totals which is not the correct accountancy practice. The income entry should be recorded as a minus entry in the income ledger which would cancel the payment. It is recommended that this is rectified.</p> <p><b>RECOMMENDATION 2:</b><br/>That the expenditure payment of £1,509.59 for Spaldington CIC is removed from the expenditure cashbook and that entry is recorded in the income ledger as a minus transaction to cancel the cheque that has not cleared the bank account. This action to be addressed as a high priority and figures amended as required on the accounting statements.</p> |

**Internal Audit Response** Yes

**B This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.**

| Internal Audit Testing  | Compliance | Comments / Recommendations   |
|---|------------|--|
| Has the Council adopted the Standing Orders and are these in accordance with the latest NALC model?                             | Yes        | <p>There have been no changes made to the Standing Orders that were adopted on the 06 July 2020. As recommended in our last year audit; it is best practice to adopt the model NALC Standing Orders and tailor these to the councils requirements as the NALC model includes text in bold that identifies the legal and statutory requirements for the council to observe.</p> <p><b>RECOMMENDATION 3:<br/>That the council adopts the NALC Model Standing Orders and tailors these to the council's requirements. Any financial requirements contained within the Standing Orders must correspond to the Financial Regulations.</b></p> |
| Has the Council adopted Financial Regulations and are these up to date with the latest NALC Model? And tailored to the Council? | Yes        | <p>Financial Management and Budgeting Policy incorporating the Financial Regulations adopted on the 25 January 2021 however there is a separate policy that relates to 'Procurement and Contracts' that sets out detailed requirements and procedures for different value contracts/thresholds.</p> <p>The recommended best practice is to adopt the NALC Model Financial Regulations and to tailor these to the councils' requirements.</p>   |
| Is the purchasing authority defined in Financial Regulations? Is this consistent with the Standing Orders?                      | No         | <p>The purchasing authority is incorporated within the Procurement and Contracts Policy but this is not consistent with the Standing Orders.</p> <p><b>RECOMMENDATION 4:<br/>That the purchasing authority within the Procurement and Contracts Policy is consistent with the Standing Orders.</b></p>   |
| Are all payments listed in the cashbook supported by invoices, authorised and minuted? Certification of an account stamp used?  | Yes        | <p>Although the payments are minuted and authorised by council, there is no audit trail on the face of the invoices to evidence these checks. As recommended in our last financial year report, the RFO should ensure that a suitably designed accounts authorisation stamp be used for all invoices, for providing evidence of checks as required by the councils Financial Regulations.</p>  |

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|   |            | <p><b>RECOMMENDATION 5:</b><br/> <b>That a suitably designed accounts authorisation stamp should be used for all invoices, for providing evidence of checks as required by the councils Financial Regulations Policy.</b></p>  |
| <p>Is there a segregation of duties between writing cheques and/or setting up online payments and physical release of payments?</p>     | <p>Yes</p> | <p>The Council has moved to online banking with Unity Trust Bank. The RFO acts as the administrator and sets up the payments which are then approved by 2 out of the 3 authorised signatories. The RFO does not have authority to authorise payments and the councillors do not have authority to set-up payments however in the event that the RFO is unavailable to set-up a payment then the Chair can request to have authority from Unity Bank in these circumstances.</p> <p><b>RECOMMENDATION 6:</b><br/> <b>That the procedure for online banking transactions is incorporated with the Financial Regulations.</b></p>   |
| <p>Is S137 separately recorded and within limits? Is S137 expenditure of direct benefit to electorate? Is S137 expenditure minuted?</p> | <p>No</p>  | <p>S.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. It gives the council the power to incur expenditure that will bring direct benefit to their local area or any part of it, or to all or some of its inhabitants.</p> <p>The council has made payments towards events and associated costs:</p> <ul style="list-style-type: none"> <li>• £1,500 – Premier Events Marquee – marquee hire</li> <li>• £1,150 – D Murphy – costs towards hiring entertainment</li> <li>• £1,500 – White Swan – £1,250 towards catering costs and £250 towards a signer (entertainment)</li> </ul> <p>There is no column in the cashbook to confirm if these are S137 payments. A review of the minutes does not confirm what power the council is relying on to incur these costs or a specific minute resolution to confirm if these are S137 payments.</p> <p><b>RECOMMENDATION 7:</b><br/> <b>That a S137 column is introduced in the cashbook to record all S137 expenditure and that any expenditure incurred under this power is recorded in the council minutes.</b></p> |

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| Is VAT correctly recorded in the cashbook and linked to invoices? | Yes | Sample of invoices checked for VAT that corresponded to the cashbook.   |
| VAT evidence, recording and reclaim?                              | Yes | <p>Last VAT return covered the period of 03 April 2020 to 03 January 2021.</p> <p>O/S VAT Entries financial year ending 31 March 2021 brought forward:</p> <ul style="list-style-type: none"> <li>• £10.00 – ACS Invoice</li> <li>• £49.74 – ERYC invoice</li> <li>• £22.02 – Peninsula – Feb invoice</li> <li>• £22.02 – Peninsula – March invoice</li> </ul> <p>£103.78 – to be claimed with next VAT return</p> <p>VAT Return filed for the period covering 20 March 2021 to 31 October 2021 = £624.21 as per cashbook entries plus brought forward figure of £103.78, total reclaim of £727.99 – received and banked on 04 November 2021.</p> |
| <b>Internal Audit Response</b>                                    |     | <b>Yes</b>  |

**C This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

| Internal Audit Testing                    | Compliance | Comments / Recommendations  |
|---|------------|---|
| Annual risk assessment carried out?       | No         | The Clerk/RFO has prepared a comprehensive Risk Assessment Policy and risk assessment that was reported to council in August 2021 but this has not been formally adopted by the council who are required to at least once annually, adopt an appropriate and comprehensive register of assessed risks, both regular and ad hoc. It was reported at the August meeting that the policy would be adopted at the January 2022 meeting when council would start to meet in person, but on review of the minutes from January to March 2022 the policy and risk register document was not formally approved and adopted. It is noted that the financial risks associated with the external audit investigation have not been incorporated within the risk register (see further comments below). |
| Evidence of annual insurance review?      | Yes        | Insurance was reviewed by the council at the meeting held on the 05 April 2021 and it was resolved to enter into a 3 year agreement with an insurance provider. Insurance policy renewed with continuous cover from 17 May 2021 with Came and Company.  |
| Insurance cover appropriate and adequate? | Yes        | Main insurable cover in place, including: <ul style="list-style-type: none"> <li>• Property and Content</li> <li>• Business Interruption</li> <li>• Employers Liability, Public Liability</li> <li>• Fidelity Guarantee, Legal Expenses</li> </ul>  |



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| Internal financial control checks documented and evidenced?                | No             | Regulation 6 of the Accounts and Audit Regulations 2015 requires the council to conduct each financial year a review of the effectiveness of the system of internal control. The review assist the council to respond to the Annual Governance Statement, Assertion two. See link to example policy: <a href="https://lothersdaleparishcouncil.gov.uk/0-Internal-Control-Policy.pdf">Risk-Management-^0-Internal-Control-Policy.pdf</a> (lothersdaleparishcouncil.gov.uk) |
| Appropriate monitoring in place? (Play areas, sports pitches, open spaces) | Not applicable | Not Covered.  |
| <b>Internal Audit Response</b>   |                | <b>No</b>   |

**D The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

| Internal Audit Testing  | Compliance | Comments / Recommendations   |
|---|------------|--|
| Is there an annual budget to support precept? Has the budget been discussed and adopted by council? | Yes        | <p>The budget was considered at the council meeting held on the 19 January 2022. The budget document does not demonstrate how the calculations for the opening balances, projected income and expenditure, earmarked reserves and projected closing balances contribute towards the level of precept to be levied. There is no earmarked reserve for the council's external audit investigation to accommodate the anticipated cost of £8-9k. Data extracted from the budget indicates:</p> <ul style="list-style-type: none"> <li>• £6,730.98 – Total Bank Balances at 1 Apr 2021</li> <li>• £10,000 – Plus Precept for 2021/22</li> <li>• £6,213.19 – Projected Income 31 March 2022</li> <li>• £13,072.30 – Projected Exp at 31 March 2022</li> <li>• £9,871.87 – Projected Year End 31 March 2022</li> <li>• £3,000 – External Audit Costs (unspent)</li> <li>• £6,871.87 – General Funds</li> </ul> <p><b>RECOMMENDATION 9:</b><br/>That improvements are made to the budget document to demonstrate the calculations for the opening and projected closing balances, projected income and expenditure, contingencies and ear-marked reserves and how they are linked to the level of precept to be levied. Further guidance on the budgeting stages is set out on 37 of the NALC Practitioners Guide 2022.</p> |



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| <p>Level of reserves within Proper Practice? le between 3 and 12 months running costs. Review earmarked reserves.</p> | <p>No</p> | <p>Council minutes dated 19 January 2022 refer to no earmarked reserves at the financial year-end but indicate that there would be a reserve of £3,000. Council should note the difference between earmarked reserves, ie reserves allocated to a particular project/cost ie (external audit fees should fall into that bracket) and a general reserve which is normally held to finance unexpected or emergency expenditure. The calculation of a general reserve is set out in the Practitioners Guide which states <i>'General Reserve – 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 three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. <u>The smaller the authority the closer the figure should be to 12 months'</u></i></p> <p>There is significant concern surrounding the councils financial ability to pay for the external audit investigation costs during the 2022/23 financial year in the event that the anticipated invoice of £8-9k is received. Although there has been some consideration regarding this during the budgeting process, there has been no financial risk assessment undertaken to review the risks associated with this in the event the council are unable to meet the costs. In addition to this, the council has not allocated any money in an earmarked reserve to finance this expenditure. During the 2021/22 budget there is an underspend of £3,000 allocated to the external audit code and a further £1,000 budgeted in the 2022/23 financial year but there is no indication from the budget documents and council minutes that monies have been allocated to an EM reserve at year-end.</p> <p><b>RECOMMENDATION 10:</b><br/> <b>That the council earmarks funds to meet the costs of the external audit investigation that is anticipated to cost in the region of £8-9K following a financial risk assessment to be carried out and to include the potential risks associated with the councils inability to meet the costs. Any actions arising from this recommendation to be documented in the council minutes.</b></p> |
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| Is the precept demand correctly recorded in the minutes?   | Yes | Precept of £13,500 detailed in the council minutes. |
| Is the budget against spend comparisons provided regularly to the Council? ie quarterly basis? Any unexpected variances? | Yes |   |
| <b>Internal Audit Response</b>   |     | <b>No</b>   |

|  |                   |  |
|--|-------------------|--|
| <b>E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for</b> |                   |  |
| <b>Internal Audit Testing</b>  | <b>Compliance</b> | <b>Comments / Recommendations</b>  |
| Does the precept approved agree to the Council Tax authority's notification and has this been received and banked?                                   | Yes               | The precept of £10,000 for the 2021/22 financial year was received in two instalments in April and September 2021.   |
| Does the council receive any other income in addition to the precept? Is the income properly recorded and banked?                                    | Yes               | <ul style="list-style-type: none"> <li>A grant payment of £5,000 received in two instalments in September and December 2021.</li> <li>A donation of £265.00 towards the defibrillator.</li> <li>VAT repayments.</li> </ul> |
| Has the council correctly invoiced for any sales and is the correct rate of VAT applied? (if applicable)   | Not applicable    |  |
| <b>Internal Audit Response</b>   |                   | <b>Yes</b>   |

|   |                   |                                   |
|---|-------------------|-----------------------------------|
| <b>F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for</b>                         |                   |                                   |
| <b>Internal Audit Testing</b>   | <b>Compliance</b> | <b>Comments / Recommendations</b> |
| Does the Council manage petty cash and is it accounted for properly and included in the AGAR figures? Is all petty cash spent recorded and supported by VAT receipts? | Not applicable    | N/A                               |
| Is petty cash expenditure reported to each council meeting?   | Not applicable    | N/A                               |
| <b>Internal Audit Response</b>  |                   | <b>Not Covered</b>                |

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|---|-------------------|-----------------------------------|
| <b>G Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.</b> |                   |                                   |
| <b>Internal Audit Testing</b>   | <b>Compliance</b> | <b>Comments / Recommendations</b> |
| Is there a contract of employment for the Clerk/RFO and all employed staff?   | Yes               |                                   |

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| <p>Has the Council approved the salaries paid? Do the salary records correspond with the pay points agreed by the Council?</p> | <p>Yes</p> | <p>Contract of employment refers to a pay review to commence annually but no confirmatory letter issued by the council to the employee to confirm the contractual changes. Explanations have been provided by the post-holder to confirm that a pay review did take place at the EOM held on the 19 April 2021 and an uplift to the hourly rate was agreed. Pay slips audited for the months of May, July and November confirm that the new hourly rate corresponded to the monthly pay plus a fixed amount for the home working allowance.</p> <p>Overtime is incurred frequently. Inspection of pay slips does not confirm the breakdown for the number of units (hours) of overtime incurred. It is noted that whilst the council approves the overtime at council meetings, the minute detail does not confirm the number of overtime hours authorised for processing. There was no record of timesheets presented during the audit however an explanation was provided by the post-holder. It is recommended that time-sheets are completed on a monthly basis to demonstrate the total number of hours worked plus overtime (if any). For audit purposes the time-sheets should be signed off by the Chairman (or nominated councillor) following approval at a council meeting. In exceptional circumstances, if it is anticipated that significant amount of overtime may need to be incurred, if circumstances allow, this should be authorised in advance prior to it being incurred to ensure the council does not exceed its salary budget.</p> <p>Alternatively, the council could agree a fixed cap per month of x number of hours overtime to be incurred and any hours exceeding that amount to be authorised in advance.</p> <p>Council minutes dated 07 March 2022 confirm an increase to SCP14 but the minute detail does not confirm the effective date of the increase and there is no confirmatory letter issued by the council to the employee to confirm the contractual changes.</p> <p><b>RECOMMENDATION 11(A):</b><br/> <b>That monthly timesheets are completed by the post-holder including a breakdown for overtime hours. Timesheets to be signed off by the Chairman or nominated councillor following authorisation and a copy to be emailed to the payroll provider for processing of the overtime and a copy retained on file for audit purposes.</b></p> <p><b>RECOMMENDATION 11(B):</b><br/> <b>That the council issues the employee with a contract variation letter to confirm changes to the pay scales following any pay reviews</b></p> |
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|  |                    | <b>and that the letter includes an acknowledgement for the employee to confirm agreement to the changes and for a copy to be retained on file.</b> |
| Is the Tax and NI contributions paid within the expected parameters to HMRC? Are copies of P11s available? | Yes (see comments) | Payroll continues to be outsourced and there are no tax and NI implications.   |
| Are pension obligations met as part of the auto-enrolment process? Criteria £10k salary p.a                | Not Applicable     | This post doesn't qualify for pension auto-enrolment   |
| <b>Internal Audit Response</b>   |                    | <b>Yes</b>   |

**H Asset and investments registers were complete and accurate and properly maintained.**

| <b>Internal Audit Testing</b>  | <b>Compliance</b> | <b>Comments / Recommendations</b>   |
|--|-------------------|---|
| Does the council keep a register of all material assets owned? Is asset register up to date?   | Yes               | £5,719.10 – recorded assets at 31 March 2022.   |
| Does the asset register record the replacement value of individual assets for insurance purposes?  | Yes               | The asset register now includes a column for current value for insurance purposes   |
| Compare the Asset Register value reported in section 2, box 9 prior year reported figure, adjusted to include new assets / and/or disposals. Is there a record of disposals to record non-serviceable/disposed assets? | No                | See comments below  |
| Does the Asset Register value correspond to box 9 of the Annual Return?  | No                | Box 9 of the Annual Return records '£5,324.21'. This is the figure for the current value. For the purposes of box 9, assets must be recorded at purchase cost. There have been no changes to the asset register therefore the value should remain consistent with last years recorded assets at £5,719.10.                                  |
| Does the register of assets correspond to the insurance schedule to ensure that all assets are insured or self-insured by the council?   | No                | The value of assets recorded in the asset register exceeds the value of contents insured as per insurance policy schedule.<br><br><b>RECOMMENDATION 12:</b><br><b>That a copy of the Asset Register is provided to the insurance company to ensure that all council assets are ensured with the appropriate insured/replacement values.</b> |
| Have the assets been inspected for risk and H&S purposes and do inspection records exist?  | No                | <b>RECOMMENDATION 13:</b><br><b>That the assets are physically checked to verify their existence.</b>   |
| <b>Internal Audit Response</b>   |                   | <b>No</b>   |

| <b>I Periodic and year-end bank account reconciliations were properly carried out.</b>   |                   |   |
|--|-------------------|---|
| <b>Internal Audit Testing</b>  | <b>Compliance</b> | <b>Comments / Recommendations</b>   |
| Is there a bank reconciliation for each account?   | Yes               | The council continues to have three bank accounts and reconciliation statements are carried out routinely and reported to council. <ul style="list-style-type: none"> <li>• HSBC Current Account</li> <li>• SPC Current Account No. 2</li> <li>• Unity Trust Bank</li> </ul>  |
| Reconciliation carried out on receipt of statement?  | Yes               |   |
| Are bank reconciliations reported to council and committee? Are these independently signed off by members and recorded in the minutes? | Yes               |   |
| Any unexpected balancing entries in any reconciliation? Sample test one month.   | No                |   |
| Bank Reconciliation to the 31 March?   | No                | <p>The bank reconciliation was provided for March 2022 but the balances were reconciled to 28 February 2022.</p> <p>The Bank Balances at 31<sup>st</sup> March 2022 were verified against 2 bank statements only:</p> <ul style="list-style-type: none"> <li>• £2,893.03 – Unity Trust Bank</li> <li>• £6,453.97 – HSBC Current Account</li> <li>• £8.40? HSBC Business Current</li> </ul> <p>The Bank Statement was not available for HSBC Business Current account.</p> <p><b>RECOMMENDATION 14:</b><br/> <b>That the bank reconciliation for the 31 March 2022 is updated by the RFO and that the total figure corresponds to box 7 and 8 of the AGAR accounting statements.</b></p> |
| <b>Internal Audit Response</b>   |                   | <b>Yes</b>  |

| <b>J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.</b> |                   |   |
|--|-------------------|---|
| <b>Internal Audit Testing</b>  | <b>Compliance</b> | <b>Comments / Recommendations</b>   |
| Year-end accounts prepared on correct accounting basis?  | Yes               |   |
| Staff Costs [Box 4] Do payments relate to employment of staff including gross salary, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or terminations payments to employees?   | No                | <p>£3,750.14 – Total Salary costs recorded in the cashbook.</p> <p>£3,774.14 – Total value recorded in the AGAR Accounting statements box 4. <u>Variance of £24.00.</u> These figures to be reviewed by the RFO and amended as appropriate.</p> |

|   |                    |  |
|---|--------------------|--|
| Do the Bank statements and ledger reconcile at 31 March?  | No                 | See comments above.  |
| Is there an underlying financial trail from records to presented accounts?                                    | Yes (see comments) | <p>Whilst internal audit is not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires the internal auditor to ensure that the financial detail reported at Section 2 of the AGAR reflects the detail in the accounting records maintained for the financial year.</p> <p>See comments above regarding the grant payment of £1,509.59 for Spaldington CIC recorded incorrectly in the cashbook. The accounting statements to be reviewed in view of the amendments recommended.</p> <p>See comments above regarding the figure in Box 4 relating to Staff Costs.</p> |
| Is the explanation of significant variances from completed? Explanations required for variances exceeding 15% | Yes                | Form completed by the RFO.   |
| Where appropriate, debtors and creditors properly recorded?   | Not applicable     |  |
| <b>Internal Audit Response</b>  |                    | <b>No</b>  |

**K** IF the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”)

| Internal Audit Testing   | Compliance | Comments / Recommendations  |
|--|------------|---|
| <p>Has the Council correctly declared itself exempt from external audit? i.e receipts and payments individually totalled less than £25k.</p> <p>Requirements:</p> <ul style="list-style-type: none"> <li>the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline</li> <li>that it has been published, together with all required information on the Authority’s website and noticeboard</li> </ul> | Yes        | <p>Yes – see link: <a href="https://spaldingtonparishcouncil.gov.uk">2021-06-22 10:10 (spaldingtonparishcouncil.gov.uk)</a></p> <p>Yes – see link: <a href="#">Annual Governance Documentation &amp; Internal Audit Report - Spaldington Parish Council</a></p> |
| <b>Internal Audit Response</b>   |            | <b>Yes</b>  |

**L The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements**

| Internal Audit Testing   | Compliance | Comments / Recommendations  |
|--|------------|---|
| <p>Annual publication of all items of expenditure above £100?</p> <p>Publish details of each individual item of expenditure. Copies of all books, deeds, contracts, bills, vouchers, receipts and other related documents do not need to be published but should remain available for inspection. For each individual item of expenditure the following information must be published:</p> <p>a. date the expenditure was incurred,<br/> b. summary of the purpose of the expenditure,<br/> c. amount, and<br/> d. Value Added Tax that cannot be recovered.</p> | <p>Yes</p> | <p>Monthly cashbooks uploaded onto the parish council website, see link: <a href="#">Parish Finances (including all expenditure) - Spaldington Parish Council</a></p> |
| <p>Annual publication – Annual end of year accounts?</p> <p>Publish signed statement of accounts according to the format included in the Annual Return form. It should be accompanied by: a. a copy of the bank reconciliation for the relevant financial year, b. an explanation of any significant variances (e.g. more than 10-15 percent) in the statement of accounts for the relevant year and previous year, and c. an explanation of any differences between 'balances carried forward' and 'total cash and short term investments', if applicable.</p>  | <p>Yes</p> | <p>See link: <a href="#">Annual Governance Documentation &amp; Internal Audit Report - Spaldington Parish Council</a></p>   |
| <p>Annual Governance Statement?</p> <p>Publish signed annual governance statement according to the format included in the Annual Return form. Explain any negative responses to governance statements, including how any weaknesses will be addressed.</p>   | <p>Yes</p> | <p>See link: <a href="#">Annual Governance Documentation &amp; Internal Audit Report - Spaldington Parish Council</a></p>   |
| <p>Internal Audit Report?</p> <p>Publish signed internal audit report according to the format included in the Annual Return form. Explain any negative response to the internal controls objectives, including how any weaknesses will be addressed. Explain any 'not covered' responses to internal controls objectives.</p>  | <p>Yes</p> | <p>See link: <a href="#">Annual Governance Documentation &amp; Internal Audit Report - Spaldington Parish Council</a></p>   |



|  |                       |   |
|--|-----------------------|---|
| <p>List of councillor or member responsibilities?</p> <p>Annual publication of councillor or member responsibilities including:<br/> a) names of all councillors or members,<br/> b) committee or board membership and function (if Chairman or Vice-Chairman), and<br/> c) representation on external local public bodies (if nominated to represent the authority or board).</p> | <p>Yes</p>            | <p>See link: <a href="#">Councillors &amp; Clerk - Spaldington Parish Council</a></p> |
| <p>Location of public land and building assets? Annual publication details of all public land and building assets.</p>   | <p>Not applicable</p> |   |
| <p>Minutes, agendas and papers of formal meetings?</p> <p>Publication of draft minutes from all formal meetings not later than one month after the meeting has taken place. Publication of meeting agendas and associated meeting papers not later than three clear days before the meeting to which they relate is taking place.</p>  | <p>Yes</p>            | <p>See link: <a href="#">2021 - 2022 - Spaldington Parish Council</a></p>             |
| <p><b>Internal Audit Response</b></p>  |                       | <p><b>Yes</b></p>   |

**M** **The authority, during the previous year (2020/21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).**

| Internal Audit Testing   | Compliance | Comments / Recommendations   |
|--|------------|--|
| <p>Do arrangements for public inspection of council's records exist? The inspection window must include a 30-working day period including the first 10 working days of July following the end of the financial year to which the accounts relate.</p> <p>*Exercise of public rights had to commence on or before 01 September. Requirement for first 10 working days in July was removed due to Coronavirus pandemic.</p> <p>Evidence of public inspection notice seen? And website address.</p> | <p>Yes</p> | <p>See link: <a href="#">spaldington-pc-notice-of-public-rights-and-publication-of-annual-governance-accountability-return-2020-2021.pdf</a> (<a href="#">spaldingtonparishcouncil.gov.uk</a>)</p> |
| <p>Did the council minute the relevant dates for the exercise of public rights at the same time as approving the AGAR?</p>   | <p>No</p>  | <p>It is recommended good practice for the council minute to detail the relevant dates for the exercise of public rights.</p>  |
| <p><b>Internal Audit Response</b></p>  |            | <p><b>Yes</b></p>  |

**N** The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).

| Internal Audit Testing   | Compliance | Comments / Recommendations   |
|--|------------|--|
| <b>Review evidence for publication (Applicable to AGAR Form 2 – authorities declaring themselves exempt from a limited assurance review):</b>  |            |  |
| <p>Before 01 July 2021, the authority should have published:</p> <p>a) the Annual Internal Audit Report;</p> <p>b) the Annual Governance Statement;</p> <p>c) the Accounting Statements;</p> <p>d) an analysis of any significant year on year variances;</p> <p>e) a bank reconciliation as at 31 March 2021;</p> <p>f) a copy of the Certificate of Exemption;</p> <p>g) details of the arrangements for the exercise of public rights; and</p> <p>h) the name and address of the External Auditor</p> | Yes        | <p>a) See link: <a href="https://spaldingtonparishcouncil.gov.uk/2020-21-internal-audit-report-spaldington-parish-council-2.pdf">2020-21-internal-audit-report-spaldington-parish-council-2.pdf</a> (<a href="https://spaldingtonparishcouncil.gov.uk">spaldingtonparishcouncil.gov.uk</a>)</p> <p>b) See link: <a href="https://spaldingtonparishcouncil.gov.uk/2021-06-22-10:10">2021-06-22 10:10</a> (<a href="https://spaldingtonparishcouncil.gov.uk">spaldingtonparishcouncil.gov.uk</a>)</p> <p>c) See link: <a href="https://spaldingtonparishcouncil.gov.uk/2021-06-22-10:10">2021-06-22 10:10</a> (<a href="https://spaldingtonparishcouncil.gov.uk">spaldingtonparishcouncil.gov.uk</a>)</p> <p>d) See link: <a href="https://live.com/explanation-of-variances-2020-21.xlsx">explanation-of-variances-2020-21.xlsx</a> (<a href="https://live.com">live.com</a>)</p> <p>e) See link: <a href="https://spaldingtonparishcouncil.gov.uk/SPC-Running-Financial-Accounts-20-21.xlsx">SPC Running Financial Accounts 20-21.xlsx</a> (<a href="https://spaldingtonparishcouncil.gov.uk">spaldingtonparishcouncil.gov.uk</a>)</p> <p>f) See link: <a href="https://spaldingtonparishcouncil.gov.uk/2021-06-22-10:10">2021-06-22 10:10</a> (<a href="https://spaldingtonparishcouncil.gov.uk">spaldingtonparishcouncil.gov.uk</a>)</p> <p>g) See link: <a href="https://spaldingtonparishcouncil.gov.uk/spaldington-pc-notice-of-public-rights-and-publication-of-annual-governance-accountability-return-2020-2021.pdf">spaldington-pc-notice-of-public-rights-and-publication-of-annual-governance-accountability-return-2020-2021.pdf</a> (<a href="https://spaldingtonparishcouncil.gov.uk">spaldingtonparishcouncil.gov.uk</a>)</p> <p>h) See link: <a href="https://spaldingtonparishcouncil.gov.uk/spaldington-pc-notice-of-public-rights-and-publication-of-annual-governance-accountability-return-2020-2021.pdf">spaldington-pc-notice-of-public-rights-and-publication-of-annual-governance-accountability-return-2020-2021.pdf</a> (<a href="https://spaldingtonparishcouncil.gov.uk">spaldingtonparishcouncil.gov.uk</a>)</p> |
| <b>Internal Audit Response</b>   |            | <b>Yes</b>   |

**O** Trust funds (including charitable) – The council met its responsibilities as a trustee

| Internal Audit Testing                       | Compliance | Comments / Recommendations |
|--|------------|----------------------------|
| Charities reported and accounted separately? |            |                            |
| <b>Internal Audit Response</b>               |            | <b>Not applicable</b>      |

**AGAR Internal Audit Report 2021/22**

The AGAR internal audit report has been signed off. The responses as set out in the summary (page 3) have been carried across to the AGAR form. The negatives responses are supported by the findings contained in this report.

**Recommendations Action Plan (Attached)**

| No | Recommendation  | Responsibility | Timescale |
|----|---|----------------|-----------|
| 1  | That the opening balances are entered into the cashbook to ensure it is up to date and records the Councils cash balances.  |                |           |
| 2  | That the expenditure payment of £1,509.59 for Spaldington CIC is removed from the expenditure cashbook and that entry is recorded in the income ledger as a minus transaction to cancel the cheque that has not cleared the bank account. This action to be addressed as a high priority and figures amended as required on the accounting statements.                  |                |           |
| 3  | That the council adopts the NALC Model Standing Orders and tailors these to the council's requirements. Any financial requirements contained within the Standing Orders must correspond to the Financial Regulations.   |                |           |
| 4  | That the purchasing authority within the Procurement and Contracts Policy is consistent with the Standing Orders.   |                |           |
| 5  | That a suitably designed accounts authorisation stamp should be used for all invoices, for providing evidence of checks as required by the councils Financial Regulations Policy.   |                |           |
| 6  | That the procedure for online banking transactions is incorporated with the Financial Regulations.  |                |           |
| 7  | That a S137 column is introduced in the cashbook to record all S137 expenditure and that any expenditure incurred under this power is recorded in the council minutes.  |                |           |
| 8  | That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two.  |                |           |
| 9  | That improvements are made to the budget document to demonstrate the calculations for the opening and projected closing balances, projected income and expenditure, contingencies and ear-marked reserves and how they are linked to the level of precept to be levied. Further guidance on the budgeting stages is set out on 37 of the NALC Practitioners Guide 2022. |                |           |
| 10 | That the council earmarks funds to meet the costs of the external audit investigation that is anticipated to cost in the region of £8-9K following a financial risk assessment to be carried out and to include the potential risks associated  |                |           |

|               |  |  |  |
|---------------|--|--|--|
|               | with the councils inability to meet the costs. Any actions arising from this recommendation to be documented in the council minutes.   |  |  |
| <b>11 (A)</b> | That monthly timesheets are completed by the post-holder including a breakdown for overtime hours. Timesheets to be signed off by the Chairman or nominated councillor following authorisation and a copy to be emailed to the payroll provider for processing of the overtime and a copy retained on file for audit purposes. |  |  |
| <b>11 (B)</b> | That the council issues the employee with a contract variation letter to confirm changes to the pay scales following any pay reviews and that the letter includes an acknowledgement for the employee to confirm agreement to the changes and for a copy to be retained on file.   |  |  |
| <b>12</b>     | That a copy of the Asset Register is provided to the insurance company to ensure that all council assets are ensured with the appropriate insured/replacement values.  |  |  |
| <b>13</b>     | That the assets are physically checked to verify their existence.  |  |  |
| <b>14</b>     | That the bank reconciliation for the 31 March 2022 is updated by the RFO and that the total figure corresponds to box 7 and 8 of the AGAR accounting statements.   |  |  |