



Community Development Services

**Internal Audit Report
Sprotborough & Cusworth
Date: June 2020**

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Internal Audit: FAQ's

Why does the Council need an Internal Audit?

The Council is required by section 5(1) of the Accounts and Audit Regulations 2015 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***'

What is the aim of the Internal Auditor?

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The Auditor will review and report to the Council on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

What are the important factors in your choice of Internal Auditor?

Your auditor must be independent of the financial management of the authority.

Your auditor must be competent and suitably qualified to carry out the role in a way that meets the business needs of the Council.

Is the Internal Audit linked to the External Audit?

Yes. The annual External Audit return asks the Council to confirm the following:

'We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems'

In order to give an affirmative response to the above statement an internal audit has to have been carried out.

Where can I find out more about Internal Audit?

You can find more detail in the publication called 'Governance and Accountability for Smaller Authorities in England' (web link below)

<https://www.nalc.gov.uk/library/our-work/jpag/3223-practitioners-guide-2020/file> (web link correct as at 28.06.2020)

Scope and Remit of this Report

Angle Community Development Services have been commissioned to undertake Internal Audit services on behalf of Sprotborough & Cusworth Parish Council. The services commissioned will consist of an annual interim and end of year audit and subsequent report following each audit. We will also attend a Council meeting following our first report to answer any questions from Councillors and to provide an opportunity for Councillors to meet their internal auditor.

It should be noted that whilst we have inspected and considered a broad range of the Councils records, accounts, policies and documentation we do not give any warranties that there are no matters of actual risk or potential harm to the Council.

Assurance Level Definitions

<p>High </p> <p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Substantial </p> <p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited </p> <p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>	<p>Low </p> <p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

Your Internal Auditor

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Matthew is a Chartered Legal Executive and holds the Certificate in Local Council Administration. Matthew is the lead consultant for Angle Community Development Services and the business proprietor.

All enquiries in relation to this report should be directed to Matthew.



Background to this Report

This report has been undertaken following a remote audit assessment of relevant Council documentation by reference to our checklist which is attached to this report. A physical visit to the Councils offices has been prevented by Covid 19. Whilst we remain confident in the content of the report and have been helpfully provided with various documentation by the Councils Responsible Finance Officer Zoe Attridge - Chambers we do wherever possible welcome a visit to the Councils offices. We hope that our next report can be preceded by a physical visit to the office.

In preparing this report we had a lengthy discussion with Zoe who has been incredibly helpful in providing a large number of documents electronically. Zoe was extremely knowledgeable when we spoke with her and we would like to place on record our sincere thanks for her support and assistance.

As this is our first internal audit for Sprotborough and Cusworth Parish Council we have focused on getting a good broad overview of the Councils operations and undertakings. Our attached checklist provides some indication of the areas that have formed part of our review. Subject to further appointment we will seek to select key areas at each audit report and give those areas a more in depth review. It should be noted that we will only ever remain as an internal auditor for a Council for 3 consecutive years as we believe that it is important that Councils periodically change their internal auditor so as to get a 'fresh set of eyes' for the audit process.

Overall Assurance Level:

Substantial 

Overall Summary

We have been impressed by the approach of Sprotborough & Cusworth Parish Council in the way in which it manages the operations of the Council. We have found a strong policy base that is effectively implemented and supported by a good approach to the management of the Councils day to day financial affairs. As the report outlines there are area where we believe some small changes could be made to further enhance and improve the Councils management of its financial processes and risk mitigation however overall we have substantial confidence in the Council in its current operational format.

Good Practice Identified relevant to External Audit AGAR Statements (Section 1 Annual Governance Statement)

Whilst we have identified matters we consider to be good practice and relevant to the Councils external audit statements the Council itself must be satisfied as to the responses it gives to the external audit statements and must take account of all material factors. Internal Audit is just one element of wider considerations which the Council and its officers must take account of when considering its responses to the audit statements.

Item	Finding
Effective Financial Management	<p>Policy: The Council has adopted a range of industry relevant policies which serve to provide a governance framework for the Council's operations. Many policies would benefit from an up to date review as outlined in our findings below. The Clerk has provided a comprehensive schedule of policies and has identified the need for a thorough review and where necessary updating of all relevant policy. It is the policy framework that when followed and adhered to helps to ensure an effective financial management.</p> <p>Insurance: The Council has in place an industry appropriate insurance policy for the 2020/2021 financial year. We have reviewed the policy and can see no obvious areas of a shortfall in cover save for where we have commented in our findings below. Although we have undertaken a review, it is the Councils duty to ensure that its cover is adequate in all risk areas.</p> <p>Budget: The Council is typically presented with a detailed and comprehensive Budget report and proposals for the Precept in December/January each year. Regular monitoring of performance against the agreed budget is carried out and reported to Council.</p> <p>VAT: The Council appropriately submits its VAT return on an annual basis. The VAT is calculated by reference to the Councils finance software. The samples of transactions we have inspected correctly account for and claim the correct amount of VAT.</p> <p>Payments: The Council is presented with a clear monthly report of payments made or to be made. The report helpfully identifies the different types of payment and</p>

	accounts for the VAT relating to those payments. We randomly selected 2 months' worth of payments for the purpose of our inspection (October 2019 and January 2020)
Internal Control	<p>The Council relies on a combination of officer scrutiny of its day to day financial affairs (as evidenced by check and approval stamps with officer initials on invoices paid) as well as regular reporting of the Councils financial position to Councillors as part of its Internal Control structure.</p> <p>Policy structure also serves to provide a degree of internal control. At present we would say that Internal Control is a by-product of other processes rather than being a core focus in its own right. We have made appropriate recommendations below.</p>
Non Compliance	Based on the sample of Council minutes we have inspected we find no evidence of any activity or actions that are beyond the Councils legal powers.
Exercise of Electors Rights	We have not been able to identify on the Councils website the Notice of Conclusion of audit for the 18/19 financial year however we can see the Notice of unaudited accounts and a copy of the Annual Return. The full publication requirements are detailed on the front page of the Annual Return. It may be that Notice of Conclusion of Audit was published on the website and has later been removed. If the Notice of Conclusion of Audit was not published Council should consider revising its response to the question in the Governance Statements and provide a supporting explanation with the return.
Assessment of Risks	The Council is mindful of the need for appropriate risk management and is currently developing and reviewing its Risk Assessments and approach to Health and Safety management.
Internal Audit	Andrew Bosman carried out Internal Audit services for the 18/19 Financial Year and this report is prepared in relation to the 19/20 Financial Year.
Action taken on matters raised in audit reports	It is noted that in response to comments from Andrew Bosman (previous internal Auditor) that staff salary payments are now reported to Councillors on a monthly basis.
Year End Financial Impact	The end of year accounts we have inspected do include items which are relevant for this purpose. Accounts are prepared using the correct accounting basis and are produced in an industry relevant way.
Trust Funds	N/A

Findings and Recommendations

No.	Finding	Recommendation	Priority Level
1.	Policies are due for review and updating where necessary.	In line with the Schedule produced to us by the Clerk, that the policy reviews are undertaken at the earliest opportunity. We propose to undertake a more detailed look at the content of those policies during our next internal audit process following the Councils own review.	Medium
2.	Valuations of buildings have not been carried out since 2010 and would benefit from an up to date independent valuation exercise.	We note from the Asset Register that valuations of buildings were last carried out in 2010. We would recommend that an up to date valuation is scheduled within the next 1 – 2 years and any changes be reflected in the Councils insurance policy.	Medium
3.	Contents Insurance Cover is not in place for Newlands Pavilion and Anchorage Sports Pavilion.	It may that specific contents cover is not required however we feel it worthy of note in this report and would recommend a review of the need for contents cover at these buildings.	High
4.	Monthly payments are set up for auto payment with the bank prior to the monthly Council meeting at which payments are authorised.	There is a risk that if any payments are not approved by Council that should for any reason the officers be unable to cancel the payment process that it proceeds anyway. It may be prudent to consider only entering the payments after approval from the Council to avoid this scenario happening.	Medium
5.	The system of internal controls would benefit from being documented and reviewed.	The Council confidently states in its Annual Return that it maintains an adequate system of internal control and reviewed its effectiveness however it is not clearly documented what those controls consist of. There are clearly a variety of controls in place however identifying them in a single document that can be reviewed in line with the requirements of the	Medium

		<p>Practitioners Guide will be of benefit.</p> <p>We would suggest the creation of a periodic internal check process that involves random transaction testing to ensure that all necessary steps have been taken in relation to each of those transactions. The involvement of Councillors in these checks on some occasions will be of benefit. We are happy to provide an example of a template to follow on request.</p>	
6.	Petty Cash transactions are not reported to Council.	As the sums involved are small this is not a major concern however to ensure Council wide governance in the use of Petty Cash an annual report to Councillors as to Petty Cash transactions would be advantageous.	Medium
7.	Bank Reconciliation's although carried out by officers would benefit from more regular reporting to Councillors.	The only way in which Councillors can ever be sure of the Councils financial position is by seeing clear evidence of balances of funds held in its bank accounts. That evidence comes in the form of bank statements. We suggest that on a quarterly basis as a minimum that Councillors are presented at their Full Council meeting the Bank Reconciliation finance software reports together with copies of bank statements which support the reconciled figures. This process is a big element in being able to confidently state as part of the Annual Governance Statement that the Council has measures designed to detect and prevent fraud.	Medium
8.	General Reserves are high having regard to the Councils Net Revenue Expenditure	We refer the Council to section 5.32 and 5.33 of the March 2020 Practitioners Guide. In consideration of the guidance herein we recommend Council undertake a review of its reserve position and be clear that the level of General Reserves is justified. We note that there is consideration for rebuilding the Goldsmith	

		Centre and it may be that a big proportion of the General Reserves will be used for this purpose.	
9.	There is a need to develop a policy for the use of a Debit Card.	We are informed the Council is about to secure the use of a debit card. We recommend that a clear policy arounds its use is developed and implemented.	Medium
10.	Investment Strategy Review would benefit from being reviewed.	The Council reviewed its investment strategy on the 15 November 2018. This was a comprehensive review at the time but would benefit from an up to date review. It may be that no changes are necessary however the process of taking stock of the current position and recording that exercise represents good governance and management of public funds. We do note that principles of the 2018 investment strategy review continue to be followed with evidence of savings deposits agreed in line with the investment strategy in December 2019.	Medium
11.	Enhanced breakdown of invoices on monthly payment report.	Currently where the same supplier has submitted more than 1 invoice for the same payment period, only the total amount of all invoices is detailed on the payment report albeit copies of the invoices are produced. To avoid any ambiguity and to ease public inspection of accounts we suggest that each invoice is listed separately. (Example October 2019 Payment to Mat & Mouse of 150.00 is made up of 2 invoices).	Medium
12.	Ensure that Publication Requirements are being met.	Please refer to the comments made above in the AGAR good practice section concerning the exercise of public rights. More generally we understand a review of the Councils IT and website is being carried out and this may assist in ensuring that publication requirements are met.	

13.	The Council does not have a formal purchase order system.	Section 5.36 of the Practitioners Guide encourages the use of official orders being sent to suppliers which clearly set out the agreed amount of the product or service to be provided. We would recommend that the Councils considers establishing a formal order process that allows for cross referencing with invoices and a check system for ensuring that goods and services received are in line with the official order. Elements of this process are being carried out by Council officers but not in a formal documented way.	Medium

Priority Level Definitions	
High	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).
Medium	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months).

Officer Response to Draft Report (As per e-mail from RFO to Internal Auditor dated 14th July 2020).

1. Policies are set to reviewed
2. Valuations to be completed before next financial year end
3. Insurance Cover – Emma to look into this immediately
4. We have written a process for payment that will be adopted at the next Parish Council meeting and also to be referenced in Financial Regs – see attached
5. Internal Controls to be recorded and documented in a single document
6. Petty Cash – as from 1st April 2020 I have been inputting Petty Cash on Sage Accounts therefore a more thorough transaction record will be available next year
7. Bank Reconciliations are presented to Cllr Rawlings quarterly – I have attached the form he fills in (although not signed as that copy is in the office)
8. General Reserved – Emma, myself plus the Cllrs are aware that the reserves are high, Emma is putting together an Action Plan for future projects etc.
9. Debit Card Policy – to be written
10. Investment Strategy – Emma is updating
11. Enhanced breakdown of Invoices – Zoe to implement immediately
12. Publications requirements – will ensure everything is publicised, plus as stated the new IT packing and website will address this.
13. Purchase Order System – Emma to adopt a simple system

Should we be commissioned to undertake further internal audits, progress against actions arising from recommendations herein will be assessed as part of future internal audit reports.

Angle Internal Audit Checklist

	Key Governance Review
1	Standing Orders (Tailored and Reviewed)
2	Financial Regulations (Tailored and Reviewed)
3	Terms of Reference (Committees/Working Groups)
4	Code of Conduct (Elected Members)
5	Complaints Procedure (Tailored and Reviewed)
6	Insurance Cover <ul style="list-style-type: none">• Reviewed Annually• Certificate(s) viewed & valid• Employees Liability Cover• Other
	Transparency
7	Internal Controls (Statement or Review)

8	Investment Strategy
9	Publication Scheme (Reviewed)
10	Risk Assessment (Statement or Review)
11	Pay Policy (Staffing- Reviewed)
12	Spending Authorised
13	Procurement
14	Organisational
15	Land and Assets (Reviewed)
16	Adequate GDPR policy/procedures in place
17	Other

Accounting	
18	Cashbook maintained and up to Date
19	Arithmetically Correct (checks / balance)
20	Evidence of Internal Control
21	VAT <ul style="list-style-type: none"> • Recorded • Reclaimed
22	All Payments Supported by Invoices
23	s.137 <ul style="list-style-type: none"> • Recorded separately within accounts • Within legal threshold limits • Spend in accordance with legislation

Income Control	
24	Income properly recorded and banked promptly
25	Precept demand/calculations receipt

26	Effective security of cash and cash transactions
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Petty Cash	
27	Petty Cash Account used/authorised
28	Petty Cash Spending supported by VAT receipt(s)
29	Petty Cash reported to Council
30	Petty Cash Float reconciled/reimbursed
31	Other

Year End Process	
32	Correct Accounting Basis
33	Bank statements reconcile to ledger
34	Robust Audit Trail evident

35	Debtors and Creditors Recorded
36	Other

	Bank Reconciliation
37	Regular bank statement reconciliation
38	Balancing entries (adjustments) explained
39	Bank mandate up to date

	Budget
40	Annual budget in support of precept
41	Earmarked reserves
42	Unexplained budget variances reported to Council
43	Precept Demand properly minuted

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	Asset Control
44	Register of Assets <ul style="list-style-type: none"> • Reviewed • Up to date
45	Assets Inspected and Health & Safety Issues Considered
	Proper Process / Practice
46	Employee posts properly recorded <ul style="list-style-type: none"> • Proper Officer (Clerk) • RFO • Deputy Clerk • Admin Assistant • Other
47	List of Members Interest recorded / displayed on website
48	Agenda Documents Correct
49	Minutes Correct / Signed

50	Purchase Order System used/correct
51	Purchasing Authorised in line with Financial Regs / Limits
52	Council operating within legal powers
53	Delegation Limits <ul style="list-style-type: none"> • set out in financial regulations • adhered to

	Risk Management
54	Evidence of unusual activity
55	Annual Risk Assessment undertaken (as a minimum)
56	Insurance Cover <ul style="list-style-type: none"> • Reviewed Annually • Public Liability Cover • Employees Fidelity Guarantee • Cllrs age reviewed

57	Financial Controls and procedures documented
58	Regular financial reporting to Council (in line with Fin Regs)
59	Reporting of bank balances minuted
60	S.137 (& other grants) ratified / minuted

	Charities
61	Accounted for separately
62	Independently Audited
63	Returns filed within legal time limits
	Payroll & HR
64	Contracts of employment for all staff
65	Proper procedures for payroll, PAYE & NI
66	PAYE & NI payments verified

67	Approval of salaries and increments
68	Approval of expense claims
69	Minimum wage threshold met
70	HR procedures and policies adopted
71	Training policy and record for staff and elected Members
72	Qualified Clerk
73	Annual appraisal undertaken
74	Job description up to date / reviewed
75	H&S review of staff workstation & PC equipment undertaken

	General

76	Have previous audit issues been addressed
77	Eligible for GPC
78	Back up of files adequate
79	Storage of files adequate
80	Arrangement for inspection of public records adequate

	Burial Authority
81	Income for burials/permits balance
82	Fees charged in accordance with approved rates
83	A legible plan of all burials is evident and maintained
84	Statutory records kept / stored safely
85	All interred ashes have certificates of cremation
86	Permits properly documented and stored

Allotment Authority	
87	Income for allotment rentals balance
88	Fees charged in accordance with approved rates
89	Up to date occupancy details kept and securely retained
90	Agreements/licences issued to all plot holders
91	Other

Market Authority	
92	Income for stall hire balances
93	Fees charged in accordance with approved rates
94	Up to date occupancy details kept and securely retained
95	Statutory records kept / stored safely
96	Agreements/licences issued to all stall holders

97	Other