



**Community Development Services**

**Internal Audit Report  
Sprotborough & Cusworth  
Date: June 2021**

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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)

[JPAG \(nalc.gov.uk\)](http://nalc.gov.uk)

## 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 internal audit services commissioned will consist of an annual interim and end of year audit and subsequent report following each audit.

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><b>High</b> </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><b>Substantial</b> </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><b>Limited</b> </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><b>Low</b> </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

Mr. Matthew Gleadell FCILEx

Contact Number: 07961 051079

Email: [anglecds1@gmail.com](mailto:anglecds1@gmail.com)

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 audit has been prepared in response to a visit to the offices of Sprotbough & Cusworth Parish Council on the 1<sup>st</sup> June 2021. We were supported in our visit by Zoe-Attridge Chambers and wish to offer our thanks for her kind assistance.

Documentation inspected during our visit alongside documentation provided digitally has been used to assist us in compiling this report.

### Overall Assurance Level:

Substantial 

### Overall Summary

Evidence of the continued development and improvement of the Council's core governance and accountability practices have been noted. There has been a strong push to improve the Council's policy base and develop its systems and practices. New policies and procedures can take time to get embedded and internal monitoring of adherence to new policy and procedure will be sensible.

### Findings and Recommendations

We have provided our full annotated checklist to document and record our findings for this Audit. This is attached as Appendix 1. Items noted in red are those where items for development are recommended.

### 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).

## Appendix 1 : Findings and Recommendations

	Key Governance Review	Y/N	Comments & Recommendations
1	Standing Orders (Tailored and Reviewed)	Y	<p>Yes, reviewed and adopted in August 2020. A good addendum added to cover remote meetings which were adopted in November 2020. Available for view on the council website.</p> <p>Timing of the review is out of sync with the Standing Orders policy (5 j ix) itself which provides for the document being reviewed annually at the council's annual meeting. Council should consider making changes to the timing of the review or the standing order policy itself to ensure the review and the policy are in line with each other.</p> <p><b>MEDIUM</b></p>
2	Financial Regulations (Tailored and Reviewed)	Y	<p>Yes, reviewed and adopted in August 2020. Available for view on the council website.</p> <p>Timing of the review is out of sync with the Standing Orders (5 j ix) which provides for the document being reviewed annually at the council's annual meeting. Council should consider making changes to the timing of the review or the standing order policy itself to ensure the review and the policy are in line with each other.</p> <p><b>MEDIUM</b></p>
3	Terms of Reference (Committees/Working Groups)	Y	<p>Reviewed as part of the Annual Meeting held on 20<sup>th</sup> May 2021.</p>

4	Code of Conduct (Elected Members)	Y	Updated and reviewed by PRS committee on the 3rd June and recommended to Full Council for adoption (Minute number 4)
5	Complaints Procedure (Tailored and Reviewed)	Y	Adopted 18 <sup>th</sup> February 2021. Good policy appropriate for the Council. Available for view on the council website.
6	Insurance Cover <ul style="list-style-type: none"> <li>• Reviewed Annually</li> <li>• Certificate(s) viewed &amp; valid</li> <li>• Employees Liability Cover</li> </ul>	Y	Yes. Copy policy available from the Councils website. All relevant covers are in place.
	<b>Transparency</b>	<b>Y/N</b>	<b>Comments &amp; Recommendations</b>
7	Internal Controls (Statement or Review)	Y	New internal financial check record adopted Feb 2021 (based on template provided by internal auditor). Copy available on website.
8	Investment Strategy	Y	Yes adopted October 2020 and specific plan put in place for the financial year. Copy available on the website. Important that it is kept under regular review.
9	Publication Scheme (Reviewed)	Y	Yes adopted 15 <sup>th</sup> October 2020. Copy available on website.
10	Risk Assessment (Statement or Review)	Y	Yes. Adopted March 2021 with copy available from the Councils website.
11	Pay Policy (Staffing- Reviewed)	Y	No current policy. Paid in line with NJC. Review being undertaken.
12	Spending Authorised	Y	All transactions inspected as part of the audit process have been subject to appropriate authorisation.

13	Procurement	Y	The RFO reported that where appropriate multiple quotes are sought
14	Land and Assets (Reviewed)	Y	Asset register adopted on 1 <sup>st</sup> March 2021. Copy available from the Councils website.
15	Adequate GDPR policy/procedures in place		<p>GDPR relevant privacy notices are adopted and copies are available from the council's website.</p> <p>The Council may wish to consider the adoption of a Data Breach policy so that the steps taken in the event of a breach are clear and defined.</p> <p><b>MEDIUM</b></p>

	Accounting	Y/N	Comments & Recommendations
16	Cashbook maintained and up to Date	Y	Yes.
17	Arithmetically Correct (checks / balance)	Y	There is no obvious evidence of arithmetically inaccurate accounting records however as we do not inspect every transaction no warranties are given.
18	Evidence of Internal Control	Y	Yes policy and check record adopted during financial year in response to internal audit recommendation. Review adopted in February 2021 with copy available on the website.
19	VAT <ul style="list-style-type: none"> <li>• Recorded</li> <li>• Reclaimed</li> </ul>	Y	Yes. The VAT claim for the final quarter of the 20/21 financial was inspected as part of the audit.

20	All Payments Supported by Invoices	Y	<p>We inspected records for January, February and March. Whilst some invoices were not quite in the correct place in their folder all payments listed were supported by invoices.</p> <p>Some invoices still bear the name of a previous Clerk. It would be prudent to update this and perhaps put accounts in the name of the Council rather than an individual.</p> <p><b>MEDIUM</b></p>
21	s.137 <ul style="list-style-type: none"> <li>• Recorded separately within accounts</li> <li>• Within legal threshold limits</li> </ul>	Y	Yes. Spend is minimal and well within the threshold limits.

	Income Control	Y/N	Comments & Recommendations
22	Income properly recorded and banked promptly	Y	Minimal cash received. Bank Transfers predominant means of payment. Post office used for cash payments. Cash paid in as soon as it is received. Processed and paid within a day.
23	Precept demand/calculations receipt	Y	Yes DMBC provide a precept demand calculator.
24	Effective security of cash and cash transactions	Y	Cash is minimal. Security measures are appropriate for such a small amount involved. Insurance is in place.

	Petty Cash	Y/N	Comments & Recommendations
25	Petty Cash Account used/authorised	Y	Yes.

26	Petty Cash Spending supported by VAT receipt(s)	N	Transactions involved do not involve VAT.
27	Petty Cash reported to Council	Y	Yes Council receives petty cash reports as part of its routine financial management processes.
28	Petty Cash Float reconciled/reimbursed	Y	Yes evidence of regular reconciliations in the petty cash record book.  It is recommended that the petty cash records move to a digital format.  MEDIUM

	Year End Process	Y/N	Comments & Recommendations
29	Correct Accounting Basis	Y	Yes the correct approach to accounts is utilised having regard to the value of the Councils turnover.
30	Bank statements reconcile to ledger	Y	Monthly bank reconciliations undertaken. January February and March 2021 checked and reviewed during audit inspection.
31	Debtors and Creditors Recorded	Y	Small number of outstanding debts. Regular hirers who have returned with lockdown easing and have had no income and are expected to get caught up with payments quickly. Debt is not really an issue.

	<b>Bank Reconciliation</b>	<b>Y/N</b>	<b>Comments &amp; Recommendations</b>
<b>32</b>	Regular bank statement reconciliation	Y	Undertaken on a monthly basis.
<b>33</b>	Balancing entries (adjustments) explained	Y	Where necessary there is evidence of balancing entries.
<b>34</b>	Bank mandate up to date	Y	Reviewed as part of the Councils annual meeting held on 20 <sup>th</sup> May 2021.

	<b>Budget</b>	<b>Y/N</b>	<b>Comments &amp; Recommendations</b>
<b>35</b>	Annual budget in support of precept	Y	Yes. A considered budget is the basis for calculating the annual precept.
<b>36</b>	Earmarked reserves	Y	Yes.
<b>37</b>	Unexplained budget variances reported to Council	Y	Yes routine budget reports to Council. 5 reports during the course of the year in accordance with the reporting schedule.
<b>38</b>	Precept Demand properly minuted	Y	Yes. For the 20/21 financial year the budget was adopted and minuted on the 16 <sup>th</sup> January 2020.

	<b>Asset Control</b>	<b>Y/N</b>	<b>Comments &amp; Recommendations</b>
<b>39</b>	Register of Assets <ul style="list-style-type: none"> <li>• Reviewed</li> <li>• Up to date</li> </ul>	Y	Evidence of review in March 2021. Updated register adopted by Council.
<b>40</b>	Assets Inspected and Health & Safety Issues Considered	Y	Not covered as part of this Audit. There is evidence of policy covering H&S. Tree management identified as a concern as part of a previous audit has been actioned.
	<b>Proper Process / Practice</b>	<b>Y/N</b>	<b>Comments &amp; Recommendations</b>
<b>41</b>	List of Members Interest recorded / displayed on website	Y	Yes. All declarations available and updated following May 2021 elections.
<b>42</b>	Agenda Documents Correct	Y	No evidence of any issues based on those inspected.
<b>43</b>	Minutes Correct / Signed	Y	Yes. Minutes for 2020 and 2021 inspected and all were appropriately signed and retained in a central folder.
<b>44</b>	Purchasing Authorised in line with Financial Regs / Limits	Y	The sample transactions inspected did not find any examples where authorisation limits were exceeded.
<b>45</b>	Council operating within legal powers	Y	Based on documents inspected, no evidence to suggest otherwise.

46	Delegation Limits	Y	Limits are identified in Financial Regulations. No evidence of non-adherence based on records inspected.
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	Risk Management	Y/N	Comments & Recommendations
47	Evidence of unusual activity	N	Based on documents assessed there is no evidence of unusual activity.
48	Annual Risk Assessment undertaken (as a minimum)	Y	Yes, excellent risk assessment adopted on the 22 <sup>nd</sup> February 2021. Important that it is periodically referred to and reviewed by Council.  Perhaps a standing quarterly agenda item would be helpful to act as a prompt to consider if anything has changed and generally review if any issues have arisen that warrant action being taken.
49	Insurance Cover	Y	Yes. See response to number 6 above.
50	Financial Controls and procedures documented	Y	Yes covered in internal control review statement adopted in February 2021.
51	Regular financial reporting to Council (in line with Fin Regs)	Y	Yes – schedule of reporting systems in place and followed by Zoe albeit that the pandemic made it difficult to ensure full compliance during the course of the 20/21 financial year.
52	Reporting of bank balances minuted	Y	Bank balances are indirectly reported by way of bank reconciliation reports.
53	S.137 (& other grants) ratified / minuted	Y	No significant expenditure during the financial year but separately accounted for in the accounts.

	<b>Payroll &amp; HR</b>	<b>Y/N</b>	<b>Comments &amp; Recommendations</b>
<b>54</b>	Contracts of employment for all staff	Y	Contracts are advised by the Clerk and RFO to be in place for all staff.
<b>55</b>	Proper procedures for payroll, PAYE & NI	Y	Payroll is undertaken internally. Calculations of appropriate deductions are made using HMRC online system.
<b>56</b>	PAYE & NI payments verified	Y	Auto calculated on HMRC online system to ensure that payments are appropriately allocated.
<b>57</b>	Approval of salaries and increments	Y	Review of salaries is an ongoing exercise. Increases in NJC pay levels in the 20/21 financial year were reported to Council and duly minuted.
<b>58</b>	Approval of expense claims	Y	Yes. Receipts for expenses are given to the RFO and reimbursed through payroll.
<b>59</b>	Minimum wage threshold met	Y	All staff are above the minimum wage threshold. Staff are paid by reference to National Joint Council pay scales.
<b>60</b>	HR procedures and policies adopted	Y	Yes. There are a number of HR policies available on the Councils website. More general HR matters are covered by NJC terms and conditions adopted by the Council.
<b>61</b>	Training policy and record for staff and elected Members		Manual staff undergoing training at present around various issues such as legionella, fire warden.
<b>62</b>	Qualified Clerk		Yes Emma is a CILCA qualified Clerk.

63	Annual appraisal undertaken		Yearly appraisal system is in place and operational. This is good practice.
64	Job description up to date / reviewed		Not covered as part of this audit.
65	H&S review of staff workstation & PC equipment undertaken		Not covered but advisable for council to undertake review if not already done so. Further guidance is available from the HSE website.  <a href="#">Workstation assessments - Display screen equipment - HSE</a>

	General	Y/N	Comments & Recommendations
66	Have previous audit issues been addressed	Y	There is evidence of action to take account of previous audit recommendations. Examples include: <ul style="list-style-type: none"> <li>- Internal controls.</li> <li>- Allotment agreements.</li> <li>- IT / email improvements (ongoing).</li> </ul>
67	Eligible for GPC	N	The Council is eligible for General Power of Competence.
68	Back up of files adequate	N	The Councils computer records are stored on external hard drives. Work is underway to move towards a cloud based storage system for digital records. This remains a risk area and would benefit from being addressed as quickly as possible.  <b>MEDIUM</b>
69	Storage of files adequate	N	Fire proof storage cabinets are utilised in the office.

<b>70</b>	Arrangement for inspection of public records adequate	Y	Accounts for the previous year were inspected by a member of the public who has since become a Councillor in their own right.
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	<b>Allotment Authority</b>	<b>Y/N</b>	<b>Comments &amp; Recommendations</b>
<b>71</b>	Income for allotment rentals balance	Y	Yes. £60.00 per annum income.
<b>72</b>	Fees charged in accordance with approved rates	Y	Charging Policy is £12.00 per annum. Invoice to tenant inspected and corresponds.
<b>73</b>	Up to date occupancy details kept and securely retained	Y	Only 5 allotments in total. Occupancy details are held.
<b>74</b>	Agreements/licences issued to all plot holders	Y	All contracts updated during the financial year following advice from previous audit. Example of tenancy agreement inspected and reviewed as part of this audit.