



Aylesford Parish Council

INTERNAL AUDIT REPORT

Date: 1st November 2022

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1 SUMMARY

Under the requirements of local government legislation, Section 151 of the Local Government Act 1972 and the Accounts and Audit (Amendment) Regulations 2006, the Parish Council has a statutory responsibility to prove an adequate and effective system of internal audit.

The role of the Internal Auditor is to provide an independent review and appraisal of the Council's system of internal control. The Internal Auditor must be independent of the activities they audit in order to remain impartial and effect professional judgements and recommendations.

In accordance with the agreed audit plan (Appendix A) and following Internal Audit's visit to you on 06/10/2022, testing of the following areas has been completed:

- Previous Year Accounts
- Financial Regulations and Standing Orders
- Budget Setting
- Budget Reporting
- Investments
- Cheque Books
- Credit Cards
- Expenditure
- Petty Cash and Personal Cheques
- Banking
- Account Books
- Cemeteries

2 FINDINGS

Previous Financial Year Statement of Accounts

Control: The previous year's financial statements and AGS are publicised for inspection before and after external audit.

Finding: The Notification of Exercise of Public Rights, AGAR Governance Statement, and AGAR Accounting Statement were published on the Council's website before 1st July and the External Audit Certificate and Conclusion of Audit were both published by no later than 30th September 2022 as required by the Accounts and Audit Regulations 2015.

Financial Regulations and Standing Orders

Control: Financial Regulations are reviewed annually and reported to the relevant committee.

Finding: The Financial Regulations and Standing Orders were last reviewed and agreed at the Annual Parish Council Meeting held 17th May 2022.

Budget Setting

Control: Budget setting is produced for revenue and capital expenditure and approved by the Council with the precept agreed and set as part of the process. The precept set covers the annual estimated spend and is agreed with budget setting in place.

Finding: Internal Audit established that there is a clear process to set and agree budgets, which includes a review of current and estimated income and expenditure. The budget and precept for 2022/23 were approved at the Parish Council meeting held on 11th January 2022.

Budget Reporting

Control: Detailed expenditure and income for the current financial year to date against the budget set is reported at least quarterly if not included within the monthly reporting to committee.

Finding: A printed report of all transactions is presented to Council at each Policy and Resources meeting. The Council's position against budget is reported quarterly to the Finance Advisory Sub Committee.

Investments



Control: Full accurate and complete records are held of all investments and kept securely. Investments are reviewed regularly, and all instructions are agreed by full council and minuted.

Finding: The Council had two fixed rate savings bonds that matured in November 2021. The balance from one bond is currently stored in a savings account and the other has been reinvested.

Cheque Books

Control: Cheques are processed and authorised as per the financial regulations. Cheque book stubs include full details of the payment made. Blank cheques are not pre-signed. Cheques are issued sequentially with no missing cheques and cancelled cheques are crossed through as cancelled and kept within the cheque book.

Finding: Examination of the Financial Regulations identified that there is sufficient detail regarding the processing and authorisation of cheques. There have been no cheques written for 2022/2023. There are no missing, cancelled or pre signed blank cheques.

Credit Cards

Control: Credit cards are held securely, only used by the card holder, only used for appropriate expenditure, and are supported by detailed receipts. Any loyalty points are only claimed if the Council benefits. Purchase card expenditure is reconciled to receipts prior to authorising

Finding: From discussion with the Clerk, Internal Audit are satisfied that the credit cards are stored securely.

Internal Audit identified through sample testing of 6 transactions that credit card expenditure is appropriate, is authorised and in line with the Financial Regulations and receipts are available to support all expenditure. Expenditure is reported to the Policy and Resources Committee, or Full Council, and the credit card balance is cleared by Direct Debit each month.

Expenditure

Control: Invoices show order number, copy letter or contract authorising purchase of goods. Expenditure is authorised and reported to the relevant committee as per the financial regulations.

Finding: Internal Audit sample testing of 8 transactions found that expenditure is within authorisation limits, is appropriate and has invoices/ receipts to support each transaction. Expenditure had been reported to Policy and Resources Committee and Full Council.



Petty Cash and Personal Cheques

Control: There is a maximum agreed level of petty cash in place. Receipts are available to support all expenditure. Receipts are duly numbered to allow cross reference with petty cash books. All cash top ups are noted in the petty cash book. Entries in the petty cash book are up to date. All petty cash payments are reasonable. Personal cheques are never cashed from Council funds or petty cash.

Finding: There is a maximum petty cash limit of £100 and the cash in the tin reconciled with the amount detailed in the petty cash book.

Banking

Control: Income is banked at an appropriate frequency and large amounts of cash are not held on site. Adequate controls are in place regarding access to online banking and processing and authorising transactions.

Finding: There are appropriate controls in place regarding access to and use of online banking, with appropriate separation of duties. Physical banking is carried out by the Clerk at a frequency appropriate to the level of cash and cheques received. Only one deposit had been made during 2022/23, 3 days prior to Internal Audit's visit. It was too soon for the payment to show up on the bank statement, so this will be checked at the next visit.

Account Books

Control: All account books are maintained and up to date.

Finding: Account books are up to date and maintained using an appropriate financial system.

Cemeteries

Control: Fees and charges for cemeteries are reviewed annually and all elements of cemetery accounts payments can be reconciled.

Finding: Fees and charges for cemeteries have been reviewed for 2022/2023. Sample testing of 4 transactions found that the correct fees have been invoiced, and all expected income can be traced to the Parish bank account and accounts system.

Internal Audit's review of the burial register confirmed that it is up to date.

3 ISSUES IDENTIFIED

No new issues have been raised

Progress on Previous Issues Raised

From Visit 2 2020/2021

Issue 1 – Cyber Security Insurance – (PARTIALLY RESOLVED)

The Council's current insurance policies do not cover for loss or theft of systems or data because of a cyber-attack. The Council have confirmed that their IT support providers have adequate cover in place however the provider has also recommended that the Council source a cyber insurance policy to cover them if a cyber-attack leads to a data breach. The acting Clerk has advised that she will present this to the Council for discussion.

Finding: At visit 1 2021/22, the Clerk advised that Zurich have confirmed that they don't cover cyber-attacks, Clerk to discuss sourcing of separate quotes for this with Council. At visit 2 2021/22 the clerk informed Internal Audit that in the upcoming months there will be a review of the parish's insurance policy for building coverage, and this will include attaining a quote for cyber security. No update at visit 1 2022/23.

Issue 2 – Risk Assessment, Cyber-Security Training and Business Continuity Planning – (PARTIALLY RESOLVED)

Risks of cyber enabled crime against the Council are not included in the Council risk assessment. Staff have not received cyber security training and the Council does not have a Business Continuity Plan.

Finding: At visit 2 2021/22, the clerk informed Internal Audit that cyber security training had been purchased and is to be completed by January 2023. As the time of the audit the Risk Assessment did not include cyber security and there has been no development of a Business Continuity Plan to date. At visit 1 2022/23 the clerk informed Internal Audit that a cyber security policy had been approved at Full council and staff have read and signed the Cyber Security: Small Business Guide from the National Cyber Security Centre.

From Visit 2 2021/2022

Issue 1 – Allotment Tenancy Agreements – (PARTIALLY RESOLVED)

The Council currently does not have tenancy agreements in place for its allotment holders. An agreement is being drafted by the clerk and it will be subject to council approval.

Finding: Emails have been sent to allotment holders to ask for tenancy agreements.

Appendix A – Audit Plan 2021/22

The Amendments to the Accounts and Audit Regulations 2006 require that an internal audit plan is prepared for your Council to consider and formally approve.

The majority of the audit work will be done by sample testing a sufficient number of transactions to gain an assurance that the systems of financial control work effectively and provide accurate information to support the Council's activities. It is therefore proposed that a review of the following control objectives is carried out to ensure they are being achieved throughout the year to a standard adequate to meet the needs of the Council:

- Significant risks are assessed by the Council to ensure objectives are achieved along with a review of the adequacy of the arrangements to manage these.
- Appropriate books of account have been kept accurately throughout the year.
- The annual precept requirement resulted from an adequate budgetary process with progress against the budget regularly monitored and reserves appropriate.
- The Council's financial regulations have been met, payments supported by invoices with expenditure approved and VAT appropriately accounted for.
- Expected income fully received, based on correct prices, accurately recorded, and promptly banked; and VAT appropriately accounted for.
- Petty cash payments properly supported by receipts with expenditure approved and VAT appropriately accounted for.
- Salaries to employees and allowances to members paid in accordance with Council approvals, and PAYE and NI requirements accurately applied.
- Complete and accurate Asset and Investments registers that are properly maintained.
- Regular and year-end bank account reconciliations accurately carried out
- Accounting statements prepared during the year are prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors accurately recorded.
- Where applicable trust funds (including charitable) responsibilities as trustee are met by the Council.
- Awareness to the potential for fraud, error or non-compliance, and any issues that may increase this potential, including a review of the arrangements for the security of systems and data.