



Aylesford Parish Council

INTERNAL AUDIT REPORT

Date: 23rd May 2023

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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 12th May 2022, testing of the following areas has been completed:

- Progress on Previous Issues Raised
- Contracts
- Income
- Bank Reconciliations
- VAT
- Insurance
- Allotments
- Salaries & Wages
- Section 137 Payments
- Risk Assessment
- Assets
- Year-end/Annual Return

2 ISSUES IDENTIFIED

No New Issues.

Progress on Previous Issues Raised

Original Issue Raised and Previous Updates	Date Raised	Progress from 22/23 EOY
<p>Issue 1 – Cyber Security Insurance 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.</p> <ul style="list-style-type: none"> 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. 	<p>Visit 2 2020/2021</p>	<p>PARTIALLY RESOLVED The Clerk informed Internal Audit that there is still no cyber security in place.</p> <p>There have been conversations with the broker, Global UK, to discuss changing the insurance policy to a cheaper provider that includes cyber security.</p> <p>These conversations have halted for reasons outside the Clerk's control and will be resumed when appropriate.</p>
<p>Issue 2 – Risk Assessment, Cyber-Security Training and Business Continuity Planning 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.</p> <ul style="list-style-type: none"> At visit 1 2021/22 it was found that no further action had been taken yet to update Risk Assessment, produce a Business Continuity Plan or consider Cyber-security training. At visit 2 2021/22 the Clerk informed Internal Audit that cyber security training had been purchased and it was to be completed by January 2023. The Risk Assessment did not include cyber security and there has been no development of a Business Continuity Plan. 	<p>Visit 2 2020/2021</p>	<p>PARTIALLY RESOLVED Confirmed that staff had read and signed the cyber security training document, so this part of the issue has been resolved.</p> <p>The Risk Register does not yet include a cyber security risk because it is in a format that is difficult to update.</p> <p>Transferring the Risk Register to an Excel spreadsheet would make it easier to update.</p> <p>There are limited resources to focus on putting a Business Continuity Plan together. The risk of not having a Business Continuity Plan should be assessed and the work prioritised accordingly.</p>

Original Issue Raised and Previous Updates	Date Raised	Progress from 22/23 EOY
<p>Issue 3 – Allotment Tenancy Agreements 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.</p> <ul style="list-style-type: none"> At visit 1 2022/23 emails had been sent to allotment holders to ask for tenancy agreements. 	<p>Visit 2 2021/2022</p>	<p>RESOLVED All allotment holders were contacted with the tenancy agreement.</p> <p>21 of the 109 allotment holders have refused to sign their agreement, despite several reminders. The risk of not having signed allotment tenancy agreements should be assessed and if appropriate, the Council should accept the risks associated with not taking further mitigating action.</p>

3 FINDINGS

Contracts

Control: Financial Regulations are followed in accordance with contracts that are awarded.

Finding: The Financial Regulations clearly detail the process for entering into contracts. Previous years provide assurance that the Council appropriately follows this process, though no new contracts were entered into in 2022/23.

Income

Control: A sequential receipt book is in place to record allotment income received. All other income is collected by BACs, which have their payments reconciled monthly.

Finding: Expected income has been received and can be traced into the Council's bank account and financial accounting system. All charges align with published charges or historical agreements.

Bank Reconciliations

Control: Bank reconciliations are carried out regularly and are independently verified.

Finding: Bank reconciliations are completed monthly and have been independently verified by a Councillor.

VAT

Control: VAT returns are completed accurately and timely and VAT reimbursed has subsequently been received and shows within the accounts.

Finding: VAT returns are completed accurately and are traceable through to bank statements and accounts.

Insurance

Control: There is sufficient insurance cover in place to cover buildings, street furniture, fidelity, public liability, employers, civic regalia and buildings and contents.

Finding:

The Council's insurance provider is Zurich, and the 2022/23 policy is in date and covers buildings, contents, public liability, and employer's liability. Insurance is reviewed annually via email confirmation of two Councillors. This is adequate given that Zurich has been the Council's provider for several years, but renewals should be noted in the Policy & Resources committee moving forward. Any future change in provider would require Committee approval.



There is an arrangement between Global UK and the Clerk to advise on insurance, which is currently on hold due to reasons outside the Council's or Clerk's control. The Clerk is looking to find more affordable insurance which includes cyber security (**See Previous Issue 1**).

Salaries and Wages

Control: Salaries and wages are reviewed annually and agreed at full council. Accurate salaries and wages are paid to staff.

Finding: Salaries for 2022/23 were agreed at Staffing Committee on 24th March 2022. Sample testing showed that staff have been paid accurately in line with agreed amounts. Overtime payments are supported by signed timesheets which are authorised appropriately by a Councillor. Additional Christmas payments were also appropriate.

Allotments

Control: Fees and charges for allotments have been reviewed annually and charges have been invoiced accurately with all expected income received.

Finding: Fees are reviewed annually and expected income can be traced into the parish's bank statements and financial account system. Since the issue regarding tenancy agreements have been raised, the Council has managed to get 88 out of 109 tenants to sign agreements, as the other 21 refuse to sign. (**See Previous Issue 3**).

Section 137 Payments

Control: All section 137 payments have been stated as such in the minutes and all such payments are within the annual limit of £8.82 per elector.

Finding: All Section 137 payments were within the annual limit and were authorised at a committee meeting before being paid. The Council do not use "general power of competence".

Risk Assessment

Control: The Council has undertaken a risk assessment and is managing the resultant risks identified.

Finding: The Risk Assessment was completed and approved at the Annual Parish meeting 17th May 2022. Risk owners and mitigating controls are specified.

See previous Risk Assessment, Cyber-Security Training and Business Continuity Planning issue (**See Previous Issue 2**).

Assets

Control: All assets are recorded in an up-to-date asset register.

Finding: The Council updates its asset register annually.



- The asset register for the 2022/23 financial year was reviewed at Council 17th May 2022.
- The 2023/24 register was taken to the Annual Meeting of the Parish Council on 11th May 2023.

Year-end/Annual Return

Control: The financial statements are complete and accurate.

Finding: The Internal Audit page of the AGAR form can be signed and returned to the Council.

Appendix A – Audit Plan 2022/23

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.