# Sutton Parish Council

Internal Audit Report

For Sutton Parish Council

Financial Year 2022/23

Including Explanatory Notes for Annual Return
(where a ‘no’ has been marked)

Prepared by Sarah Hunt
7th June 2023

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I have completed an internal audit of the accounts for Sutton Parish Council for the year ending 31st March 2023. My findings are detailed below using the tests provided in the Governance and Accountability document. I would like to thank the Clerk /RFO for providing me with all the information required for the Internal Audit.

| Internal Control | Test | Observations / Recommendations |
|---|---|---|
| Proper bookkeeping | Is the cash book maintained and up to date? | yes |
| | Is the cash book arithmetically correct? | yes |
| | Is the cash book regularly balanced? | yes |
| Standing Orders, Financial Regulations, and Payment Controls | Has the Council formally adopted Standing Orders and Financial Regulations? | Yes March 2023 – need updating to reflect procurement increase from £25,000 to £30,000 |
| | Date Standing Orders last reviewed | March 2023 |
| | Date Financial Regulations last reviewed | May 2023 |
| | Has a Responsible Financial Officer been appointed with specific duties? | Yes December 2023 |
| | Have items or services above the de minimus amount been competitively purchased? | Yes |
| | Are payments in the cash book supported by purchase orders, invoices, authorised and minuted? | Yes |
| | Has VAT on payments been identified, recorded and reclaimed? | No – VAT hasn't been reclaimed since 2021. |
| | Is S137 expenditure separately recorded and within statutory limits? | Yes |
| | Have S137 payments been approved and included in the minutes as such? | Yes |
| Risk Management Arrangements | Does a review of the minutes identify any unusual financial activity? | No |
| | Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme? | Yes – March 2023 |
| | Is insurance cover appropriate and adequate? | See recommendation 3. |

| Internal Control | Test | Observations / Recommendations |
|---|---|---|
| | Are internal financial controls documented and regularly reviewed? | March 2023. |
| Budgetary Controls | Has the Council prepared an annual budget in support its precept and has this been minuted as being approved? | Yes – advised should not be in confidential session. |
| | Has the precept been calculated from the budget and been approved? | Yes |
| | Does the budget include an actual completed year? | No – advise given to clerk. |
| | Is actual expenditure against budget regularly reported to the Council? | No – budgetary figures must be used to monitor expenditure during the year. |
| | Has the Council agreed a General Reserve Policy and is this figure reflected in the 'free balance'? | Yes March 2023 |
| | Are there any significant unexplained variances from budget? | no |
| Income Controls | Is income properly recorded and promptly banked? | yes |
| | Does the precept recorded agree to the Council Tax authority's notification? | Yes |
| | Are security controls over cash and near-cash adequate and effective? | yes |
| Petty Cash Procedures | Is all petty cash spent recorded and supported by VAT invoices / receipts? | n/a |
| | Is petty cash expenditure reported to each Council meeting? | n/a |
| | Is petty cash reimbursement carried out regularly? | n/a |
| Payroll Controls | Do all employees have contracts of employment with clear terms and conditions? | No – in hand. Copy retained by ex-chairman. |
| | Do salaries paid agree with those approved by the Council? | yes |
| | Are salaries above the National Living Wage / Minimum Wage? | yes |

| Internal Control | Test | Observations / Recommendations |
|---|---|---|
| | Are other payments to employees reasonable and approved by the Council? | yes |
| | Have PAYE/NIC been properly operated by the Council as an employer? | No. The Clerk has been self-employed which is unlawful |
| Asset Controls | Does the Council maintain a register of all material assets owned or in its care? | Yes – needs updating. |
| | Are the assets and investments registers up to date? When were these last reviewed? | No – advice given |
| | Does the asset insurance valuations agree with those in the asset register? | No – asset register to be provided to insurance company when available. |
| Bank Reconciliation | Is there a bank reconciliation for each account and is this reported to Council? | Yes |
| | Is a bank reconciliation carried out regularly and in a timely fashion? | Yes. |
| | Are there any unexplained balancing entries in any reconciliation? | no |
| Year-End Procedures | Are year-end accounts prepared on the correct accounting basis? (Receipts and Payments **or** Income and Expenditure) | Receipts and payments |
| | Do accounts agree with the cash book? | yes |
| | Has a year-end bank reconciliation been undertaken? | yes |
| | Is there an audit trail from underlying financial records to the accounts? | yes |
| | Where appropriate, have debtors and creditors been properly recorded? | yes |
| Procedural | Is eligibility for the General Power of Competence properly evidenced? | n/a |

| Internal Control | Test | Observations / Recommendations |
|---|---|---|
| | Have points raised on the last Internal Audit report been considered by Council and actioned? | No. VAT advise was not taken. The Clerk continued to work on a self employed basis. |
| Transparency: For smaller councils with turnover under £25,000 | Are minutes for the whole year on the website? | yes |
| | Are agendas for the whole year on the website? | yes |
| | Are payments over £100 detailed on the website? | No. Minutes detail most payments. |
| | Have electors' rights been correctly advertised on the website, including explanatory notes? | Yes |
| | Are councillors' responsibilities detailed on the website? | n/a |
| | Is the last financial year's Annual Return on the website? | yes |
| | Are the land and building asset details on the website? | no |
| Councils that are Burial Authorities | Are fees levied in accordance with the Council's approved scale of fees and charges? | n/a |
| | Have fees for the cemetery been reviewed and agreed by the Council? | n/a |
| | Were comparisons made with other cemeteries prior to setting the fees? | n/a |
| | Have burial books been kept up to date and are they safely stored? | n/a |
| Councils with Allotments | Has a list of allotment holders with amounts paid to Council been submitted? | yes |
| | Have fees for the allotments been reviewed and agreed by Council? | yes |
| Councils with Charities | Are all Charities up to date with Charity Commission filing requirements? | yes |
| | Has the Council been named as Sole Trustee on the Charity Commission Register? | yes |

| Internal Control | Test | Observations / Recommendations |
|---|---|---|
| | Is the Council acting in accordance with the Charity Trust Deed? | Not available |
| | Are the Charity meetings and accounts recorded separately from those of the Council? | Not held. |
| General Data Protection Regulation | Has the Council adopted a Data Protection Policy? | yes |
| | Has the Council put in place Privacy Notices? | yes |
| Miscellaneous | Is the Council registered with the Information Commissioners Office? | yes |
| | Does the Council's website meet accessibility requirements (random sample) | Unchecked. |

**Summary of Recommendations:**

1. The Clerk should complete a VAT reclaim at least annually. This hasn't been done since at least 2021.
2. For business continuity the council should provide the equipment to the Clerk as an employee. This should at minimum be a laptop with suitable software and virus protection and also telephone provision.
3. I would suggest that the Council reviews the insurance cover and advises the insurance company of the slipway and moorings with a view to at a minimum public liability cover.
4. The Clerk does not have a copy of her contract either as an individual, or as the office of the Council. This must be retained by the Council and not by a Councillor.
5. Council should look at business activity and the potential VAT implications of the mooring and staithe lease. This could potentially be a large liability for a small council as any liability can be backdated.
6. All payments must be detailed on the agenda and minuted as approved.
7. I have advised the clerk to investigate the charity for which the Council is Trustee.
8. The budget setting cannot be held in confidential session.
9. I have advised the Clerk that there will be recycling credits to be reclaimed from Norfolk County Council.

**Observations**

I would like to thank the Clerk for a well presented set of accounts and audit documents.

Signed: Sarah Hunt

Date: 6th June 2023

**Notes to accompany the Internal Audit Report – to be published alongside Page 3 of the Annual Governance Annual Return**

**Statement D.** The budget must include actual expenditure figures and at least one years full accounts. Expenditure must be compared by Council to budgeted figures regularly throughout the year. Precept must be based upon a budget and considered in public.

**Statement E.** VAT should be reclaimed at a minimum annually.

**Statement G.** It is unlawful for an appointed clerk not to be paid through PAYE.

**Statement H.** The Clerk is working on updating the Asset Register and Land register which is currently out of date. This should be issued to the insurance company in due course.

**Statement O**. I have ticked yes as the annual return was completed (zero return). However the Clerk has limited knowledge of the charity – no meetings have been held and potential income should be explored.
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I recommend that the Council ticks ‘No’ to Boxes for the following reasons:

**Box 2.** Not all payments were reported to Council. Even standing orders and direct debits should have the amounts minuted. As the Council is subject to the Transparency code all payments over £100 must be on the website to comply.
**Box 3.** Council has not been lawful in the employment of the Parish Clerk.
**Box 7**. Some matters from the previous internal audit remain outstanding.

Sarah Hunt
Internal Auditor
7th June 2023