INTERNAL AUDIT REPORT FOR YEAR ENDING 31 MARCH 2022

By Yorkshire Local Councils Associations, Internal Audit Service

Name of Council	**Foston and Thornton le Clay Parish Council**	**Name of Clerk:**	**Fiona Hill**
Internal Auditor's name and date of Audit	**Karen Mann – 26 April 2022**	**Name of RFO (if different)**	

Note: This Internal Audit is a 'point in time' audit. You will agree the 'point in time' with your allocated auditor. Yes/No statements must apply on the date of the audit. Clerks, please read this document and provide all documents in *red italics* to the internal auditor electronically (or website links to documents), by the date agreed.

		Internal Auditor Observations
	Last year's internal audit – a. Minute reference of when this was reported to council. b. If not done by YLCA, provide a copy of the report. c. Evidence of *audit action plan* implementation?	The Annual Meeting of the Council was held on the 5 May 2021. APCM21/10 b) refers to the Internal Auditors Report on page 4 and a resolution for APCM21/10 a) – e) approved unanimously. The internal audit from 2020/2021 provided had several references to **No** from the Internal Auditor – there is evidence within minutes that an action plan has been implemented and is being worked this in this current year.. ***Recommendations: That any recommendations from 2021/2022 continue to be actioned and reported to council meetings. Mandatory Policies and Procedures are adopted as soon as possible.***
	Review of the Effectiveness of Internal controls – evidence of *internal controls checklist* and minute reference of review.	Minute APCM21/10 – Step one notes the policies that were missing, when they were to be reviewed or adopted and information about when actions would be taken by the council. Minute 22/38 August 2021 – Internal audit checks to be completed. At the end of these minutes it states that the computer crashed. Clerk purchased her own replacement laptop at £549 asking the PC to contribute 1/9th of the cost = £61.00. At the end of the statement it explains that £842.88 had been ringfenced under the Transparency Code to purchase the clerk a laptop. ***Recommendation: That the council purchase a laptop for the clerk if the council received transparency funding to do so. If the clerk leaves the council's business is on the clerk's personal laptop which is <u>NOT</u> best practice.***
	Annual Governance and Accountability Return for previous year on council's website	***There is no AGAR for 2020/2021 on the website, - the year is stated by no link to the documentation.*** ***The 2019/2020 Internal Audit (IA) report provided by the YLCA Internal Auditor is on the councils website, and the clerk has written TO DO on several items.***

	AGAR Part 2 Internal Control Objective	Please provide website link to document, state that it is 'attached' or state why it is not available.	Objective Met Yes/No, N/A or Partly	Internal Auditor Observations
A	**Appropriate accounting records have been properly kept throughout the financial year.**			
	Regular financial reports to council including a *Bank Reconciliation, Budget Monitor, Receipts and Payments and Bank Statements (for the whole financial year)*		Yes	The mins from 5 May, remote meeting at 22/19 states that the bookkeeping records were up to date but no mention of bank reconciliation, statements etc Min 21/119 from April 2021 refers to the bank reconciliation and bank balance. A councillor had verified the bank balance. Minutes 8 Dec 2021 – 22/83 bank reconciliation had been sent by email. Budget and precept discussed with a resolution noted. Payments listed for approval. **To Note**: The last set of minutes on the website was July 2021. The clerk provided minutes from August 2021 – Mar 2022 that had not yet been uploaded to the website. ***Recommendation: That all minutes be uploaded after they have been approved at a meeting.***
	S137 expenditure *recorded in minutes,* (*please provide copy of minutes or link to where they can be found on the council's website*) brings direct benefit to electorate, separate column in cashbook and within spend limits		N/A	No s137 expenditure made in the year.

	AGAR Part 2 Internal Control Objective	Please provide website link to document, state that it is 'attached' or state why it is not available.	Objective Met Yes/No, N/A or Partly	Internal Auditor Observations
B	**This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.**			
	Financial Regulations reviewed annually and in line with NALC model		Yes	The NALC Model Financial Regulations used, on the council's website, approved Dec 2020. ***Recommendation: That a review should be completed annually.***
	Audit trail for all payments (quote, order, invoice, cheque stub/direct payment reference) – see detailed check of six payments below.		Partly	Only a couple of cheque stubs were not initialled but the invoices provided had been checked and initialled by signatories. ***Recommendation: That when an invoice is checked by a signatory and a cheque is raised, the signatories initial the cheque stubs at the same time.***
	VAT records maintained (separate column in accounts and regular reclaims)		Yes	Separate column and VAT is reclaimed , however the reclaim figure was £115 (Jan 2022) and the VAT accounted for during the year was £91.60 in the expenditure spreadsheet (to be reclaimed 2022/23?). No minute in January or February to show the VAT had been received. ***Recommendation: That an update is provided to the council when VAT reclaim is received and a minute is taken.***
C	**This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**			
	Risk Assessments document in place and reviewed annually		Partly	There is a risk management available on the council's website, however there is no date to show when the document was adopted. September 2021 minute at the bottom states review of the Internal Audit comments – 3.2 Action review the risks this year. January 2022 – Cllr appointed to look at the risk assessment February 2022 – Cllr mentioned again to look at risk assessment

				Recommendation: That the Cllr feeds back to the council the findings of the review of the risk assessment and a minute is taken. The adopted document is uploaded onto the website and has the reviewed date included.
	Insurance cover appropriate, adequate and reviewed annually (minute reference)?		Yes	There is a 3 year insurance policy in place, due for review in August 2022.
D	**The precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored and reserves were appropriate.**			
	Annual budget to support precept demand (note minute reference where budget considered, and precept demand approved)		Yes	Precept demand provided. Min 22/83 December approved the budget for 2022/2023.
	Level of reserves within proper practices		No	Nothing provided to show reserves
	Regular Budget Monitor reports to council		No	The budget is discussed (Mins Nov and Dec) however, there is no information provided regularly to the council on budget monitoring. ***Recommendation: That the clerk provides a budget monitoring update to council, at least quarterly.***
E	**Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.**			
	Expected income was fully received		Yes	
	Expected income properly recorded and banked		Yes	
	VAT accounted for where relevant on income		Yes	VAT was reclaimed in Jan 2022. Separate column and reclaimed. No minute in January or February to show the VAT had been received. ***Recommendation: That the VAT claimed is provided to Council and a minute be taken***

	AGAR Part 2 Internal Control Objective	Please provide website link to document, state that it is 'attached' or state why it is not available.	Objective Met Yes/No, N/A or Partly	Internal Auditor Observations
F	**Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.**			
	Petty cash used yes or no		N/A	No petty cash recorded in the cashbook.
	If yes, supported by receipts?			
	If yes, expenditure approved by council			
	If yes, VAT on petty cash payments appropriately accounted for?			
G	**Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.**			
	Amount paid corresponds with salary approved by the council for the year		No	No contract of employment provided. Payslips and PAYE information provided but no evidence of the approved salary given.
	PAYE scheme in place		Yes	Documents with PAYE reference provided.
	PAYE and NI deductions properly applied		Yes	Payslip provided showing Tax deducted and PAYE reference included.
H	**Asset and investments registers were complete and accurate and properly maintained.**			
	Register of assets exists and complies with Proper Practices and is up to date		Partly Met	There is an asset register provided, however the asset figure included on the AGAR is the valuation figure, not the purchase cost – this is recorded incorrectly. ***Recommendation: That the AGAR Asset Value is recorded at the purchase cost, not the valuation cost***
I	**Periodic bank account reconciliations were properly carried out during the year.**			
	Bank reconciliations are produced with reasonable frequency and reconciled to the bank (checked by council using bank statements)		Yes	Sent by email to councillors before a meeting

J	**Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.**			
	Correct accounting basis used	•	Yes	
	Agree to the cash book		Yes	
	AGAR Part 2 Internal Control Objective	**Please provide website link to document, state that it is 'attached' or state why it is not available.**	**Objective Met Yes/No, N/A or Partly**	**Internal Auditor Observations**
	Supported by adequate audit trail from underlying records		Partly	It would be better to include a list of payments with all the relevant information in the minutes then RESOLVED that they were approved (if they were). Payments are included, but under 'to discuss matters raised by the clerk/RFO' which does not give councillors the opportunity to consider making a decision. ***Recommendation:*** ***i)That a list of payments provided to the council and it is included in the minutes, with all the relevant information included; and*** ***ii) "to consider the list of payments provided for approval" is the item heading rather than matters raised by the clerk.***
	Where relevant, debtors and creditors were properly recorded		Yes	
K	**If the authority certified itself as exempt from a limited assurance review in 2021/2022. It met the exemption criteria and correctly declared itself exempt.**			
	Council resolution to declare exemption, made at the correct time, i.e., after year end not before		Yes	The declaration was made at the Annual meeting of the Council in May 2021.
	Certificate of Exemption completed and sent to external auditor		Partly	2020/2021 – no information on the council's website or provided, however 2019/2020 Certificate of Exemption available on the council's website.

L	**If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.**			
	Internal auditor to check website to ensure that this criterion is met against the Transparency Code Checklist.		No	Whilst there are publications on the website the minutes and agendas are not up to date on it, the last minutes published were July 2021. There is only the name of councillors on the website, no information on their responsibilities, i.e. chair, vice chair. ***Recommendation: That the clerk contacts YLCA for the appendices within the Transparency Code of what should be published on the council's website.***

Transaction Spot Check – 6 checks of each.

Check No.	1 – 100593	2- 100594	3 - 100595	4 - DDR	5 - 100597	6 - 100598
Cheque stubs initialled	Yes	No	Yes	Yes	Yes	Yes
Cheque number in cash book	Yes	Yes	Yes	Yes	Yes	Yes
Payment approval minuted	Yes	Yes	Yes	Yes	Yes	Yes
Invoice value correct	Yes	Yes	Yes	Yes	Yes	Yes
Minute value correct	22/50	22/50	22/50	22/50	22/83	22/83
Cheque value correct	Yes	Yes	Yes	Yes	Yes	Yes
Timely payment	Yes	Yes	Yes	Yes	Yes	Yes
VAT recorded in cash book	Yes					
S137 recorded in cash book	N/A					
S137 minuted	N/A					
PAYE payments timely	Yes					

Notes	• It would be beneficial to list the payments in a block, showing the date/supplier/cost and Resolved that the payments are approved in each month's minutes. • Ensure all cheque stubs are initialled by the signatories.

Annual Governance and Accountability Return		
	Year ending 31 March 2021 £	**Year ending 31 March 2022 £**
1. Balances brought forward	9332	9693
2. Annual precept	2600	2600
3. Total other receipts	1046	231
4. Staff costs	1799	1559
5. Loan interest/capital repayments	0	0
6. Total other payments	1486	1573
7. Balances carried forward	9693	9391
8. Total cash and investments	9693	9391
9. Total fixed assets and long-term assets	5253	5253
10. Total borrowings	0	0

BEST PRACTICE REVIEW

Policies and Procedures	**Either provide a link to the document on the council's website, email to the internal auditor or add a comment if the policy/document is not in place.**
Code of Conduct	Not available on the council's website and not provided to IA.
Standing Orders	Available on the council's website

Financial Regulations	Available on the council's website
Agenda for next council meeting and three sets of council minutes (one of which should be the annual meeting of council).	Agenda for the next meeting on the 20 May 2022 on the website. Minutes – only up to July 2021 on the website.
Three sets of committee meeting minutes	Yes – April to July 2021
Model Publication Scheme	Not available on the council's website or provided to the IA.
Complaints Procedure	Available on the council's website
Freedom of Information Policy	Not available on the council's website or provided to the IA.
Equal Opportunities Policy	Yes – under Employment Policies
Reserves Policy	Available on the council's website
Asset Register	Available on the council's website
General Privacy Notice	Not available on the council's website or provided to the IA. **Mandatory to have a Privacy Notice**
Grants Policy and Application Form	Yes – Grants Policy available
Media and Social Media Policy	Not available on the council's website or provided to the IA.
Evidence of salary and deductions (i.e., contract of employment, payslips, HMRC RTI submissions)	Yes all submitted to IA.

Internal Auditor's concluding comments

It is clear that since the Internal Audit last year the clerk has worked towards improvement and is working on an action plan, with the council, to put in place regular reviews of policies and to provide accounts information to the council.

There is still some work to be done and some of the Mandatory Policies, such as the General Privacy Notice was not on the council's website. This needs to be done as soon as possible. The Grievance and Disciplinary Policies, under Employment Policies is out of date (2013) and needs review as soon as possible. In 2019 YLCA provided a NALC template with Mandatory information included.

Minutes include first names of councillors on occasion, formatting of minutes needs to be checked and more consistent throughout.

The AGAR provided for 2021/2022 had the Annual Governance Statement – Section 1 ticked by the clerk when submitted to the Auditor. It is important that the council consider the statement and that the clerk does not include ticks before it is presented to the council. The Completion checklist is also ticked by the clerk, including the statement about Section 2.

Internal audit carried out by	Karen Mann (Signed - on behalf of Yorkshire Local Councils Associations, Internal Audit Service)	(print) KAREN MANN
Date	26 APRIL 2022	
For internal auditor's use only		
Internal audit section of AGAR completed and signed	Yes	
This Internal Audit Report completed and sent to YLCA (YLCA will forward to council with list of mandatory and best practice documents and invoice).	Yes	

A final note:
A list of mandatory and best practice documents is attached for the council's reference. The 'search documents' facility on the YLCA website includes lots of templates/example policies and procedures.

Should the council require any advice/guidance on any of the Internal Auditor's observations in this report. Please submit a 'request advice' ticket on the YLCA website.

Thank you for using the YLCA Internal Audit Service