



Aylesford Parish Council

INTERNAL AUDIT REPORT

Date: 8th June 2022

Report Author: Hannah Barton & Karen Herbert

Reviewed By: Louise Taylor

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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
- Banking
- Insurance
- Allotments
- Section 137 Payments
- Risk Assessment
- Assets
- Year-end/Annual Return

2 FINDINGS

Progress on Previous Issues Raised

From Visit 11th November 2021

Issue 1 – Standing Orders – (RESOLVED)

Standing Orders should be subject to regular review by Full Council. Review of the Standing Orders and Full Council meeting minutes identified that review of Standing Orders had not taken place since July 2018.

Finding: At visit 2 2021/22 Internal Audit found that the Standing Orders were reviewed by the Council in January 2022; where it was agreed to adopt the recommendations made by the clerk.

From visit 2 2019/20

Issue 1 – Asset Register - (RESOLVED)

Consideration should be given to itemising the office and council chamber furniture items currently grouped together on the asset register under the heading of “Other office equipment”.

Finding:

The revised asset register was put to the Policy and Resource Committee in January 2022. The asset register will now be updated annually as part of the clerk’s year end process, so the clerk will take the register to the annual meeting on 17 May 2022. Equipment is now itemised by room, such as ‘meeting room’ and ‘kitchen’, this is a more appropriate breakdown of assets.

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.

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.

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, Internal Audit tested the contracts awarded during 2021/22 and the Council has followed the expected process when awarding contracts.

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: Sample testing found that expected income for these transactions had been received and can be traced into the Council's bank account and financial accounting system. All charges align with agreed fees.

Banking

Control: Physical income is banked by the clerk and large amounts of cash are not held on site. Adequate controls are in place regarding to access to online banking and processing and authorising transactions.

Finding: The use of online banking is appropriately controlled, and physical banking is carried out at a suitable frequency for the small amount of cash payments made to the parish.

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:

Insurance cover renewals have been agreed at Policy and Resources Committee. The building insurance coverage will be reviewed by UK Global (broker) to ensure coverage is sufficient. After this review the Council will decide whether to change insurance provider for 2023/24. The Council does not have a Cyber-security policy in place, but a quote will be given by the broker at the planned review. **(See above - Previous Issue 1 (from Visit 2 2020/21))**



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. There are no tenancy agreements in place, however this is currently being rectified by the Council. **(See Issue 1).**

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 £8.14 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 has been completed and reviewed at the Parish Council Meeting held 16th November 2021. Risk owners, mitigating controls and risk owners are included. Previously, Internal Audit have identified that the risks of Cyber-enabled crime against the Council have not been included in the register, however, the Council have now purchased cyber-security training for the clerk, to be completed by January 2023. The Council does not have a Business Continuity Plan in place to demonstrate how the parish is prepared for a significant disruption.

(See above - Previous Issue 2 (from Visit 2 2020/21))

Assets

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

Finding: The Council updated its asset register and was reviewed at the Policy and Resources committee on 4th January 2022. There are plans for the asset register to be updated by the clerk annually and presented at committee 17th May 2022. The previous issue raised here has been resolved. **(See above - Previous Issue 1 (from Visit 2 2019/20))**

Year-end/Annual Return

Control: The financial statements are complete and accurate.



Finding: The financial statements have been completed accurately. At the time of audit visit the Accounting Statement and the Statement of Internal Control had not been reported to Full Council. The Internal Audit section of the Annual Return has been completed and handed to the Clerk.

3 ISSUES IDENTIFIED

New Issues

Issue 1 – 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.

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.