

Internal Audit Report for for the period ending 31 March 2023

Clerk	Katy Bailey
RFO (if different)	Sharon Smith
Chairperson	Di Eastman
Precept	£227,328.05
Income	£240,068
Expenditure	£300,180
General reserves	£81,213 as at 31/03/23
Earmarked reserves	£91,443 as at 31/03/23
Audit type	Year End
Auditor name	Colin Poole

Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- the effectiveness of operations
- the economic and efficient use of resources

- compliance with applicable policies, procedures, laws, and regulations
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity, and corruption
- the integrity and reliability of information, accounts, and data

Methodology

When conducting the audit, the internal auditor may:

- conduct a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2022/23 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws, and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being conducted as planned

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The Council uses income and expenditure basis for accounting.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The council uses the RBS Omega accounting package. The cash book is reconciled on a monthly basis.
<i>Is the arithmetic correct?</i>	Yes	No errors were found in the sample payments tested.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council conducted its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Council reviewed Standing Orders at the meeting held 17/11/22 (min 85/22TC)
Are Financial Regulations up to date and reviewed annually?	Yes	Council adopted Finance Regulations in June 2020 and reviewed them without amendment at the meeting held 13/02/23 (min 133/22TC.d)
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	Karen Forster was appointed interim Clerk/RFO at the meeting held 13/06/22 (min 14/22TC) Sharon Smith was appointed RFO at the meeting held 26/09/22 (min 56/22TC)
<i>Additional comments:</i>		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls

The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.

Evidence		Internal auditor commentary
Is there supporting paperwork for payments with appropriate authorisation?	Yes	A random selection of payments were checked. All documentation was in order, with invoices stamped and councillors initial them to confirm sight of the documents.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Online bill payment system is used, with Councillors signing a list of payments to be made
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	Q1 = £4,179.69 banked 18/07/22 Q2 = £6,296.84 banked 06/10/22 Q3 = £9,710.42 banked 11/01/23 Q4 = £3,096.19 submitted 31/03/23
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	£14,300 expended, generally used for small grants. The expenditure limit for 2021/22 was £29873.34

² Localism Act

³ Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.82 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	Yes	PW504085 £190,000 was drawn down as approved by resolution on 23/5/15. This was for the purchase of the Police Station for community use, the Town Council now occupies this building. £51,647.76 remained outstanding at 31/3/23
Additional comments:		

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	The council adopted a revised risk register at the meeting held 17/11/22 (min 85/22TC.b)
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The council approved an induction and training policy for Councillors at the meeting held 11 th April 2022 (min 181/21TC). This improves the practice of councillors and reduces the risk of mistakes. The council adopted the LGA model Code of Conduct at the meeting held 13/06/22 (min24/22TC). Observing good conduct reduces the risk of poor decision-making.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i>	Yes	The council reviewed the insurances at the meeting held 13/03/2023 (min 150/22TC.b) EL = £10m PL = £10m FG = £250,000 (in April 2023)
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	The town council approved the internal control statement on 13/03/23 (min 150/22TC.a)

⁴ Accounts and Audit Regulations

<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>	Yes	The council reviewed the effectiveness of the internal audit at the meeting held 05/04/23
Additional comments:		

⁵ Practitioners Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	<p>For 2022/23 the budget was discussed thoroughly at the meeting held 08/11/21. The budget was adopted at the meeting held 10/01/22 (min 125/21TC.b). The proposed income and expenditure were both shown in the minutes, for clarity on what was agreed.</p> <p>The budget was reviewed at the meeting held 26/09/22 and revised to take into account changes in costs and reductions in planned spending (min 58/22TC) demonstrating good practice in actively managing the council budget.</p> <p>For 2023/24 the council considered a report from the resources committee at their meeting held 12/12/22 (min 100/22TC.b) and adopted the budget for 2023/24 at an extraordinary meeting held 16/01/23 (min 122/22TC). The proposed income and expenditure were not shown in the minutes of the full council or Resources Committee meeting held 19/12/22 (min 81/22R).</p> <p>Recommendation: Noting the income and expenditure in the minutes removes doubt over what budget councillors approved.</p> <p>The RFO advised the following budget for 2023/24 was approved: Income: £245,425 Expenditure: £242,821 To Reserves: £2,604</p>

<p><i>Verify that the precept amount has been agreed in full Council and clearly minuted</i></p>	<p>Yes</p>	<p>The meeting held 10/01/22 approved a precept of £227,328.05, setting out that this resulted in no increase to a band D property rate of £143.28. This was correctly noted in the minutes in accordance with good practice.</p> <p>A precept of £241,975.14 for 2023/24 was approved at the meeting held 16/01/23, (min 122/22TC.b&c) noting the increase for a Band D property to £150.30, again in accordance with good practice.</p>
<p><i>Regular reporting of expenditure and variances from budget</i></p>	<p>Yes</p>	<p>Each meeting of the council receives a finance report.</p>
<p><i>Reserves held – general and earmarked⁶</i></p>	<p>Yes</p>	<p>General Reserves = £81,213 which represents just under 4 months' net expenditure. Earmarked Reserves = £91,443. Recommendation: The council may wish to revisit its reserves policy to consider what is a prudent level of general reserves given the range of activities it is undertaking, and where it is more appropriate to allocate funds to projects from CIL rather than general funds.</p>
<p><i>Additional comments:</i></p>		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

Section 6 – income controls			
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.			
Evidence		Internal auditor commentary	
<i>Is income properly recorded and promptly banked?</i>	Yes		
<i>Is income reported to full council?</i>	Yes	Within the finance reports including reporting receipt of the precept (min 40/22TC.a and min71/22TC.d)	
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	£113,664.03 banked 29/04/22 and £113,664.02 banked 30/09/22 = £227,328.05	
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	CIL reserve as at 31/03/23 = £51,443	
<i>Is CIL income reported to the council?</i>	Yes		
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes		
<i>Has an annual report been produced?</i>	Yes		
<i>Has it been published on the authority's website?</i>	Yes		
Additional comments:			The report to March 2023 was found on the website.

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures, and verification processes and that these are up to date.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	<i>No</i>	
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
Additional comments:		

Section 8 – Payroll controls		
The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	2x TC Co-ordinator 1x Environmental Co-ordinator 1x Clerk 1x RFO 1x Assistant Clerk (new) Caretaker The council approved the pay award backdated to April 2021 at the meeting held 9/05/22 (min 10/22TC.g)
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	N/A	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	Yes	Resources Committee reviews this
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	To “Employer Contributions”
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	Payments to NEST are made monthly for 3 members of staff. The employee contribution is 2.4% net. NEST claim the balance on behalf of the employee. https://www.nestpensions.org.uk/schemeweb/nest/about-pensions/tax-relief-benefits.html
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	
Additional comments:		

⁸ The Pension Regulator – [website click here](#)

Section 9 – Asset control		
The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location, and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	No	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	
<i>Cross checking of insurance cover</i>	Yes	
Additional comments:		

⁹ Practitioners Guide

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	
<i>Do bank balances agree with bank statements?</i>	Yes	<p>On 17th May 2022 the entire balance of Barclays bank account ending 5653, £222,146.71 was transferred to the Unity Trust Bank account ending 8603. The completion of the transfer was reported to the Resource Committee on 31st May 2022 (min 4/22R)</p> <p>31/03/23 – Unity Trust Bank 8603: £9,426.47 31/12/22 – Cambridge BS 4371: £160,612.50</p>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank statements and corresponding cashbook entries were found initialled by Councillors. The sums are reported to the Resources Committee

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Income and expenditure basis
<i>Financial trail from records to presented accounts</i>	Yes	
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	Yes	This was found on the website for 2021/22.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The External audit report was found on the website under 'financial information'.
Additional comments:		

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	Yes	This was considered at the meeting held 13/06/2022 (min 26/22TCa)
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	Recommendation: The council should review the level of fidelity guarantee insurance to ensure it is at least equal to the maximum funds held at any time, so £250,000 is a more appropriate level. Done at review in April 2023 and kept under review.
	Yes	Recommendation: The employee pension contribution needs to be checked that it is correct. This has been resolved.
	Yes	Recommendation: The Council should endeavour to get the website fully functional. Website has been greatly improved, very user-friendly and easy to navigate.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The appointment of the internal auditor for 2022/23 was made at the meeting held 9/05/2022 (min 10/22TC.e)
<i>Additional comments:</i>		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹²</i>	Yes	The external audit was noted at the meeting held 10/10/2022 (min 70/20TC)
<i>Has appropriate action been taken regarding the comments raised?</i>	Yes	It was noted a transposition of numbers had been corrected
<i>Additional comments:</i>		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e., All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	Yes	The meeting was held 9/05/2022 and the election of Chair was the first item of business on the agenda.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	
<i>Is there a list of members' interests held?</i>	Yes	The website has links from the councillor profile to the relevant register of interest held by East Suffolk District Council
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	Yes	The Market Hall, Saxmundham, Charity No 235072. Gannon Institute, Saxmundham, Charity No 242679.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	Financial Information is included with the minutes of meetings
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	Yes	ZA084593 until 9/11/23
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council website has a link to a privacy statement
<i>Has the Council published a website accessibility statement on their website in line with Regulations?</i> ¹⁶	Yes	The council website has a link to an access statement, but has accessibility tools on the home page
<i>Does the council have official email addresses for correspondence?</i> ¹⁷	Yes	

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

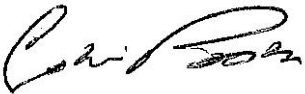
¹⁴ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

<i>Is there evidence that electronic files are backed up?</i>	Yes	Cloud backup system is in place
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	Terms of reference for existing committees were reviewed at the meeting held 9/05/22 (min 5/22TC). Terms of reference for two new committees were approved at the meeting held 11/07/22 (min 39/22TC)
Additional comments: <i>Thank you to Sharon and katy for their assistance in the completion of this audit</i>		

Signed: 

Date of Internal Audit Visit: 28/04/2023 Date of Internal Audit Report: 28/04/2023

On behalf of Suffolk Association of Local Councils