

## Internal Audit Report for Cretingham, Monewden & Hoo Parish Council for the AUDIT YEAR ENDED 31/3/21

Clerk	Acting Clerk Councillor Caroline Saxby
RFO (if different)	
Chairperson	Alister Gourlay
Precept	£ 2,607
Income	£ 2,836
Expenditure	£ 731
General reserves	£8,974
Earmarked reserves	£7,277 CIL
Audit type	Annual
Auditor name	<b>Linda Harley</b>

### 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:

- carry out 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 2020/21 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 carried out as planned

<b>Section 1 – proper bookkeeping</b>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses an excel spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cashbook is update and provides good evidence to support the council’s underlying statements.
<i>Is the arithmetic correct?</i>	Yes	Accounting records were spot checked – they are well maintained and clearly identify expenditure and income at any given point.
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
The internal auditor will check the date the Council carried out 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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	At the meeting on 21/1/2021 the council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018). The figures relating to financial controls and procurement have been updated.
Are Financial Regulations up to date and reviewed annually?	<i>Partly met</i>	At the meeting on 12/1/21 the council carried out an annual review of its Financial Regulations. Use of the Model Financial Regulations (produced by NALC IN 2019). Comment : The figures in the footnote relating to contracts in Section 11 should be updated.
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations have been tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>		It is noted in the Council's Internal Control Document that the clerk is the RFO. Comments: In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority. Council may wish to note this appointment in their minutes.
<b>Additional comments:</b>		

<sup>1</sup> Section 151 Local Government Act 1972 (d)

<b>Section 3 – Payment controls</b>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	Payment controls are included in the Internal Control Document. The Council shows good practice by listing the powers to pay in the payments spreadsheet. Comment: The power to make a payment to the Citizens Advice Bureau is LGA 1972 s142 (2a) as they are a voluntary organisation.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	
Is VAT correctly identified, recorded and claimed within time limits?	Yes	VAT is clearly identified in the cash book and the claim for the period 19/20 and 20/21 in the sum of £79.80 accurately reflects the year-end position. Directly credited to bank account on 27/1/20.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	N/A	The Council has not adopted the General Power of Competence.
Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	No payments were made under S137.

<sup>2</sup> Localism Act

<sup>3</sup> 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 £8.12 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?	N/A	The Council has no Public Works Loans and as such incurred no interest payments for the period under review.
<b>Additional comments:</b>		

<b>Section 4 – Risk management</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	This was considered for the period under review at the meeting of the council on 12/1/2021 and covers in general terms the matters which could prevent a smaller relevant body from functioning.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The Council has 2 risk assessments for financial matters and Council procedures. The Council is not responsible for any play equipment. The Internal Control Document and risk assessment documents were approved and adopted at the Council's meeting on 12/1/2021.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee <b>and</b> has been reviewed on an annual basis?</i>	Yes	The Council's insurance cover was renewed at their meeting on 22/9/2021 and there is a minute to show the cover was reviewed and considered appropriate. Assets are covered under an 'all risks' policy with Employers Liability and Public Liability cover in place of £10 million each. Fidelity insurance of £25,000 is held, which given the current balances held by the Council is within guidelines.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	Yes	As approved at a meeting of full council on 12/1/21 it was evidenced that the Council has a comprehensive financial risk assessment that

<sup>4</sup> Accounts and Audit Regulations

		demonstrates public finances are adequately protected and managed and evidence that any necessary steps have been taken to mitigate any risks identified.
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year<sup>5</sup></i>	Yes	It is noted in the Internal Control Document that the Council has the responsibility for conducting an annual review of the effectiveness of their internal audit. This was noted in the minutes of 12/1/21.
<b>Additional comments:</b> In accordance with proper practices the council has demonstrated it has taken steps to manage key risks in a way it can justify to a level which is tolerable by transferring the risks and taking out insurance, and that the review of insurance cover has been reported back to full Council and duly minuted. By reviewing the terms of reference for internal audit the council has followed guidance and demonstrates it recognises that the internal audit function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily		

<b>Section 5 – Budgetary controls</b>		
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		
<b>Evidence</b>		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for the year 2020-21 in the sum of £2607 was approved by full Council at a meeting on 21/1/2020 with evidence seen of a breakdown of the budget figure. Comment: Council may wish to show in the minutes the recommended key stages of the budgetary process have been followed namely: <ul style="list-style-type: none"> <li>• Decide the form and level of detail of the budget</li> <li>• Review the current year budget and spending</li> </ul>

<sup>5</sup> Governance and Accountability Guide

		<ul style="list-style-type: none"> <li>• Assess levels of income</li> <li>• Bring together spending and income plans</li> <li>• Provide for contingencies and consider the needs of reserves</li> <li>• Approve the budget</li> <li>• Confirm the precept or rates and special levies and</li> <li>• Review progress against the budget regularly throughout the year</li> </ul>
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £2607 and formally approved at a meeting on 21/1/2020.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	It is noted in the minutes that budget and actual expenditure are discussed.
<i>Reserves held – general and earmarked<sup>6</sup></i>	Yes	The Council’s final accounts show general reserves in the sum of £8,974 with earmarked reserves in the sum of £7,277 (CIL) with overall reserves standing at £16,251.
<b>Additional comments:</b>		

<b>Section 6 – income controls</b>		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
<b>Evidence</b>		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	A number of items of income were cross-checked against the cash book and bank statement and found to be in order. In accordance with proper practices the Responsible Financial Officer ensures that accounting records

<sup>6</sup> 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

		contain day to day entries of all sums of money and that income received is promptly banked
<i>Is income reported to full council?</i>	Yes	Income received is noted in the minutes.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The Council received precept of £2607 during the year under review which agrees with the notification from East Suffolk Council.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	Yes	CIL funds received for the year under review show no receipts in this financial year but funds of £7,277.58 have been carried forward. In accordance with the Regulations the council have received a proportion of CIL funds and ensured that retained balances are transferred to the earmarked reserves specifically allocated. The council has complied with its duty to produce an annual report that details the amount of CIL funds received and spent. The council has demonstrated it understands the requirements to comply with its duty to produce an annual report that details the amount of CIL funds received and spent. The annual report for the year ending 31/3/21 showing income received and retained balances was verified by the internal auditor and the council has complied with its duty to upload the annual report onto its website.
<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	
<b>Additional comments:</b>		

<sup>7</sup> Community Infrastructure Levy Regulations 2010

<b>Section 7 – petty cash</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is petty cash in operation?</i>	<i>No</i>	No system of petty cash is used.
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
<b>Additional comments:</b>		

<b>Section 8 – Payroll controls</b>		
The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 <sup>st</sup> April 201, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
<b>Evidence</b>		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	N/A	The council has no employees at the present time. The acting Clerk is an unpaid Councillor.
<i>Has the Council approved salary paid?</i>	N/A	
<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>	N/A	
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	N/A	
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	N/A	
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	Evidence seen that expenses payments are supported by invoices.
<b>Additional comments:</b>		

<sup>8</sup> The Pension Regulator – [website click here](#)

<b>Section 9 – Asset control</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?<sup>9</sup></i>	Yes	The asset register lists items under insurance that fall within the Council's remit for maintenance and ownership. The register states value as at the date of acquisition and where assets have been gifted or have an unknown value been given an approximate value. Declared value of assets for the period under review is £6,769 which agrees with box 9 of the AGAR.
<i>Are 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>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	It is noted in the Internal Control Document that the asset register is reviewed annually. Comment: Council may wish to include this in the minutes.
<i>Cross checking of insurance cover</i>	Yes	Insurance cover is in accordance with the Policy held. Contents other (other property) are generic under heading within the 'All Risks Category'.
<b>Additional comments:</b>		

<sup>9</sup> Governance and Accountability for Smaller Authorities in England – March 2019

<b>Section 10 – bank reconciliation</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	The Council has implemented a system whereby the annual bank reconciliation is correctly verified by the Council. Comment: Council may wish to complete and note in the minutes that a bank reconciliation has been completed quarterly and it is good practice for this to be checked by a Councillor who is not a bank signatory. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements and, as at year end (31 <sup>st</sup> March) for the period under review the balance across the Council's accounts stood at £16,251
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are reported at each quarterly Council meeting and noted in the minutes.

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on a receipts and payments basis and all were found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	The end of year accounts and supporting documentation were well presented for the internal auditor review
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	Yes	The Council is a smaller authority with gross income and expenditure not exceeding £25,000, it has completed Sections 1 and 2 of Part 2 of the AGAR. The Council has correctly declared itself as an exempt authority.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	As the Council was a smaller authority with a gross income and expenditure not exceeding £25,000 for the period under review, it was able to certify itself as an exempt authority which was confirmed at a meeting of the Council on 27/5/2020.
<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	The internal auditor was able to find details of the arrangements for the exercise of public rights for the period under review on the public website used by the Council, from 27 <sup>th</sup> July to 4 <sup>th</sup> September 2020.
<i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i>	Yes	<i>Accounts and Audit Regulations</i> The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website:  Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – The Certificate of Exemption , page 6

<sup>10</sup> Annual Governance & Accountability Return (AGAR)

<sup>11</sup> Accounts and Audit Regulations 2015

		Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015
<b>Additional comments:</b> Council has completed full details of the significant variances between the figures for 2020 and 2021 in their AGAR.		

<b>Section 12 – internal audit</b>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the previous internal audit report been considered by the Council?</i>	Yes	The audit was approved by the Council at the meeting of 27/5/2020 and this was noted in the minutes.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	<i>Partly met</i>	The Council has taken action regarding most items raised in the internal auditor’s report: Financial statements showing details of receipts and payments and comparison with the budget are now produced. Comment: It would be good practise to either include these reports in the minutes or append them to the minutes; CIL funds are now held in an earmarked reserve. The action relating to the General Data Protection Regulations have only been partially met and details are included under item 14. Comment: Council may wish to note in the minutes how and when any items raised by the internal auditor have been rectified.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	It was noted in the minutes of 12/1/21 that SALC was appointed as the internal auditor.
<b>Additional comments:</b>		

<b>Section 13 – external audit for the period under review</b>		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?</i> <sup>12</sup>	N/A	The Council declared itself exempt from an external audit.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
<b>Additional comments:</b>		

<b>Section 14 – additional information</b>		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>13</sup> <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> <sup>14</sup>	Yes	The council's annual meeting was held in accordance with legislation with the first item on the agenda being the election of the chair.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>15</sup>	N/A	Minutes were not seen as the audit was carried out virtually.

<sup>12</sup> Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (ie. 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.*

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

<sup>14</sup> The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

<sup>15</sup> Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

<i>Is there a list of members' interests held?</i>	Yes	
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2019/20 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014
<i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>16</sup></i>	Yes	The Council has registered with the ICO as a data controller in accordance with legislation under reference <b>ZA514828</b> .
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Partly met	The Council has taken steps to ensure compliancy and published a privacy notice on their website. Comment: To be fully compliant Council may wish to adopt the following policies and publish them on their website: <ul style="list-style-type: none"> <li>• Impact assessments</li> <li>• Procedures for dealing with subject access and freedom of information requests</li> <li>• Procedures for dealing with data breaches</li> <li>• Data retention policies including disposal)</li> </ul>
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>17</sup></i>	No	Council is aware of its responsibilities under the Public Sector Bodies (Website and Mobile Applications) Accessibility

<sup>16</sup> Data Protection Act 2018

<sup>17</sup> Website Accessibility Regulations 2018

		Regulations 2018 and will ensure they publish a website accessibility statement on their website in this financial year.
<i>Is there evidence that electronic files are backed up?</i>	Yes	It is noted in the risk assessment documentation that files are backed up weekly.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The Council does not have any committees.
<b>Additional comments:</b>		

Signed: *Linda Harley*

Date of Internal Audit Visit: 21/4/21

Date of Internal Audit Report: 22/4/21

On behalf of Suffolk Association of Local Councils