

Internal Audit Report for Theberton and Eastbridge parish Council, Suffolk for the period ending 31 March 2023

Clerk	Sharon Smith
RFO (if different)	As Above
Chairperson	Stephen Brett
Precept	£ 7,688.53
Income	£ 9,837.01
Expenditure	£ 9,176.17
General reserves	£ 10,808.07
Earmarked reserves	£14,700.22
Audit type	Annual
Auditor name	Karen Price

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		Internal auditor commentary
Is the ledger maintained and up to date?	YES	The council uses excel spreadsheets for the basis of their accountancy systems. Clear financial records are provided qtrly and are accurately recorded.
Is the cash book up to date and regularly verified?	YES	There is good evidence to support the councils’ underlying statements. The accounts are reconciled to bank statements and give clear evidence and show good internal control.
Is the arithmetic correct?	YES	The accounts were spot checked and found to be in order and correct
Additional comments: Identifying within the minutes the spending power used for each item evidencing that the council is operating within its financial regulations.		

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		Internal auditor commentary
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Standing orders are reviewed annually and were reviewed at the meeting on 8 th February 2023 within the financial year.
Are Financial Regulations up to date and reviewed annually?	Yes	Standing orders are reviewed annually and were reviewed at the meeting on 8 th February 2023 within the financial year.
Has the Council properly tailored the Financial Regulations?	Yes	The Financial regulations have been tailored to the parish council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	The Councils financial regulations state that the Clerk is the RFO.
Additional comments:		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
<p>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.</p>		
Evidence		Internal auditor commentary
Is there supporting paperwork for payments with appropriate authorisation?	Yes	A cross section of expenditure items have been checked against the cash book, invoices and statements. A list of payments is presented for formal approval, these are recorded within the minutes, demonstrating good practice.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Payments are clearly identified within the minutes with approval from the council.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is clearly identified, the yearend total of £415.84 is noted and a claim was made for £423.72 for the period 01/01/22 – 31/12/22 – received on 10 th February 2023.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	The Council has not adopted the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	There are 2 payments made under S137 totalling £97.96. These are recorded within the minutes and are within the statutory limits of the S137 allocations.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council has no loans
Additional comments:		

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.

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
Is there evidence of risk assessment documentation?	Yes	The risk assessment documentation was reviewed at the full council meeting of 14 th December 2022.
Is there evidence that risks are being identified and managed?	Yes	The council have taken steps to identify, assess and record any risks associated with council business that could have financial or reputational consequences.
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?	Yes	Council has insurance in place under a parish Protect Policy which shows core cover in place. The level of fidelity guarantee was raised as a recommendation at the previous audit to be in need of review and the level to be increased. At a meeting of the council on 4 th August 2022 it was agreed for the Clerk to increase the cover from £25k to £50k.
Evidence that internal controls are documented and regularly reviewed ⁴	Yes	At the full council meeting of 8 th March 2023 it was evidenced that the council reviewed the internal control check.
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 appointment ⁵	Yes	At the full council meeting of 8 th March 2023 it was evidenced that the council reviewed the effectiveness of internal audit and that the Council has followed guidance and recognises the function of the internal audit to test and report if the system of internal control is adequate.
Additional comments:		

⁴ Accounts and Audit Regulations

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
Verify that budget has been properly prepared and agreed	Yes	The budget and precept was agreed and set at the meeting of full council on 12 th January 2022. A 0% change to the parish precept for 2022-2023 was set at £7,688.53.
Verify that the precept amount has been agreed in full Council and clearly minuted	Yes	The precept was set at £7,688.53 at the meeting of full council on 12 th January 2022. Evidence of submission was viewed by the internal auditor.
Regular reporting of expenditure and variances from budget	Yes	Expenditure v budget reporting is completed quarterly and reported and documented within the minutes to full council.
Reserves held – general and earmarked ⁶	Yes	The accounts show general reserves are £10,656.92 with Earmarked reserves at £14,020.93
Additional comments: It was noted by the auditor that although the precept for this accounting year does not show the impact on a band D property in accordance with best practice this has been rectified for the precept setting for the financial year 23/24 so is compliant with best practice moving forward.		

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
Is income properly recorded and promptly banked?	Yes	Income is recorded in accordance with the financial regulations. A sample of income items were cross checked against the cash book and bank statements – Found to be in order. Income is reported and recorded within the minutes. The bank statement and minutes evidence the receipt of the precept of £7,688.53 as per the council tax authority notification. A CIL report is identified on the parish council website, however the report was not accessible. The report for the previous year was available. And the report for 22-23 needs to be uploaded once it is available. There were 2 receipts of CIL money identified within the cash book- A total of £1,279.67.
Is income reported to full council?	Yes	
Does the precept recorded agree to the Council Tax Authority's notification?	Yes	
If appropriate, are CIL reporting schedules in accordance with the Regulations? ⁷	Yes	
Is CIL income reported to the council?	Yes	
Does unspent CIL income form part of earmarked reserves?	Yes	
Has an annual report been produced?	No	
Has it been published on the authority's website?	No	
Additional comments:		

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
Is petty cash in operation?	N/A	Not petty cash system in place
If appropriate, is there an adequate control system in place?	N/A	
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	The council has 1 employee on payroll at the period end of 31 st March 2023. Employment contracts were not reviewed during the internal audit which was carried out remotely. The minutes from January 2022, item 9b, show the Council agreeing to increase the Clerks salary rate to SCP 15 and minutes from August 2022, item 4b, show the Council agreeing to increase Clerks salary rate to SCP 24 which are both in line with SALC / NALC recommended salary guidelines and greater than minimum wage rates.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	No	
<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	The payroll function is operated in accordance with HMRC guidelines
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	The payroll function is operated in accordance with HMRC guidelines
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>		Council recorded compliance with the Pension Regulator at a meeting in March 2020. They should ensure they are still compliant and when recruiting the replacement Clerk to ensure this is still the case.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	These are approved as they arise as part of the monthly expenditure report.
Additional comments: The payroll arrangements in place ensure accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the council has complied with its duties under legislation.		

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	The declared assets at the annual review at the meeting of the council on 8 th March 2023 was £86,746.23 which shows an increase of £2,467.17 from the previous year. This is in accordance with the accounting statements submitted to the internal auditor.
<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>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The Asset register was reviewed and approved at the full council meeting of 8 th March 2023.
<i>Cross checking of insurance cover</i>	Yes	Council reviewed the adequacy of the insurance cover, including the Fidelity Guarantee, at its meetings on 08/06/22 and 10/08/22
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	Bank reconciliations are conducted at each full meetings and recorded within the minutes.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements and at yearend 31 st March 2023 balance across the council’s accounts stand at £23,305.86 as recorded in statement of accounts submitted for review.
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	The financial position of the council is reported at each meeting by the RFO and attached to the minutes and published online detailing bank balances, earmarked and reserved funds and all receipts and payments.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	The accounts are produced on receipts and payments basis.
<i>Financial trail from records to presented accounts</i>	Yes	Clear trail of financial records evidenced through budget, precept, invoices, authorisation payment and banking
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	As the council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed section 2 of part 2 of the AGAR.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	The council was not exempt from the annual review 2022/2023
<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	At the meeting of 8 th June 2022 it was agreed to set the period for the exercise of public rights from 13 June to 22 July 2022 which included the mandatory first 10 working days of July.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The council has complied with the requirements of the regulations for smaller authorities with income and expenditure not exceeding £25,000 as the following were published on the public website operated by the council.
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	The Council noted the report from the Internal Auditor for the financial year 2021-2022 and accepted the recommendation to increase the Fidelity Guarantee insurance cover from £25,000 to £50,000 at the full council meeting on 10 th August 2022.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The Council noted the report from the Internal Auditor for the financial year 2021-2022 and accepted the recommendation to increase the Fidelity Guarantee insurance cover from £25,000 to £50,000 at the full council meeting on 10 th August 2022. Recommendation was given at the previous audit: In accordance with the Practitioners Guide the importance of smaller authorities using secure e-mail systems and gov.uk addresses, it is recommended every authority has its own e-mail addresses which is owned by the authority rather than relying on the use of personal e-mail addresses that can change regularly. This reduces the risk of correspondence going astray or being delayed. This was reviewed at the meeting of 10 th August 2022 and after due consideration, the Council considered the risk was minimal and the cost of approximately £66 per annum per email address was not justifiable.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The council confirmed the appointment of SALC as their auditor at the full meeting of the council on 14 th December 2022
Additional comments:		

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>	No	There is no external auditor report for the previous year as the council was exempt from audit .
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
Additional comments:		

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 Annual meeting was held on 11 th May 2022. The first item on the agenda was the election of the Chairman and the signing of the declaration of acceptance of office as specified in the councils' standing orders.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	The minutes are page numbered with councillors approving minutes as true and accurate records of the meetings held.
<i>Is there a list of members' interests held?</i>	Yes	A link is available on the parish council's website with evidence seen on the district council's website of the register of interests for current councillors.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	
<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 2022/2023 not later than 1 st July. <ul style="list-style-type: none"> • 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 • 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.

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

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	Yes	The Council is registered with the ICO as a data controller. Registration Certificate ZA180051 – Expiry date 4 th May 2023.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy and has shown good practice by ensuring that it has adopted a range of policies which were able to view on the website detailing the framework that the public can expect for the handling of requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	Yes the council has published a website accessibility statement.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Partly Met	The clerk of the council has an official email address, however contact details for councillors remain all personal accounts. Recommendation was given at the previous audit: In accordance with the Practitioners Guide the importance of smaller authorities using secure e-mail systems and gov.uk addresses, it is recommended every authority has its own e-mail addresses which is owned by the authority rather than relying on the use of personal e-mail addresses. This was reviewed at the meeting of 10 th August 2022 and after due consideration, the Council considered the risk was minimal and the cost of approximately £66 per annum per email address was not justifiable. However, it is recommended to look at this again and source an alternative cheaper option to achieve the recommendation.
<i>Is there evidence that electronic files are backed up?</i>	N/A	Unable to confirm due to virtual audit completed
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	Not viewed
Additional comments:		

Signed: **Karen Price**

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 30th April 2023

On behalf of Suffolk Association of Local Councils

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide