

**Internal Audit Report for Little Waldingfield**  
**for the audit year ended 31/3/2021**

Clerk	Claire Boyne (Locum Clerk)
RFO (if different)	
Chairperson	Chris White
Precept	£ 8,668.00
Income	£ 10,156.13
Expenditure	£ 10,272.55
General reserves	£ 11,306.22
Earmarked reserves	£ 12,027.41
Audit type	Annual
Auditor name	Linda Harley

## 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 up to date and regularly verified which 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	The Council reviewed their NALC Model Standing Orders from 2018 and this was noted in the minutes of 11/2/2021. Information relating to Financial Controls and Procurement (Item 18) is up to date.
Are Financial Regulations up to date and reviewed annually?	Yes	The Council reviewed their NALC Model Financial Regulations 2019 and this was noted in the minutes of 11/2/2021. Information relating to the thresholds for contracts (Item 11) is up to date. Reviewing Standing Orders and Financial Regulations during the year is included in the Internal Control Document.
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>	Yes	Council has confirmed in their minutes of 14/5/20 that the Parish Clerk will be the Financial Officer.
<b>Additional comments:</b>		

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

<b>Section 3 – Payment controls</b>		
<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>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	<p>A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each full council meeting a list of payments is presented to ensure formal approval of expenditure and this is correctly minuted. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment.</p> <p>Payment authorisation schedules are completed and signed by 2 members. These also include the powers to pay.</p> <p>The Council shows good practice and follows guidance in their Internal Control Document, stating that the summary of payments is presented at each meeting with invoices and details are noted in the minutes.</p>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	<p>Internet banking transactions are properly recorded and approved by full Council.</p> <p>It is noted in the minutes of 14/5/20 that the Council approved the adoption of on-line payments.</p>
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<p>Vat is identified in the cash book and the claim for the period under review in the sum of £1,032.12 is dated 31/3/2021.</p> <p>The Internal Control Document includes an item on VAT being correctly accounted for during the audit year.</p>

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	No	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?	Yes	Payments for the year under review total £17 and are in accordance with statutory limits. Council shows good practice by listed payments made under S137 in a separate column in their cashbook/payments and budget spreadsheet.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council does not have any Public Works Loans.
<b>Additional comments:</b>		

<p><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.</p>		
<b>Evidence</b>		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	This was considered and reviewed for the period under review at the meeting of the council on 11/2/2021 and covers in general terms the matters which could prevent a smaller relevant body from functioning.

<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.

		<p>The Council has continued to ensure that effective and efficient financial administration is in place.</p> <p>The Council shows very good practice with a wide range of formal policies, procedures and protocols being adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control.</p>
<i>Is there evidence that risks are being identified and managed?</i>	Yes	<p>Examples of risks identified include the condition of trees, wall and headstones in the closed churchyard and risk assessment details for the annual litter pick. The review of risk assessments is included in the internal control document. The Council shows good practice by minuting items arising from the risk assessment inspections.</p>
<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	<p>General insurance from RSA for the period under review shows assets covered under an 'all risks' policy. Both Public Liability and Employers Liability are covered for £10 million. Fidelity Guarantee Cover is £50,000, which given the current balances held by the Council is within recommended guidelines.</p>
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	Yes	<p>As approved at a meeting of full council on 11/3/2021 it was evidenced that the Council has a comprehensive financial risk assessment that demonstrates public finances are adequately protected and managed and evidence that any necessary steps have been taken to mitigate any risks identified. Documentation to support control procedures adopted by the Council for payments helps protect the RFO and fulfils an internal control objective.</p>
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year<sup>5</sup></i>	Yes	<p>It is noted in the Council's Internal Control Document that the Council will carry out a review of the effectiveness of the system of internal control.</p>

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

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

		Comment: Council may wish to note in their minutes that a review of the effectiveness of internal audit has been carried out during the audit year.
<b>Additional comments:</b>		

<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 £8,668 was approved by full Council at a meeting on 9/1/2020.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £8,668 and formally approved at a meeting of 9/1/2020.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The minutes examined evidence comparisons between budgeted and actual income and expenditure is included within the documentation circulated to councillors and accords with the Council's own Standing Orders. Budget monitoring is included in the Internal Control Document. A summary of the year end budget is published on the website.

<i>Reserves held – general and earmarked<sup>6</sup></i>	Yes	The Council’s final accounts show general reserves in the sum of £11,306.22 with earmarked reserves in the sum of £12,027.41 with overall reserves standing at £23,333.63.
<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>		<b>Internal auditor commentary</b>
<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 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	It is noted in the Internal Control Document that the Receipts and Budget Report are presented on a quarterly basis with supporting documentation and this is noted in the minutes. Council shows good practice by minuting any receipts, including bank interest, at each meeting.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The precept recorded agrees with the notification from Babergh District Council of £8668. This is noted in the minutes of 9/7/20.

<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

<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	N/A	The Council did not receive any funds under the Community Infrastructure Levy.
<i>Is CIL income reported to the council?</i>	N/A	
<i>Does unspent CIL income form part of earmarked reserves?</i>	N/A	
<i>Has an annual report been produced?</i>	N/A	
<i>Has it been published on the authority's website?</i>	N/A	
<b>Additional comments:</b>		

<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>		<b>Internal auditor commentary</b>
<i>Is petty cash in operation?</i>	N/A	The Council does not have a system of petty cash.
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
<b>Additional comments:</b>		

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

<b>Section 8 – Payroll controls</b>		
<p>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.</p>		
<b>Evidence</b>		<b>Internal auditor commentary</b>
<i>Do all employees have contracts of employment?</i>	Yes	Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. In accordance with proper practices, the Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. Pay slips and P60 reviewed for S Ashton.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	Yes	
<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 HM Revenue and Customs guidelines by Ladywell Accountancy services. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	Yes	It is noted in the Council's Internal Control Document that the re-declaration of compliance under the Pensions Act was completed on 30/4/20.

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

<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	Expenses payments are approved by full Council, which include full details of claims made and are supported by receipts.
<b>Additional comments:</b>		

<p><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.</p>		
<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	Declared value is £3,243 which agrees with box 9 of the AGAR. 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.
<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	The asset register is dated 31/3/21. It was noted in the minutes of 9/7/20 that the asset register was reviewed and approved by members.

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

<i>Cross checking of insurance cover</i>	Yes	The insurance cover was reviewed against the asset register, at the Council meeting of 10/9/20. Adequacy of insurance cover is also included in the internal control document.
<b>Additional comments:</b>		

<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>		<b>Internal auditor commentary</b>
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is correctly verified by the Council and noted in the minutes. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective. Regular bank reconciliations are included in the Internal Control Document.
<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 : Lloyds Bank Treasurers Account £20,809.34 Lloyds Bank Business Instant Savings Account £2,524.29

<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are noted in the minutes of each meeting.
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<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	The Council uses the receipts and payments method of accounting.
<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 correctly completed Sections 1 and 2 of Part 2 of the AGAR and the Exemption Certificate.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	The Council has correctly declared itself exempt from a Limited Assurance Review and this has been noted in the minutes of 11/3/21.
<i>During the period in question did the small authority demonstrate that it correctly provided for the</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.

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

<i>exercise of public right as required by the Accounts and Audit Regulations 2015?</i>		
<i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i>	Yes	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 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015
<b><i>Additional comments:</i></b>		

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

<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 Internal Auditor’s Report for the year ending 31/3/2021 has been considered and reviewed by the Council at their meeting on 9/7/2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	It was minuted on 9/7/20 that an Internal Audit action plan had been prepared.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed as the internal auditor for the 2020/21 audit year and this was noted in the minutes of 11/2/21.
<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?<sup>12</sup></i>	N/A	The Council has correctly declared itself exempt from the Limited Assurance Review.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
<b>Additional comments:</b>		

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<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.*

<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>f14</sup>	No	The Council held their May Council Meeting on 14/5/20. A Chair was not elected. Comment: For the period in question, as a result of the COVID-19 pandemic the Council chose not to hold an Annual Meeting of the Parish Council.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>15</sup>	N/A	The auditor was unable to confirm this as a ‘virtual’ audit was undertaken.
<i>Is there a list of members’ interests held?</i>	Yes	A link to the Register of Interests on the District Council’s website is published.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	The Council does not have trustee responsibilities.
<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 2020/21 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

<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

		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. It was noted in the minutes of 9/7/20 that a list of members responsibilities had been approved.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>16</sup></i>	Yes	The Council has registered as a data controller with the Information Commissioners Officer under reference ZA124645.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council is compliant with the General Data Protection Regulation requirements. It is noted in the Internal Control Document that an impact assessment audit will be carried out for any new policies which have potential GDPR implications.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>17</sup></i>	Yes	The Council has complied with The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 and published a website accessibility statement.
<i>Is there evidence that electronic files are backed up?</i>	No	There is no evidence in the risk assessment documentation that electronic files are backed up.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	The Council has 1 committee, the Neighbourhood Plan Steering Committee which has terms of reference.
<b>Additional comments:</b>		

Signed: *Linda Harley*

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 24/5/21

On behalf of Suffolk Association of Local Councils

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

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