

Internal Audit Report for Cookley and Walpole
for the audit year ending 31/3/2021

Clerk	Paul D Widdowson
RFO (if different)	
Chairperson	R Chase
Precept	£ 10,000.00
Income	£ 10,694.31
Expenditure	£ 8,443.12
General reserves	£ 5,675.91
Earmarked reserves	£ 4,100.00
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

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 a spread sheet 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 to 31/3/2021.
<i>Is the arithmetic correct?</i>	Yes	Arithmetic is correct.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
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.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Council reviewed their adopted NALC Model Standing Orders 2018 and this was noted in the minutes on 19/5/20. Amendments were made to the thresholds relating to public contracts and this was noted in the minutes of 20/10/20.
Are Financial Regulations up to date and reviewed annually?	Yes	Council reviewed their NALC model Financial Regulations 2019 and this was noted in the minutes of 19/5/20. Amendments to the thresholds for contracts were updated and this was noted in the minutes of 15/9/20.
Has the Council properly tailored the Financial Regulations?	Yes	The financial regulations are tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	The Council appointed the Responsible Financial Officer and this was noted in the minutes of 19/5/20.
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		<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>Council shows very good practice by noting the legal power to pay in the cashbook for each payment. Payment controls are included within the Council's Internal Control Document.</p> <p>Comment: The power to pay for General insurance is the Local Government Act 1972 s.111.</p>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	<p>Following the introduction of internet banking in 2021 the Council has shown good practice - payments are checked by two councillors against invoices and online authorisation is then completed demonstrating the council is working in line with its own Financial Regulations. Systems to protect internet transactions are also noted in the risk assessment documentation.</p>
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<p>Identified in the cash book and the claim for the period under review in the sum of £193.68 is due to be made.</p>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	<p>The Council has not adopted the General Power of Competence.</p>

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	Payments for the year under review total £942.50 and are in accordance with statutory limits. The Council shows good practice by recording these payments as a separate column in their cashbook and noting the payments in the minutes of 4/6/20.
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 loans.
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	This was considered and reviewed for the period under review at the meeting of the council on 16/3/21 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 continued to ensure that effective and efficient financial administration is in place. A wide range of formal policies, procedures and protocols have been adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control. E.g. Authorisation of internet payments.

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 £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

<p><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></p>	<p>Yes</p>	<p>General insurance from RSA for the period under review shows assets are covered under an ‘all risks’ policy. Both Public and Employers Liability are covered for up to £10 million. Fidelity Guarantee cover is £25,000 which given the current balances held by the Council is within the recommended guidelines. The insurance policy was reviewed by the Council and this was noted in the minutes of 15/9/20.</p>
<p><i>Evidence that internal controls are documented and regularly reviewed⁴</i></p>	<p>Yes</p>	<p>The Internal Control Statement was reviewed by the Council and this is noted monthly in the minutes. A report was completed for the control test statements which was reviewed by Council.</p>
<p><i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i></p>	<p>Yes</p>	<p>The effectiveness of internal audit is reviewed with the Internal Control Document. Comment: Council may wish to note that this has been actioned in the minutes.</p>
<p>Additional comments:</p>		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability 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	The budget for the year 2020/2021 in the sum of £10,000 was approved by full Council at a meeting on 19/11/2020.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £10,000 and formally approved at the meeting on 19/11/2020.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The Council shows good practice by publishing monthly budget monitoring reports on the website.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council’s final accounts show general reserves in the sum of £5,675.91 with earmarked reserves in the sum of £4,100 with overall reserves standing at £9,775.91. Comment: the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure. At the current level, council’s general reserves are considered to be within this level. The Council shows good practice by considering their reserve balances annually, under their risk assessment documentation.
Additional comments:		

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	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	In accordance with Standing Orders, income is reported to full Council.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The precept recorded of £10,000 agrees to East Suffolk Council's notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	Council has not received funds from 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	
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
<i>Is petty cash in operation?</i>	<i>No</i>	A system of petty cash is not in operation.
<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 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 st April 2011, 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.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	<i>N/A</i>	The Council had 1 employee during the period under review. Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. The Internal Auditor might want to add a comment that in accordance with proper practices, the Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. Auditor had sight of P60 for Clerk.
<i>Has the Council approved salary paid?</i>	<i>Yes</i>	
<i>Minimum wage paid?</i>	<i>Yes</i>	
<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>	<i>Yes</i>	The payroll function (through Ladywell Accountancy Service) is operated in accordance with HM Revenue and Customs guidelines. 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>	<i>Yes</i>	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?⁸</i>	<i>Yes</i>	Cookley And Walpole Parish Council has completed a re-declaration of compliance with The Pensions Regulator under the Pensions Act 2008 in 2019, with no staff being enrolled onto the pension scheme.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	<i>Yes</i>	Details are provided for expenses claims which are approved by full Council.
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	Declared value is £12,342 which agrees with box 9 of the AGAR Part 2. 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 assets register was reviewed and this was noted in the minutes of 4/5/20 and 16/3/21. Council shows good practice by noting in their risk assessment documentation the annual update to the insurance policy (including adequacy) and the asset register.
<i>Cross checking of insurance cover</i>	Yes	Cross checking of insurance cover is noted in the minutes of 15/9/20.
Additional comments:		

⁹ Governance and Accountability for Smaller Authorities in England – March 2019

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	A number of samples were tested. There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is correctly verified by the Council. 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	As at the financial year end 31/3/21 the Council held the following balances in their bank accounts: Barclays Business Account : £8,853.22 Barclays Business Premium Account: £1,101.69
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	The bank balances are reported at each meeting and noted in the minutes.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	Yes	The Council uses the receipts and payments accounting method.
Financial trail from records to presented accounts	Yes	A sample financial trail from records to present accounts was verified.
Has the appropriate end of year AGAR ¹⁰ documents been completed?	Yes	The Council is a smaller authority with gross income and expenditure under £25,000, it has correctly completed Sections 1 and 2 of Part 2 of the AGAR. An explanation of variances has been provided.
Did the Council meet the exemption criteria and correctly declared itself exempt?	Yes	The Council met the exemption criteria as the higher of gross income or expenditure did not exceed £25,000.00 and correctly declared themselves exempt from a limited assurance review. This was agreed by full Council at the meeting of 19/5/20.
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?	Yes	The Council provided for the exercise of public rights as required by the Accounts and Audit Regulation 2015 from 31 st August 2020 to 9 th October 2020.
Have the publication requirements been met in accordance with the Regulations? ¹¹	Yes	<p>Publication Requirements 2019/20</p> <p>Under the Accounts and Audit Regulations 2015, authorities must publish the following information on a publicly accessible website:</p> <p>Before 1 July 2020 authorities must publish:</p> <p>Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;</p> <p>Section 1 - Annual Governance Statement 2019/20, approved and signed, page 4</p> <p>Section 2 - Accounting Statements 2019/20, approved and signed, page 5</p>

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

		<p>Not later than 30 September 2020 authorities must publish: It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.</p> <p>The council have clearly published the required information on their website.</p>
<p><i>Additional comments:</i></p>		

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 previous internal audit report been considered by the Council?</i>	Yes	The internal audit report for 2020/21 was considered by the Council on 21/7/20.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	N/A	No recommendations were made in the internal audit for the previous year.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed as the internal auditor and this was noted in the minutes of 19/5/20.
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 taken into account.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?¹²</i>	N/A	In the audit year 2019-2020 the Council correctly declared itself exempt from an external 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 (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.*

Section 14 – additional information		
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.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> ¹⁴	Yes	The Annual Meeting of the Parish Council was held on 19/5/20 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> ¹⁵	N/A	Unable to check during this ‘virtual’ audit.
<i>Is there a list of members’ interests held?</i>	Yes	Council includes in their risk assessments that members interests are documented.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	N/A	The Council does not have any trustee responsibilities.
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	In line with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), the Council has shown good practice by publishing the following information on a public website for the year 2020/21: 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

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

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

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

		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)?¹⁶</i>	<i>Yes</i>	The Council has correctly registered with the ICO as a data controller under reference ZA198823.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	<i>Yes</i>	The Council has a suite of policies relating to the protection of data including: Impact assessment, Data Protection and Information Management, Privacy Statement, Procedures for dealing with Data Breaches and Subject Access Requests and a Data Consent form.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	<i>Partly met</i>	In accordance with The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 the Council have produced an accessibility statement. Comment: Council may wish to publish the Accessibility Statement on their website.
<i>Is there evidence that electronic files are backed up?</i>	<i>No</i>	There is no evidence in the Council’s 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>	<i>N/A</i>	The Council do not have any committees.
Additional comments:		

Signed: *Linda Harley*

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 23/6/21

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018