

Internal Audit Report for Middleton cum Fordley for the period ending 31 March 2023

Clerk	Sharon Smith (Until January 2023)
RFO (if different)	Sharon Smith (Until completion of audit 2023)
Chairperson	Cllr Julian Cusack
Precept	£8,270.22
Income	£11,423 (rounded)
Expenditure	£ 7,533 (rounded)
General reserves	£6,868.65
Earmarked reserves	£6,147.82
Audit type	Annual
Auditor name	Sandra Brown

Introduction

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

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

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

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

Methodology

When conducting the audit, the internal auditor may:

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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The Council uses 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	This 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.
Additional comments: <i>The minutes clearly identify the power used for each payment which shows good practice.</i>		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council conducted its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	<i>At the meeting on 14 February 2023 the Council carried out an annual review of its Standing Orders. Use of the Model Standing Orders (produced by NALC in 2018) Council may wish to update the thresholds under section 18 Financial Controls & Procurement c, f & g respectively at their next review.</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>At the meeting on 14 February 2023 the Council carried out an annual review of its Financial Regulations. Use of the Model NALC Financial Regulations. It is noted the footnote thresholds on item 10 Contracts have been updated which shows good practice.</i>
Has the Council properly tailored the Financial Regulations?	Yes	<i>Financial Regulations have been tailored to the Council.</i>
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	<i>In accordance with legislation, it was confirmed at a meeting of Council on 14 February 2023 Sharon Smith is appointed as RFO until the completion of internal audit year end 2023.</i>
Additional comments:		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	<i>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 straightforward and clear audit trail for each payment.</i>
Where applicable, are internet banking transactions properly recorded and approved?	<i>Partly Met</i>	<i>A schedule of both due and retrospective regular payments is submitted to the Council for approval at each meeting. Payments are checked by one authorised signatory in line with Council’s risk assessment and internal controls.</i> Recommend: Councils Financial Regulations are updated to reflect the internet banking procedure used by Council of one authorised signatory and evidence is retained and provided showing which authorised member approved the transaction. A minute reference is made that the bank statement has been reviewed at each meeting in line with Council’s own risk assessment.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	<i>Identified in the cash book and a claim for the period under review in the sum of £334.05 being made for the period 1.1.22 - 31.1.23</i>

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	<i>The Council has not adopted the General Power of Competence.</i>
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	<i>Payments for the year under review total £634.87 and are in accordance with statutory limits.</i>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	<i>The Council does not operate any Public Works Loan in the year under review.</i>
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 for the period under review at the meeting of the council on 13 December 2022 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 risk assessment plan covers financial risk including payments made online as well as governance risks to the Council.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability</i>	Yes	<i>General insurance from Ansvar for the period under review shows core cover:</i>

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.

<p><i>and fidelity guarantee and has been reviewed on an annual basis?</i></p>		<p><i>Public Liability £10m Employers Liability £10m Fidelity Guarantee £25,000 which given the current balances held by the Council is within the recommended guidelines of year-end balance plus 1st instalment of precept received. The insurance cover was renewed at a Council meeting on 11 October 2022 and there is a minute to show the cover was reviewed and considered appropriate. It is noted by the internal auditor play equipment owned by the council is insured separately through Business Services at CAS and maintained by The Middleton Recreation Ground Trust with monthly inspections carried out by Eastern Play Services Ltd and an annual safety RII inspection carried out in September 2022.</i></p>
<p><i>Evidence that internal controls are documented and regularly reviewed⁴</i></p>	<p>Yes</p>	<p><i>At a meeting of 14 March 2023 Council reviewed its Internal Control Check. 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. In accordance with the Accounts and Audit Regulations 2015 the Council has understood the requirements to have in place safe and efficient arrangements to safeguard public money.</i></p>
<p><i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment⁵</i></p>	<p>Yes</p>	<p><i>The effectiveness of internal audit was discussed by Council within the internal control statement submitted and approved at a meeting of Council on 14 March 2023.</i></p>

⁴ Accounts and Audit Regulations

⁵ Practitioners Guide

Additional comments:

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 2022/23 was approved by Council at a meeting of 14 December 2021.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £8,270.22 and formally approved at a meeting of 14 December 2021 with a clear reference being included within the minutes which shows good practice.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Comparisons between budgeted and actual income and expenditure accords with the Council’s own Standing Orders with quarterly reports being generated.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Councils final accounts show general reserves in the sum of £6,868.65 with earmarked reserves in the sum of £6,147.82 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 3- & 12-months net revenue expenditure. At the current level, Councils general reserves are considered to be within this level.
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 were cross-checked against the cash book and bank statement and found to be in order.
<i>Is income reported to full council?</i>	Yes	In accordance with the Council's Standing Orders.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The Council received precept of £8,270.22 during the year under review in April 2022 and is evidenced in Councils bank statement.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	CIL funds received for the year under review show receipts totalling £1,291.60 received in April and October 2022 as reported to Council. In accordance with the Regulations the Council have received a proportion of CIL funds and ensure that retained balances are transferred to the earmarked reserves specifically allocated. The Council 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 March 2023 showing income received and retained balances was verified by the internal auditor and has been uploaded 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	
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>	N/A	Petty cash not in operation.
<i>If appropriate, is there an adequate control system in place?</i>	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 had one employee during the period under review. It was noted by the internal auditor a minute reference made at a meeting of 13 December of the resignation of the clerk. The minutes of 14 February 2023 confirmed the Clerk would continue only as the RFO until the end of the financial year and prepare the paperwork for the audit. A locum clerk was employed for the February and March 2023 meetings. It was assumed the employee had an employment contract as this was not reviewed during the internal audit.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</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>	Yes	The payroll function 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 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 are calculated and recorded for the 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>	Yes	It is noted that the internal audit report for the previous year mentioned that Council is aware of its pension responsibilities with Council recording compliance with the Pension Regulator at a meeting held on 10 March 2020. Council should note that every three years when they complete their re-enrolment duties, they will also need to submit a re-declaration of compliance to tell the Pension Regulator what it has done at re-enrolment.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	<i>Any additional costs and expenses are approved by Council.</i>

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

Additional comments:

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 £58,372.73 with no movement shown in the year under review.
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	Yes	The asset register lists items under insurance that fall within the Councils 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 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 by Council at its meeting on 14 March 2023.
<i>Cross checking of insurance cover</i>	Yes	Insurance cover for the pavilion and play equipment is provided separately through Business Services at CAS confirmed at their meeting on 4 October 2022.
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	There is evidence of good financial practice, and the Council has implemented a system whereby bank reconciliation is correctly presented to Council on a quarterly basis as well as year-end. Recommend: Council to ensure the quarterly bank reconciliations are signed by a non-signatory and a minute reference made as per Council's own risk assessment.
<i>Do bank balances agree with bank statements?</i>	Yes	<i>Bank balances agree with period end statements and, as at year end (31 March) for the period under review the balance across the Council's accounts stood at £13,016.47</i>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial reports are submitted to Council including a quarterly summary of income and expenditure in accordance with the Council's own Standing Orders. The Council is aware that in accordance with proper practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows and therefore aids decision-making.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on an income and expenditure basis and all 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 audit review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	The Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Form 2 of the AGAR
<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 10 May 2022.
<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 of 13 June to 22 July 2022 for the period under review on the public website used by the Council.
<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 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Certificate of Exemption Annual Internal Audit Report of the AGAR Analysis of variance Bank reconciliation

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Additional comments:

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 internal auditors report for the year ending 31 March 2022 has been considered and reviewed by the Council at their meeting on 12 July 2022
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The following recommendation was considered at a Council meeting on 12 July 2022: Official email for members of the Council – Council agreed not to proceed
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed to act as the Council’s internal auditor at a meeting of the Council on 13 December 2022 for the period under review.
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>	N/A	
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
<i>Additional comments:</i>		

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

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	Yes	The Annual Meeting of the Parish Council was held on 10 May 2022 and the first item on the agenda was the election of the Chair.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	Council uses a page numbering system for each year with Council approving the minutes as a true record at each meeting.
<i>Is there a list of members' interests held?</i>	Yes	A link is provided on the Parish Council website to the Councillors Register of Interests held on the East Suffolk District Council website.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	Yes	The Parish Council act as sole trustees of The Middleton Recreation Ground Trust.
<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 2022/23 not later than 1 July: Internal Audit Report List of Councillors 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.

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 correctly registered with the ICO as a data controller in accordance with legislation ZA128603 expiry 19 July 2023
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy – evidenced as follows: Personal Data Audit Privacy policy Information Protection policy Document Retention Policy Subject Access Request Policy & Procedure Recommend: Council may wish to add a Data Breach Policy to their suite of Policies
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	Council has published a Website Accessibility Statement on their website.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	Council has an official email address used by the Clerk to the Council.
<i>Is there evidence that electronic files are backed up?</i>	N/A	It is assumed all electronic files are backed up but unable to confirm.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	Finance Advisory Group terms of reference not provided.
Additional comments:		

Signed: S.J Brown

Date of internal Audit Report: 19th April 2023
 Councils

On behalf of Suffolk Association of Local

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide