

Internal Audit Report for Carlton Colville Town Council for the year ending 31st March 2021

Clerk	Alison Ayers
RFO (if different)	
Chairperson	Julie Hall
Precept	£ 57,622.07
Income	£ 66,555.90
Expenditure	£ 42,835.92
General reserves	£50,000
Earmarked reserves	£104,934.00
Audit type	Annual
Auditor name	Julie Lawes

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 Scribe to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports detailing receipts and payments and ensures that the financial transactions of the town council are accurately recorded.
<i>Is the cash book up to date and regularly verified?</i>	YES	The cash book provides good evidence to support the councils underlying statements. Monthly reports are generated and circulated to councillors detailing expenditure and income at each full council meeting.
<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:		

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	At a meeting on 1 st July 2020 the council carried out an annual review of its Standing Orders, these are available to view on the councils website and are based on the Model Standing Orders produced by NALC IN 2018 which take into account changes in legislation from those produced in 2013.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a council meeting held 7 th October 2020. These are available to view on the council's website and are based on the NALC Model Financial Regulations 2019. Comment: The Financial Regulations provided on the website detail the document as being adopted by the council at its meeting held 4 th September 2019 and require updating to show the most recent annual review.
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)? ¹	YES	At a council meeting held 1 st July 2020 in accordance with Section 151 of the Local Government Act 1972 (D) (Financial Administration), the council appointed the clerk as the Responsible Financial Officer in accordance with the councils adopted Financial Regulations (1.8).
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	A selection of expenditure items was made, and cross checked against the cash book, invoices and bank statements. Prior to each full council meeting a list of payments is presented to councillors 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.
Where applicable, are internet banking transactions properly recorded and approved?	YES	There is clear evidence of good practice – payments are checked by two councillors against invoices and identified if online payments or cheque payment and authorisation is then completed demonstrating the council is working in line with its own Financial Regulations. A schedule of both due and retrospective regular payments is submitted to the council for approval at each meeting. This is also published on the council's website.
Is VAT correctly identified, recorded and claimed within time limits?	YES	The claim for the period under review in the sum of £2,084.39 was made to HM Revenue & Customs. The figure reclaimed in the statement of accounts was £1,641.63. A final payment was yet to be received of £931.45 which was claimed on 31 st March 2021.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	YES	The council has confirmed eligibility criteria to enable it to exercise the General Power of Competency and has adopted the same at its meeting on 8 th May 2019.

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	YES	One S137 payment identified for the year under review in October 2020 in accordance with statutory limits. Comment: The value of the donation made to the Royal British Legion Poppy Appeal was not identified within the minutes.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The council has no such loans
Additional comments: Details of individual payments made each month are circulated to councillors prior to the meeting, however these are not provided within the minutes with only total amounts being stated. For transparency and providing a clear audit trail of each payment approval these should be included or attached to the minutes. The council clearly understands s137 and uses the power appropriately.		

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 6 th January 2021 and covers in general terms the matters which would prevent a smaller relevant body from functioning. The document details high, medium and low risks to the council and shows clear and concise consideration has been taken to enable good decision making.
<i>Is there evidence that risks are being identified and managed?</i>	YES	There is evidence that the council has taken action to identify and assess financial risks and has considered what actions or decisions it needs to take during the year in order to avoid financial consequences.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability</i>	YES	Council has insurance in place under a Parish Protect Policy with Community Action Suffolk which shows core cover of the following: Public

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.

<i>and fidelity guarantee and has been reviewed on an annual basis?</i>		Liability £10m; Public / Products Liability £10m; Business Interruption £20k and Fidelity Guarantee £250k. The level of Fidelity Guarantee meets recommended guidelines which advises that cover should be at least the sum of the year-end balances plus 50% of the precept / grants.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	At a full council meeting on 3 rd June 2020 it was evidenced that the council reviewed and agreed the Statement of Internal Control in accordance with the Accounts and Audit Regulations 2015. This clearly demonstrates public finances are adequately protected and managed and evidence 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.
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	YES	The effectiveness of internal audit was covered by full council within the internal control statements submitted and approved at a meeting on 3 rd June 2020. By reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the function of the internal audit is to test and report to the authority on whether its system of internal control is adequate.
<p>Additional comments: In accordance with proper practices the council has demonstrated it has taken steps to manage key risks in a way it can justify to a level which is tolerable by transferring the risks and taking out insurance, and that the review of insurance cover has been reported back to full council and duly minuted at a meeting held 7th October 2020.</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 £50,975 was approved by full council at a meeting on 4 th December 2019 following a meeting of the Finance and Personnel Committee on the 18 th November.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £57,622 and formally approved at a meeting of full council on 4 th December 2019 detailing a 5% increase on the previous year.
<i>Regular reporting of expenditure and variances from budget</i>	YES	In accordance with the Internal Control statement and the councils own Standing Orders the council receives a monthly updated expenditure report alongside bank statements detailing spend versus budget.
<i>Reserves held – general and earmarked⁶</i>	YES	The councils final accounts show general reserves in the sum of £50,000 with earmarked reserves in the sum of £104,934. Proper practice states that it is regarded as acceptable for a councils general (non-earmarked revenue) reserves to be equal to 3 to 12 months of net revenue expenditure. There is no upper limit for earmarked reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually). This was reviewed by full council at a meeting held on 4 th December 2019 for the 2020/2021 financial year. Comment: Council should note guidance as issued under the Practitioners Guide which states that an authority needs to have regards to the need to put in place a General Reserve Policy and review the level and purpose of all general and earmarked reserves at least annually.

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

Additional comments:

Budget: The council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year, namely:

- Decide the form and level of detail in the budget
- Review the current year budget and spending
- Assess levels of income
- Provide for contingencies and consider needs of reserves
- Approve the budget
- Confirm the precept or rates and special levies and
- Review progress against the budget regularly throughout the year

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	Several items 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 properly accounted for.
<i>Is income reported to full council?</i>	YES	Income received is reported to full council within the monthly financial reports and itemised within the minutes.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	YES	The council received a precept of £57,622.07 during the year under review in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	YES	CIL funds for the year under review show no income received. In accordance with the Regulations the proportion of CIL funds received have been specifically allocated within the earmarked reserves. Council has complied 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 st March 2020 showing income received and retained balances was verified by the internal auditor and the council understands that it should comply with its duty to upload the annual report onto its website by 31 st December.
<i>Is CIL income reported to the council?</i>	N/A	
<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>	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>	N/A	
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
Additional comments:		

Section 8 – Payroll controls		
<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 1st 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>		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	N/A	Council had 1 employee on its payroll at the period end of 31 st March 2021. Employment contract was not reviewed during the internal audit, but evidence confirms salary payments are authorised by full council. The remuneration payable to the employee has been approved in advance by the council within the budget setting process.
<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 HM Revenue & 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>	YES	In accordance with proper practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded. Deductions are paid to HM Revenue and Customs.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	At a full council meeting held 4 th December 2019 it was agreed for the clerk to join the Local Government Pension Scheme with budget figures adapted to include these additional payments within the next financial year's budget for 2020/2021.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	YES	<i>Any additional costs / expenses incurred by the clerk are reported to full council.</i>
<p>Additional comments: Council should note the changes in the Practitioners Guide for 2020 on the treatment of what can be included as employment expenses within the Annual Governance and Accountability Guide 2020. If applicable, any working from home payments are not to be included within Staff Costs and should be allocated within All Other Payments on the AGAR.</p>		

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 Asset Register lists items under insurance that fall within the councils remit for maintenance and ownership. It is noted the declared value for all assets at year end (31 st March 2021) is £127,698.27 which shows a change in the register to cover the purchase of 2 x benches for Key Workers and VE Day at a value of £2,112.00.
<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>	NO	
<i>Is the asset register up to date and reviewed annually?</i>	YES	The Asset Register was reviewed, amended and signed off by the council at its meeting on 4 th November 2020 confirming it covers assets within the ownership or responsibility of the council.
<i>Cross checking of insurance cover</i>	YES	Contents other (other property) are generic under heading within the 'All Risks Category' and have been given a value in accordance with the policy held.
Additional comments: Council should be mindful of the guidance in Governance and Accountability for Smaller Authorities for England (March 2019) regarding valuation of assets and ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been applied consistently and if / where amended it will need to publish and provide explanations in changes in value to any previously recorded assets.		

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	Bank Reconciliations are completed on a regular basis and reconcile with the cash sheets. There are consistent monthly reports of bank balances within the detailed financial reports submitted to councillors for each meeting, however the Bank Reconciliation was only recorded on one set of minutes at the meeting held 6 th May 2020.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with the period end statements and, as at year end (31 st March) for the period under review the balance across the council's accounts stood at £208,723.06.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Financial reports are submitted to council monthly in the form of income and receipts and monthly bank statements. The council is aware that in accordance with proper practices, the bank reconciliation is a key tool or management as it assists with the regular monitoring of cash flows and therefore aids decision making. Comment: Whilst there is clear evidence to the internal auditor that regular bank reconciliations are being carried out, agreed and signed by either the Chair or Vice-Chair this should be recorded in the minutes to demonstrate the council is working in accordance with proper practices.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	Accounts are produced on a receipts and expenditure basis and all are found to be in order.
<i>Financial trail from records to presented accounts</i>	YES	The end of year accounts and supporting documentation were well presented for the internal auditor to review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	YES	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	YES	The internal auditor was able to find details of the arrangements for the Exercise of Public Rights for the period under review on the public website used by the council.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	YES	The council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with an income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 st March 2020 and published the following on their public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Section 3 – External Audit Report and Certificate (<i>Accounts and Audit Regulations 2015</i>)
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 previous internal audit report been considered by the Council?</i>	YES	The Internal Audit was discussed by full council at a meeting held 1 st July 2020 with recommendations and comments addressed and rectified accordingly.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	Appropriate action has been taken for the items raised in the previous internal audit.
<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 6 th January 2021 for the period under review.
Additional comments: The previous Internal Audit Report was reviewed, and action taken as necessary.		

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?</i> ¹²	YES	The Limited Assurance Review for the period ending 2019/2020 was presented to full council at its meeting on 7 th October 2020. No matters were raised by the external auditor PKF Littlejohn LLP.
<i>Has appropriate action been taken regarding the comments raised?</i>	YES	There were no matters arising which had come to the attention of the External Auditor giving cause for concern that relevant legislation and regulatory requirements had not been met.
Additional comments: There were no matters arising from the External Audit.		

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> ^{f14}	N/A	For the period in question, as a result of the COVID-19 pandemic the council chose not to hold an Annual Meeting of the Town Council.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	YES	Not seen as virtual audit. Full council minutes clearly document the approval of the previous months minutes and report paper copies delivered to the Chairperson prior to the meeting to allow for a wet signature following approval at the council meeting.
<i>Is there a list of members' interests held?</i>	YES	Evidence was seen on the East Suffolk website of the Register of Interests for current Town Councillors. Council is reminded that whilst the Monitoring Officer of the council must arrange for the Town Councils Register of Members Interests to be available for inspection on their website, where the Town Council has its own website, its Register of Members Interests must also be published on that website. (Openness and Transparency on personal interests – A guide for councillors – August 2012)
<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	Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015.

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

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	YES	The council is correctly registered with the IO as a Data Controller in accordance with legislation. Reference: ZA2515641 Expiry Date: 08 th June 2021
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	YES	The council has taken steps to ensure compliancy. Documents detailed on the council's website. These are reviewed and amended as necessary on an annual basis.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	YES	The council has published on its website a Website Accessibility Statement detailing that parts of the website do not meet the WCAG 2.1 success criterion. The website was last tested in August 2020 by Suffolk.Cloud.
<i>Is there evidence that electronic files are backed up?</i>	N/A	Not seen as virtual audit
<i>Additional comments:</i>		

Signed: J. Lawes

Date of Internal Audit Visit:

Date of Internal Audit Report: 27th April 2021

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018