

## Internal Audit Report for Holton St Mary

for the audit year ending 31/3/21

Clerk	Liz Simms
RFO (if different)	
Chairperson	Sally Thurlow
Precept	£ 8,175.00
Income	£ 9,993.57
Expenditure	£ 8,953.95
General reserves	£3,481.58
Earmarked reserves	£10,460.24 (including CIL £5,659.57)
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> <p>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.</p>		
<b>Evidence</b>		Internal auditor commentary
Is the ledger maintained and up to date?	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
Is the cash book up to date and regularly verified?	Yes	The cashbook is up to date and monthly bank reconciliations are carried out.
Is the arithmetic correct?	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>		
<b>Evidence</b>	Internal auditor commentary	
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	The Council adopted NALC Model Standing Orders 2018 on 9/9/20. Information relating to Financial Controls and Procurement is up to date. Standing Orders were reviewed at the Council meeting of 13/5/20 and this was noted in the minutes.
Are Financial Regulations up to date and reviewed annually?	Yes	The Council adopted Model Financial Regulations from NALC dated September 2019. Information relating to contract thresholds is up to date. Financial regulations were reviewed at the Council meeting of 13/5/20 and this was noted in the minutes.
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations are properly tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority and this is confirmed in the Council's Financial Regulations adopted 18/9/2019 that the Clerk is appointed as the RFO.
<b>Additional comments:</b>		

<sup>1</sup> 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	Internal auditor commentary
Is there supporting paperwork for payments with appropriate authorisation?	Yes  A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. The amounts of payments are noted in the minutes along with the 'power to pay'. All payments were also noted on the online payments authorisation form, with each payment being initialled by 2 members. Council has also noted the 'power to pay' in the minutes.
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 online 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.
Is VAT correctly identified, recorded and claimed within time limits?	Yes  The claim for the period under review in the sum of £123.06 is dated 1/4/2018 to 3/9/2020.
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 £25 and are in accordance with statutory limits. This was noted in the minutes of 11/11/2020.

<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.

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.
<b>Additional comments:</b>		

<b>Section 4 – Risk management</b>		
<b>Evidence</b>		<b>Internal auditor commentary</b>
Is there evidence of risk assessment documentation?	Yes	This was considered and reviewed for the period under review at the meeting of the council on 13/5/20 and covers in general terms the matters which could prevent a smaller relevant body from functioning. The Council has continued to ensure that effective and efficient financial administration is in place. A 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.
Is there evidence that risks are being identified and managed?	Yes	Council's risk assessment document includes checking of material assets along with financial management items.
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?	Yes	General insurance from Axa (Long term agreement which expires 30/9/2021) for the period under review shows core cover is held. Fidelity Guarantee cover is £150,000 which given the current balances held by the Council is within the recommended guidelines. Both Employers Liability and Public Liability is covered for £10 million. The council noted in their minutes of 13/5/20 the review of their insurance policy and that they are appropriately insured.

Evidence that internal controls are documented and regularly reviewed <sup>4</sup>	Yes	<p>It was noted in the minutes of 13/5/20 that control checks were reviewed and approved and 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>
Evidence that a review of the effectiveness of internal audit has been carried out during the year <sup>5</sup>	No	<p>There was no evidence that a review of the effectiveness of internal audit had been carried out during the audit year.</p> <p>Comment: by reviewing the terms of reference for internal audit, Council follows guidance within the Governance and Accountability Guide and recognises that the internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.</p>
<b>Additional comments:</b>		

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

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

<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	
Verify that budget has been properly prepared and agreed	Yes	<p>The budget for the year in the sum of £8,175 was approved by full Council at a meeting on 19/11/2020.</p> <p>Council shows good practice in that recommended key stages of the budgetary process have been followed namely:</p> <ul style="list-style-type: none"> <li>• Decide the form and level of detail of the budget</li> <li>• Review the current year budget and spending</li> <li>• Assess levels of income</li> <li>• Bring together spending and income plans</li> <li>• Confirm the precept or rates and special levies and</li> <li>• Review progress against the budget regularly throughout the year</li> </ul>
Verify that the precept amount has been agreed in full Council and clearly minuted	Yes	<p>The precept was set at £8,175 and formally approved at a meeting of the Council on 8/1/2020.</p>
Regular reporting of expenditure and variances from budget	Yes	<p>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. The budget control is an integral part of the accounts spreadsheet presented at meetings. An annual report showing budget expenditure and remaining budget was provided. The Council shows good practice by noting expenditure is in line with budget in their risk assessment documentation.</p>

Reserves held – general and earmarked <sup>6</sup>	Yes	The Council's final accounts show general reserves in the sum of £3,481.58 with earmarked reserves in the sum of £10,460.24 (including CIL £5,659.57) with overall reserves standing at £13,941.82.
<b>Additional comments:</b>		
<b>Section 6 – income controls</b>		
The internal auditor will seek evidence to ensure income is correctly managed – recorded, banked and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
Is income properly recorded and promptly banked?	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.
Is income reported to full council?	Yes	Income is reported to Council in accordance with the Council's Standing Orders.
Does the precept recorded agree to the Council Tax Authority's notification?	Yes	The Council received precept of £8,175 during the year under review in April and September.
If appropriate, are CIL reporting schedules in accordance with the Regulations? <sup>7</sup>	Yes	CIL funds received for this audit year show no receipts as reported to full council. In accordance with the Regulations the council have received a proportion of CIL funds and ensured that retained balances are transferred to the earmarked
Is CIL income reported to the council?	Yes	reserves specifically allocated. The 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 31/3/21 shows income received and retained
Does unspent CIL income form part of earmarked reserves?	Yes	balances was verified by the internal auditor and the council has complied with its duty to upload the annual report onto its website.
Has an annual report been produced?	Yes	
Has it been published on the authority's website?	Yes	

<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

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

**Additional comments:**

**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.

<b>Evidence</b>		Internal auditor commentary
Is petty cash in operation?	No	The Council does not have a system of petty cash.
If appropriate, is there an adequate control system in place?	N/A	
<b>Additional comments:</b>		

### 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<sup>st</sup> 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
Do all employees have contracts of employment?	N/A	The Council has 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. In accordance with proper practices, the Council has ensured that the remuneration payable to all employees has been approved by the Council.
Has the Council approved salary paid?	Yes	
Minimum wage paid?	Yes	
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?	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 wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	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.
Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation? <sup>8</sup>	Yes	A re-declaration of compliance with regards to automatic enrolment duties was completed in September 2019.
Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?	Yes	All expenses payments are approved by full Council and supported by receipts. It is also noted in the risk assessment documentation that expenses are properly authorised.
<b>Additional comments:</b>		

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

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<b>Section 9 – Asset control</b>		
<b>Evidence</b>		<b>Internal auditor commentary</b>
Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices? <sup>9</sup>	Yes	Declared value is £2,935 for the period under review which agrees with box 9 of the AGAR Section 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.
Are the value of the assets included? (note value for insurance purposes may differ)	Yes	
Are records of deeds, articles, land registry title number available?	No	
Is the asset register up to date and reviewed annually?	Yes	The asset register is dated March 2021. The asset register was reviewed by the Council at their meeting on 13/5/20 and this was noted in their minutes.
Cross checking of insurance cover	Yes	It is noted in the risk assessment documentation that an annual insurance review is carried out including a review of assets.
<b>Additional comments:</b>		

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

<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>		Internal auditor commentary
Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?	Yes	The council completes regular bank reconciliations. 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. Regular bank reconciliations are included in the Internal Control Document.
Do bank balances agree with bank statements?	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 : National Westminster Business Reserve Account £ 10,460.24 National Westminster Business Current Account £3,481.58
Is there regular reporting of bank balances at Council meetings?	Yes	Bank balances are noted at Council meetings and included 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	The end of year accounts and supporting documentation were well presented for the internal auditor review.
Has the appropriate end of year AGAR <sup>10</sup> documents been completed?	Yes	The Council is a smaller authority with gross income and expenditure not exceeding £25,000. It has completed Sections 1 and 2 of Part 2 of the AGAR.
Did the Council meet the exemption criteria and correctly declared itself exempt?	Yes	The Council met the exemption criteria and correctly declared itself exempt from a limited assurance review.
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 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.
Have the publication requirements been met in accordance with the Regulations? <sup>11</sup>	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 Section 3 – Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. Explanation of significant variances from last year were explained and the explanation published on the website.

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

<sup>11</sup> 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.

<b>Evidence</b>		Internal auditor commentary
Has the previous internal audit report been considered by the Council?	Yes	The Internal Auditor's Report for the year ending 31/3/2020 has been considered and reviewed by the Council at their meeting on 8/7/20.
Has appropriate action been taken regarding the recommendations raised?	Yes	Council shows good practise by including in their risk management document that an internal audit has taken place and that recommendations are acted on.
Has the Council confirmed the appointment of an internal auditor?	Yes	SALC were appointed as the Internal Auditor at the meeting of the Council on 13/5/2020 and this was noted in the minutes.
<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>		Internal auditor commentary
Has the previous external audit report been considered by the Council? <sup>12</sup>	N/A	The Council correctly declared itself exempt from a Limited Assurance Review.
Has appropriate action been taken regarding the comments raised?	N/A	
<b>Additional comments:</b>		

<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.		
Evidence		Internal auditor commentary
Was the annual meeting held in accordance with legislation? <sup>13</sup> (note to auditor- emergency Regulations as a result of the COVID-19 pandemic) <sup>14</sup>	Yes	The Council's annual meeting was held on 13/5/20 with the first item on the agenda being the agreement that the current Chair would continue in the role.
Is there evidence that Minutes are administered in accordance with legislation? <sup>15</sup>	N/A	Unable to verify as a 'virtual audit'.
Is there a list of members' interests held?	No	The Council has not published details of member's interests on the website.
Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?	No	The Council does not have any trustee responsibilities.
Has the Transparency Code been correctly applied and information published in accordance with current legislation?	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 on a public website for the year 2020/21 the items required under the Transparency Code: 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

<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

		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.
Has the Council registered with the Information Commissioner's Office (ICO)? <sup>16</sup>	Yes	The Council has registered as a Data Controller with the Information Commissioners Office under reference ZA511950.
Is the Council compliant with the General Data Protection Regulation requirements?	Yes	<p>The Council has taken steps to ensure compliancy – evidenced as follows: Council has adopted the following policies: Data Protection; Reporting Personal Data Breach; Data Audit Review; Breach Register. A review of the policies held under the GDPR was minuted on 11/11/2020.</p> <p>Comment: If not included within their current policies council may wish to adopt the following policies:</p> <ul style="list-style-type: none"> <li>• <i>Impact assessments</i></li> <li>• <i>Privacy notices (published inc. for employees and evidence of review)</i></li> <li>• <i>Procedures for dealing with subject access and freedom of information requests</i></li> <li>• <i>Data retention policies including disposal</i></li> </ul>
Has the Council published a website accessibility statement on their website in line with Regulations? <sup>17</sup>	Yes	In line with The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018, the Council has published a Website Accessibility Statement. It is also noted in the minutes of 9/9/20 that this has been carried out.
Is there evidence that electronic files are backed up?	Yes	The council shows good practise by noting these in the minutes.
Do terms of reference exist for all committees and is there evidence these are regularly reviewed?	Yes	The Council has a planning committee and terms of reference are in place.
<b>Additional comments:</b>		

Signed: Linda Harley

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 25/5/2021

On behalf of Suffolk Association of Local Councils

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

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