

Internal Audit Report for for the period ending 31 March 2024

Clerk	Greg Diaper
RFO (if different)	-
Chairperson	Councillor Eamonn O’Nolan
Precept	£ 425,088
Income	£ 531,219 (including precept)
Expenditure	£ 384,349
General reserves	£ 132,262
Earmarked reserves	£ 425,326.75
Audit type	Annual
Auditor name	Colin Poole

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	
<i>Is the ledger on the correct basis in relation to the gross income/expenditure?</i> (under Proper Practices, Councils are required to work on an Income & Expenditure basis when their gross income, or gross expenditure, exceeds £200,000 for 3 consecutive years)	Yes	The council uses the Omega Accounting Package which is a purpose-built accounting system for town and parish councils and is able to produce reports on an Income and Expenditure basis.
<i>Is the cash book up to date and regularly verified?</i>	Yes	Council follows Proper Practices in ensuring that the Council’s accounting procedure gives a more accurate presentation of an authority’s true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance and the Responsible Financial Officer (RFO) has used the full suite of accounting and reporting tools associated with the package to produce clear financial management information to the Council on both a monthly and annual basis.
<i>Is the arithmetic correct?</i>	Yes	A number of transactions were tested and found to be correct.
Additional comments:		

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	The Standing Orders were reviewed at the meeting held 28 th June 2023
Are Financial Regulations up to date and reviewed annually?	Yes	The Financial Regulations were reviewed at the meeting held 28 th June 2023
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	The Clerk was appointed RFO at the meeting held 5 th October 2021
<i>Additional comments:</i>		

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		Internal auditor commentary
Is there supporting paperwork for payments with appropriate authorisation?	Yes	Evidence is presented to full council in the financial report
Where applicable, are internet banking transactions properly recorded and approved?	Yes	
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	Q3 reclaim submitted 11 th January 2024 £8,764.27, receipt banked 17 th January 2024 Q4 reclaim submitted 9 th April 2024 £9,883.44, receipt banked 15 th April 2024
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	Yes	The GPoC was adopted at the meeting held 16 th May 2023
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
Additional comments:		

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 £9.93 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

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	35 risk assessment documents were submitted to the internal auditor.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	A number of examples of management of risk was identified, including fire risk assessment at the meeting held 18 th October 2023.
<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>	Yes	The Council's Insurance document was seen, Zurich insurances expiring 31-10-2024. Public liability cover is £15million Hirer's Liability cover is £2million Employer's liability cover is £10million Fidelity Guarantee cover is £1million
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	This was reviewed at the meeting held 6 th December 2023
<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>	Yes	This was reviewed at the meeting held 16 th May 2023
Additional comments:		

⁴ Accounts and Audit Regulations

⁵ Practitioners 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	For the financial year 2023-24, at its meeting of 24th January 2023, full Council agreed to set an expenditure budget of £476,030. For the financial year 2024-25, at its meeting held 25 th January 2024, full council agreed to an expenditure budget of £567,511.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	For the financial year 2023-24, at its meeting of 24th January 2023, full council approved a precept of £425,088, a 4.9% increase over that set for 2022-2023. In accordance with good practice, the minutes illustrate the financial impact for a Band D property. For the financial year 2024-25, at its meeting held 25 th January 2024, full council approved a precept of £494,522, noting this was an increase of 16.7% and the financial impact on a band D property.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	
<i>Reserves held – general and earmarked⁶</i>	Yes	General reserves as at 31/03/24 £132,262 Earmarked reserves as at 31/03/24 £425,327
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	
<i>Is income reported to full council?</i>	Yes	
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	Precept tranche 1 received 28/04/2023 £212,544 Precept tranche 2 received 29/09/2023 £212,544
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	EMR Kyson School CIL = £1,438 EMR CIL 2022-23 = £32,684 EMR CIL 2023-24 = £6,840
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority's website?</i>	Yes	The Annual CIL Statement for the year 2023 - 2024 has been uploaded onto the Council's website https://woodbridge-suffolk.gov.uk/site/assets/files/1409/wtc_cil_statement_to_31_03_24.pdf
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>	Yes	£80.88 held. The information is published on the council website within the financial reports.
<i>If appropriate, is there an adequate control system in place?</i>	Not tested	
<p>Additional comments: It has not been possible to verify the petty cash held in the offices matches Cash Book 4 as the audit is carried out remotely in accordance with the council's instructions.</p>		

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	Confirmed by Clerk. There are 7 employees on the payroll. Evidenced by minutes of decisions taken in closed session
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	Yes	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	Yes	The Council has a staffing committee to review rates of pay. Full Council signs off on recommendations e.g. min477 for the meeting held 22 nd November 2023.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	'Moneysoft' payroll software is used which ensures that the Council operates within the RTI system and submits full payment monthly submissions. 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 and Suffolk County Council 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	
<i>Have pension re-declaration duties been carried out</i>	Yes	The council re-declared its compliance with the Pensions Regulator which was confirmed as accepted on 19 th July 2023
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	
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	The register is managed dynamically, showing the additions and disposals in-year. For the year ending 31/03/24 there were £9,013.05
<i>Is 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>	Not tested	
<i>Are copies of licences or leases available for assets sited at third party property?</i>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	At the meeting held 20 th March 2024, the council noted the asset register report and value of £906,480.07.
<i>Cross checking of insurance cover</i>	Yes	The sums insured can be found on the insurances and asset register
<i>Additional comments: Recommendation: The council may wish to consider getting a professional insurance valuation of their buildings by a qualified surveyor approved by the insurer, to be certain that the sums insured are sufficient to cover full reinstatement.</i>		

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	
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances stated in the cash book as at 31/03/2024 agree with the bank statements seen on the council website: HSBC Current Account 3658: £6,575.11 = Cash Book 1 HSBC Money Manager 8725: £129,270.64 = Cash Book 2 Suffolk Building Society reported by finance administrator to town clerk by email dated 2nd April 2024: £474,748.18 = Cash Book 3 Petty Cash reported: £80.88 = Cash Book 4. Note that this audit was carried out remotely and therefore petty cash was not physically checked. Total = ££610,674.81 which matches the cashbook sum stated.
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	And published on the official town council website

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 were found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	Very clear records are maintained
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	
<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	https://woodbridge-suffolk.gov.uk/site/assets/files/1405/notice_of_conclusion_of_audit_2022_23.pdf
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	See above
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 Council considered the previous internal audit report?</i>	Yes	At the meeting held 16 th May 2023 and for the interim report, at the meeting held 6 th December 2023
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	Comment: Council is reminded that in respect of approving absences that this can only be done if reasons for absence have actually been given (simple apologies without explanation cannot be approved as the legislation requires the <u>reason</u> be approved). If no reason is given or the reason is not acceptable, then that absence should not be approved. This is to prevent inadvertently nullifying the purpose of LGA 1972 s85. Where the reason is given, this should be recorded by the Clerk.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC were appointed as internal auditors at the meeting held 16 th May 2023
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>	Yes	It was noted at the meeting held 20 th September 2023 that the external audit was complete with no matters to report.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	No matters were raised.
<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	Held 16 th May 2023
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	Pages are numbered and minutes are referenced.
<i>Is there a list of members' interests held?</i>	Yes	https://woodbridge-suffolk.gov.uk/who-we-are/councillors/ includes a link to the East Suffolk records of registers of interests.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	Yes	The Council is trustee of Elmhurst Park and Kingston Field, charity number 271063 and 304841. It manages any charitable funds within the council's accounts.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	The Council publishes reports on expenditure, this being up to 31 st December 2023 at the time of the audit, now found within the financial documents sent to Full Council. In addition, a full list of expenditure to 31 st March 2024 is also on the website as part of the same documentation.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	Yes	Z5069580 expires October 2024
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	
<i>Has the Council published a website accessibility statement on their website in line with Regulations?</i> ¹⁶	Yes	https://woodbridge-suffolk.gov.uk/accessibility-statement/

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

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	The council uses .gov.uk
<i>Is there evidence that electronic files are backed up?</i>	Yes	Daily back up to a cloud server.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	Reviewed at the Annual Meeting held 16 th May 2023
<i>Additional comments:</i> <i>Thank you to the Finance Administrator and Clerk for uploading all the necessary information and maintaining an excellent website, enabling the internal audit to be carried out fully. Thank you also for your prompt responses on the day.</i>		

Signed: 

Date of Internal Audit Visit: 2nd May 2024

Date of Internal Audit Report: 2nd May 2024

On behalf of Suffolk Association of Local Councils

¹⁷ Practitioners Guide