

Internal Audit Report for Bradfield St George
for the audit year to 31/3/21

Clerk	Catherine Hibbert
RFO (if different)	
Chairperson	Peter Squirrell
Precept	£ 5,400.00
Income	£ 5,407.87
Expenditure	£ 7,704.79
General reserves	£4,762
Earmarked reserves	£9,000
Audit type	Annual
Auditor name	Linda Harley

Introduction

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

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

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

Methodology

When conducting the audit, the internal auditor may:

- carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2020/21 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses 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	The cashbook is up to date and verified regularly which provides good evidence to support the Councils financial statements.
<i>Is the arithmetic correct?</i>	Yes	A sample of arithmetic was tested and found to be in order.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC’S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Council has adopted NALC Model Standing Orders 2018 which were reviewed at the Council meeting on 13/5/20. Comment: The thresholds relating to Financial Controls and Procurement are out of date.
Are Financial Regulations up to date and reviewed annually?	Yes	Council has adopted NALC Model Financial Regulations 2019 on 13/5/20. Comment : The thresholds relating to Contracts are out of date.
Has the Council properly tailored the Financial Regulations?	Yes	The Council has tailored the Financial Regulations to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	It is noted in the council’s Internal Control Document that the Clerk is the RFO. Comment: For good practice, Council may wish to note the annual appointment of the RFO in the minutes.
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 were made and cross-checked against the cash book, invoices and bank statements. At each full council meeting a list of payments is presented to ensure formal approval of expenditure and this is correctly minuted. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment. It is noted in the Internal Control Document that all payments are reported to Council, cheques and invoices are signed by 2 signatories. The council shows good practice by confirming the 'powers' to make payments are included in the cashbook.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	The Council shows 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 sample of on-line payments checked against the schedule clearly showed all payments with the schedule being initialled by 2 Councillors.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	VAT is identified in the cash book and the claim for the period under review is the sum of £771.40. It is noted in the Council's Internal Control Document that VAT payments are identified, recorded and re-claimed.

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 GPOC and has adopted the same at its meeting on 9/9/20.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	Payments made under S137 are noted in a separate column in the cashbook. There are no payments for this financial year.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council has no Public Works Loan and as such incurred no interest payments for the period under review.
Additional comments:		

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	This was considered and reviewed for the period under review at the meeting of the council on 10/3/21 and covers in general terms the matters which could prevent a smaller relevant body from functioning.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	Council has noted that the risk assessments relating to the defibrillator will be included in the documentation. It is noted in the Internal Control Document that the Council's risk assessments are reviewed annually.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability</i>	Yes	General insurance from RSA for the period under review shows core cover under an 'all risks' policy. Fidelity Guarantee cover is £25,000 which given

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

<p><i>and fidelity guarantee and has been reviewed on an annual basis?</i></p>		<p>the current balances held by the Council is within the recommended guidelines. Both public liability and employers' liability insurance of £10 million are held. The Council's insurance cover was renewed at their meeting on 13/5/20 and there is a minute to show the cover was reviewed and considered appropriate</p>
<p><i>Evidence that internal controls are documented and regularly reviewed⁴</i></p>	<p>Yes</p>	<p>As approved at a meeting of full council on 10/3/21 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>
<p><i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i></p>	<p>Yes</p>	<p>It is noted in the Internal Control Document that the Council conducts an annual review of the effectiveness of internal audit. This was carried out at the meeting on 10/3/21 which also approved the internal control statement.</p>
<p>Additional comments:</p>		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for 2020-21 was agreed at the Council meeting of 13//11/19. Council shows good practice by publishing full details of the budget on the website. Comment: It is good practice for the Council to note the amount of the budget in the minutes.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The Precept amount was agreed in full Council and clearly minuted as £5,400 on 13/11/20.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The council receives a quarterly financial summary which is approved by full Council. The Clerk shows good practice by keeping a running total of all expenditure against the budget agreed and a note of any variances. The Council also receives a bi-monthly financial report which includes income expenditure and bank balances.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council’s final accounts show general reserves in the sum of £4,762 with earmarked reserves in the sum of £9,000 with overall reserves standing at £13,762. Council shows good practice by holding a reserves policy and reviewing it on an annual basis.
Additional comments:		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	A number of items of income were cross-checked against the cash book and bank statement and found to be in order. In accordance with proper practices the Responsible Financial Officer ensures that accounting records contain day to day entries of all sums of money and that income received is promptly banked.
<i>Is income reported to full council?</i>	Yes	Councillors receive bi-monthly reports which include details of all income received. The Internal Control Document confirms that all income is received and banked in a timely manner.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The precept recorded of £5,400 agrees to West Suffolk Council's tax authority notification. Council shows good practice by noting in their Internal Control Document that the precept recorded in the cashbook agrees to the District Council's notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	The Council have not received any CIL funds.
<i>Is CIL income reported to the council?</i>	N/A	
<i>Does unspent CIL income form part of earmarked reserves?</i>	N/A	
<i>Has an annual report been produced?</i>	N/A	
<i>Has it been published on the authority's website?</i>	N/A	
Additional comments:		

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	N/A	A system of petty cash is not in operation.
<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	The Council has 1 employee during the period under review.
<i>Has the Council approved salary paid?</i>	Yes	Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council.
<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 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.
<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 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	Evidence seen that a re-declaration of compliance with the Pensions Regulator was completed on 29/9/20.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	N/A	The clerk did not claim any expenses during the audit year.
Additional comments:		

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

Section 9 – Asset control		
The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	Declared value is £17,365 which agrees with the figure entered for total assets in box 9 of the AGAR.
<i>Are 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 Council's remit for maintenance and ownership. The register states value as at the date of acquisition and where assets have been gifted or have an unknown value been given an approximate value.
<i>Are 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	Asset register is dated 31/3/21 and was reviewed at the council meeting of 13/5/20. This is also confirmed in the Internal Control Document.
<i>Cross checking of insurance cover</i>	Yes	The Council confirmed the adequacy of its insurance cover at the meeting of 9/9/20 and 13/5/20. The Internal Control Document also confirms the adequacy of insurance cover at the meeting on 13/5/20.
Additional comments: The Council shows good practice by noting in it's internal control document many items to confirm that public funds are protected, managed and that the Councillors are aware of the systems in place to facilitate this.		

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	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. The Council shows good practice by a Councillor checking bank statements against the bank reconciliation at each Council meeting.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with 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: Santander Account £8,956.76 Lloyds Bank Treasurers Account £ 4,805.43
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are included on the bi-monthly financial reports which are overall included at the end of the minutes.

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 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 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 Sections 1 and 2 of Part 2 of the AGAR.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	The Council correctly declared itself exempt from a Limited Assurance Review at its meeting of 13/5/20 and have completed an exemption certificate.
<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 from 15/6/20 to 24/7/20.
<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 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
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 Auditor’s Report for the year ending 31/3/20 has been considered and reviewed by the Council at their meeting on 8/7/20 and accepted.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	Overall the Council has actioned the points raised by the internal auditor with the audit report action plan being agreed at the Council meeting on 8/7/20.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The Council appointed SALC as the internal auditor at their meeting of 10/3/21.
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?¹²</i>	N/A	The Council is exempt from a Limited Assurance Review.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
Additional comments:		

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

Section 14 – additional information		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation? ¹³ (note to auditor- emergency Regulations as a result of the COVID-19 pandemic)^{f14}</i>	Yes	The Council’s annual meeting was held on 13/5/20 and in accordance with legislation the first item on the agenda was the election of the Chair.
<i>Is there evidence that Minutes are administered in accordance with legislation? ¹⁵</i>	N/A	Unable to verify in this audit year as ‘virtual’ audits are being undertaken.
<i>Is there a list of members’ interests held?</i>	No	There is no list of members’ interests held included on the website.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	The Council does not have any trustee responsibilities.
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	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 2020/21 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register

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

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

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

		and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	Yes	The Council is registered with the Information Commissioner's Office as a Data Controller under reference Z2723879 as noted in the minutes from 13/5/20.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council holds the following General Data Protection policies: Data breaches, SAR, data retention & privacy notice, which are published on their website. Comment: To be fully compliant with the General Data Protection Regulation requirements the Council may wish to adopt an 'Impact Assessment' policy
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	Yes	The Council are aware of their responsibilities under the Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 and have published their Website Accessibility Statement.
<i>Is there evidence that electronic files are backed up?</i>	No	There is no evidence that electronic files are backed up.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The Council does not have any committees.
Additional comments:		

Signed: *Linda Harley*

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 12/5/21

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018