

## Internal Audit Report for for Needham Market Town Council

Clerk	Kevin Hunter
RFO (if different)	Louise Mills
Mayor	Cllr J E Lea from 19 <sup>th</sup> May 2021
Precept	£ 128,484.71
Income	£ 50,474.96
Expenditure	£ 169,188.43
General reserves	£ 83,352.22
Earmarked reserves	£ 108,137.70
Audit type	Year End
Auditor name	Colin Poole on behalf of SALC

### 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>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	
<i>Is the cash book up to date and regularly verified?</i>	Yes	Reported to quarterly meetings of the Governance and Finance Committee and full council
<i>Is the arithmetic correct?</i>	Yes	The council uses Sage
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	<i>Met</i>	According to the minutes, new Standing Orders were adopted 26 <sup>th</sup> April 2021.
Are Financial Regulations up to date and reviewed annually?	<i>Part Met</i>	A new set of Financial Regulations, titled “Financial Standing Orders” was agreed by Governance & Finance in August 2021, but the council meeting held 21 <sup>st</sup> July 2021 deferred adoption of the Finance Regulations. <b>Recommendation: Full Council need to agree and adopt Finance Regulations</b>
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations provided were tailored to the council
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	Louise Mills was appointed RFO on 19/01/2022 (C010/22a)
<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 random sample of payments was checked and found to be in order
Where applicable, are internet banking transactions properly recorded and approved?	Yes	
Is VAT correctly identified, recorded and claimed within time limits?	Yes	Q1 claim submitted 06/07/2021 £3,481.73 received 13/07/21 Q2 claim submitted 09/09/2021 £2,493.52 received 15/09/21 Q3 claim submitted 07/04/2022 £1,881.33 Q4 claim to 28/02/22 submitted 10/03/2022 £711.04 received 16/3/22
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	N/A	
Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	A report went to the Annual meeting held 18 <sup>th</sup> May 2022
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	
<b>Additional comments:</b>		

<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.

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>	<i>Part Met</i>	Individual risk assessments exist for specific activities, but the Clerk advises there was not a formal overall review.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	See above
<i>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?</i>	Yes	EL = £10m PL = £15m Fidelity = £200,000 At the annual meeting held 19 May 2021 the council reviewed insurances (C063/21)
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	<i>Part Met</i>	<i>The Clerk advised this was not done for 2021/22. The internal control document uploaded to SALC for the audit is advised as a ‘work in progress’. <b>Recommendation: This needs to be completed and then simply reviewed annually.</b></i>
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year<sup>5</sup></i>	<i>Part met</i>	<i>The audit was considered 15/09/21. Whilst the effectiveness was not specifically mentioned in the minutes, this is evidenced by the actions of the council in adopting recommendations.</i>
<b>Additional comments:</b> The Fidelity insurance limit should equal the bank balances plus half the precept, to ensure the maximum full value of cash is protected. With bank accounts totalling £189k and the half-year payment being £64,242 fidelity insurance should be £255k.		
<b>Note: The clerk has advised that this has been done following the 2021 Internal Audit</b>		

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

<sup>5</sup> 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 2021/22 budget was set at the meeting held January 2021 (C006/21) £127,200.  The 2022/23 budget was set at the meeting held 19 <sup>th</sup> January 2022 (C007/22) £133,560
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The 2021/22 precept was set at the meeting held January 2021 (C006/21) £128,484.71. In accordance with good practice, the council noted the impact on Band D council tax and the implications for reserves.  The 2022/23 precept was set at the meeting held 19 <sup>th</sup> January 2022 £140,739.72 In accordance with good practice, the council noted the impact on Band D council tax
<i>Regular reporting of expenditure and variances from budget</i>	Yes	These are reported to Governance and Finance Committee. <b>Recommendation: The copy of the budget provided only showed net expenditure. A more robust budget showing anticipated expenditure and anticipated income would allow proper monitoring of variances for both income and expenditure.</b>
<i>Reserves held – general and earmarked<sup>6</sup></i>	Yes	General reserves = £83,352.22 EMR = £108,137.70
<b>Additional comments:</b>		

<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

### 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 randomly selected sample of income was checked and found to be in order
<i>Is income reported to full council?</i>	Yes	This is presented by the Chair of the Governance and Finance Committee to full council, e.g. 16 <sup>th</sup> March 2022 (C018/22/1b)
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	Demand seen dated 20/01/2021 £64,242.36 received 12/04/21 (along with £8,870.60 CIL) £64,242.35 received 13/09/21
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	Yes	£27,760.75 (plus £12,000 allocated but not spent)
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority's website?</i>	Yes	
<b>Additional comments:</b>		To 31 March 2022

<sup>7</sup> 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	
<i>If appropriate, is there an adequate control system in place?</i>	Yes	A copy of the petty cash book was seen, showing £29.45. It had been signed as verified.
<b>Additional comments:</b> It was not possible to verify the content of the petty cash tin as this audit was carried out remotely.		

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 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.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	No	8 persons were employed through the year. 6 are currently employed. The Clerk advises 2 have contracts of employment, the remaining 4 are work in progress. C019/22
<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 standing Employment committee.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	Yes	The Clerk advised that re-enrolment took place in April 2022, with NEST
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Not seen	No other payments were found.
<b>Additional comments:</b>		

<sup>8</sup> 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?<sup>9</sup></i>	Yes	An asset register dated 31/03/2022 was supplied by the Clerk
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	£561,419
<i>Are records of deeds, articles, land registry title number available?</i>	Not tested	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	Adopted 18/05/2022 (C042/22/a/v)
<i>Cross checking of insurance cover</i>	Yes	The insurances and asset register appear to match
<b>Additional comments:</b>		

<sup>9</sup> 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	
<i>Do bank balances agree with bank statements?</i>	Yes	01/01/22 Cambridge & County AC 1126 = £56,669.37 31/03/22 Barclays Current AC 2844 = £119,232.81 31/03/22 Barclays Tracker AC 0685 = £17,558.30 Barclays Business Premier AC 7330 was closed during the year Petty Cash (not verified) = £29.45 Total £193,489.93
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	
<i>Financial trail from records to presented accounts</i>	Yes	
<i>Has the appropriate end of year AGAR<sup>10</sup> 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	
<i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i>	Yes	30 <sup>th</sup> September 2021
<b>Additional comments:</b>		

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

<sup>11</sup> 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 Full Council considered the internal audit and recommendations at the meeting held 15 <sup>th</sup> September 2021 (CO93/21b/1b)
<i>From 2020/21</i>		
<b>Standing Orders on the council website is dated 2013, the new version needs to be uploaded to replace it.</b>	Yes	
<b>Accurately minuting whether or not apologies are accepted or noted is crucial given the potential for Councillors to lose office.</b>	Yes	
<b>The Internal Controls document should be reviewed annually.</b>	No	“Work in progress”
<b>Increase Fidelity Insurance to reflect cash held.</b>	Yes	Advised by the Clerk this has been done
<b>The Employment Committee should satisfy itself it has authorised all rates of pay.</b>	Yes	
<b>The Employment Committee should satisfy itself that the NEST auto-enrolment scheme remains in place and that relevant staff are auto-enrolled every three years in accordance with the regulations. Clear records of opting-out must be retained on file.</b>	Yes	

<b>The Council should consider whether it should register with the ICO.</b>	No	See section 14 below
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Partly	Progress has been made towards addressing previous recommendations.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	19 <sup>th</sup> May 2021 SALC was appointed for the 2021/22 year (CO58/21).
<b>Additional comments:</b>		

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> <sup>12</sup>	No	The Governance and Finance committee received the External Audit at the meeting held 9 <sup>th</sup> November 2021 (GF015/21). Whilst the minutes of this meeting were adopted, they did not refer to the content of the external audit report. This is why the full council must consider the report, to evidence Councillors have seen it and are aware of the recommendations it contains. <b>Recommendation: The External Audit Report must be an agenda item for full council, even if the work to address the weaknesses identified is delegate.</b>
<i>Has appropriate action been taken regarding the comments raised?</i>	Part-Met	The council has addressed a number of weaknesses identified
<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.

### 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		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	19 <sup>th</sup> May 2021. Election of the Mayor was the first item on the agenda
Is there evidence that Minutes are administered in accordance with legislation? <sup>15</sup>	Yes	
Is there a list of members' interests held?	Part-Met	This was found on the Mid Suffolk website. A link could not be found from the Needham Market Town Council website.
Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?	No	Not applicable
Has the Transparency Code been correctly applied and information published in accordance with current legislation?	N/A	The council is not subject to the Transparency Codes. However, some information is on the website. It is good practice to voluntarily comply with the code.
Has the Council registered with the Information Commissioner's Office (ICO)? <sup>16</sup>	No	The Clerk advises this has been 'considered' informally, but the council has not registered.
Is the Council compliant with the General Data Protection Regulation requirements?	Yes	The council adopted a general privacy notice and subject access request policy at the meeting held 17 <sup>th</sup> November 2021(C100/21)

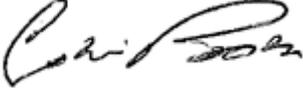
<sup>13</sup> The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

<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

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

<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>17</sup></i>	<i>Part met</i>	The Clerk advises that these were present but have dropped off of the website
<i>Is there evidence that electronic files are backed up?</i>	Yes	
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	
<b>Additional comments:</b> <i>The auditor thanks the Clerk and Finance Administrator for their assistance in completing this audit</i>		

Signed: 

Date of Internal Audit: 25<sup>th</sup> & 30<sup>th</sup> May, 1<sup>st</sup> June 2022

Date of Internal Audit Report: 1<sup>st</sup> June 2022

On behalf of Suffolk Association of Local Councils

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