

## Internal Audit Report for Nettlestead Parish Meeting for the year ending 31<sup>st</sup> March 2023

Clerk	Janet Gobey
RFO (if different)	As above
Chairperson	Nick Cooper
Precept	£NIL
Income	£NIL
Expenditure	£920.82
General reserves	£750.00
Earmarked reserves	£8,600.00
Audit type	Annual
Auditor name	Julie Lawes

### Introduction

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

The Meeting's internal control system comprises the whole network of systems established within the Meeting to provide reasonable assurance that the Meeting'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 Meeting complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being conducted as planned

<b>Section 1 – proper bookkeeping</b>		
The internal auditor will look at the methods and processes used to manage the Meeting’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	The Parish Meeting uses an excel spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce financial reports detailing receipts and payments and ensures that the financial transactions of the parish Meeting are accurately recorded.
<i>Is the cash book up to date and regularly verified?</i>	YES	The cash book provides good evidence to support the Meeting’s underlying statements. Regular reports are generated and circulated to members detailing expenditure and income and the accounts reconciled to the bank statements showing good internal control.
<i>Is the arithmetic correct?</i>	YES	The accounts were spot checked and were all found to be correct.
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
The internal auditor will check the date the Meeting 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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	N/A	As a Parish Meeting, Standing Orders are not required. An order to confer certain functions of a Parish Council on Nettlestead Parish Meeting was evidenced from Mid Suffolk District Council dated the 18 <sup>th</sup> July 2014.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a meeting held 25 <sup>th</sup> January 2023. These are available to view on the Meeting’s website.
Has the Meeting properly tailored the Financial Regulations?	YES	The Financial Regulations have been tailored to the Meeting.
Has the Meeting 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 Meeting has appointed a person to be responsible for the administration of the financial affairs of the relevant authority. Meeting's own Financial Regulations state that the Clerk is the RFO unless a separate RFO is appointed. This was confirmed at the meeting held 25 <sup>th</sup> January 2023 and documented within the minutes.
<b>Additional comments:</b>		

<sup>1</sup> Section 151 Local Government Act 1972 (d)

<b>Section 3 – Payment controls</b>		
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 Meeting 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 Meeting has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	YES	A selection of expenditure items was made, and cross checked against the cash book and bank statements. A list of payments is presented to the meeting within its Financial Report 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.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	Online banking is not operated.
Is VAT correctly identified, recorded, and claimed within time limits?	N/A	Parish meetings are not local authorities for the purposes of the VAT legislation. As such the parish meeting is not able to claim a refund for any VAT incurred.
Has the Meeting adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	N/A	The Parish Meeting is not able to adopt 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	There were four s137 payments made during the period under review totalling £630.00. These are recorded and minuted and are within the statutory limits of the s137 allocations

<sup>2</sup> Localism Act

<sup>3</sup> Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local Meetings 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 Meeting to spend money (subject to the statutory limit – of £8.82 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 Meeting has no loans.
<b>Additional comments:</b>		

<b>Section 4 – Risk management</b>		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Meeting through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Meeting.		
<b>Evidence</b>		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	YES	This was considered for the period under review at the meeting on 25 <sup>th</sup> January 2023 and covers in general terms the matters which would prevent a smaller relevant body from functioning.
<i>Is there evidence that risks are being identified and managed?</i>	YES	Steps have been taken to identify, assess and record the risks associated with its actions and decisions that could have financial or reputational consequences.
<i>Does the Meeting 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	The Parish Meeting has insurance in place under an Ansvar Policy which shows core cover for the following: Public/Products Liability £10m; Employers Liability £10m and Fidelity Guarantee of £25k. The level of Fidelity Guarantee meets the recommended guidelines which provides that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	YES	At a meeting held 25 <sup>th</sup> January 2023, it was evidenced that the Internal Controls were reviewed. This is documented within its Financial Regulations and Financial Control Procedures. This clearly demonstrates public finances are adequately protected and managed and evidence necessary steps have been taken to mitigate any risks identified.

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

		Documentation to support control procedures adopted by the Meeting for payments helps protect the RFO and fulfils an internal control objective. These are published on the Meeting's website.
<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 appointment<sup>5</sup></i>	YES	The effectiveness of the internal audit was discussed by full Meeting at a meeting held 30 <sup>th</sup> May 2022 at which it was agreed to appoint SALC for the 2022-2023 internal review. By reviewing the terms of reference and effectiveness for internal audit the Meeting has followed guidance and demonstrates that it recognises that the function of internal audit is to test and report to the authority on whether its system of internal control is adequate.
<b><i>Additional comments:</i></b>		

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<sup>5</sup> Practitioners 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
<i>Verify that budget has been properly prepared and agreed</i>	YES	A budget was agreed and set at a meeting held 24 <sup>th</sup> January 2022.
<i>Verify that the precept amount has been agreed in full Meeting and clearly minuted</i>	YES	There was no precept set for the period under review. This was formally approved at a meeting of full Meeting on 24 <sup>th</sup> January 2022.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Income and expenditure against budget is recorded within the Financial Report at meetings.
<i>Reserves held – general and earmarked<sup>6</sup></i>	YES	The accounts show a general reserve of £750.00 and an earmarked reserve of £8,600.00.
<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

<b>Section 6 – income controls</b>		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.		
<b>Evidence</b>		<b>Internal auditor commentary</b>
<i>Is income properly recorded and promptly banked?</i>	<i>N/A</i>	There was no income receive for the period under review.
<i>Is income reported to full Meeting?</i>	<i>N/A</i>	There was no income receive for the period under review.
<i>Does the precept recorded agree to the Meeting Tax Authority’s notification?</i>	<i>N/A</i>	There was no precept received for the period under review.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	<i>N/A</i>	There were no CIL funds held by the council for the period under review.
<i>Is CIL income reported to the Meeting?</i>	<i>N/A</i>	
<i>Does unspent CIL income form part of earmarked reserves?</i>	<i>N/A</i>	
<i>Has an annual report been produced?</i>	<i>N/A</i>	
<i>Has it been published on the authority’s website?</i>	<i>N/A</i>	
<b>Additional comments:</b>		

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

<b>Section 7 – petty cash</b>		
The Internal Auditor will seek evidence that the Meeting has followed its own policies, procedures, and verification processes and that these are up to date.		
<b>Evidence</b>		Internal auditor commentary
<i>Is petty cash in operation?</i>	N/A	Th Paris Meeting does not operate a petty cash system.
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
<b>Additional comments:</b>		

<b>Section 8 – Payroll controls</b>		
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. 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.		
<b>Evidence</b>		<b>Internal auditor commentary</b>
<i>Do all employees have contracts of employment?</i>	N/A	The Parish Meeting does not employ any members of staff.
<i>Has the Meeting approved salary paid?</i>	N/A	
<i>Minimum wage paid?</i>	N/A	
<i>Are arrangements in place for authorising of the payroll and payments to the Meeting? Does this include a verification process for agreeing rates of pay to be applied?</i>	N/A	As above
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	N/A	As above
<i>Is there evidence that the Meeting is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	N/A	As above
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Meeting?</i>	N/A	As above
<b>Additional comments:</b>		

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

<b>Section 9 – Asset control</b>			
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 Meeting 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.			
<b>Evidence</b>		Internal auditor commentary	
<i>Does the Meeting maintain a register of material assets it owns and manage this in accordance with proper practices?<sup>9</sup></i>	N/A	The Parish Meeting holds no assets.	
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	N/A		
<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>	N/A		As above
<i>Cross checking of insurance cover</i>	N/A		As above
<b>Additional comments:</b>			

<sup>9</sup> Practitioners Guide

<b>Section 10 – bank reconciliation</b>		
The internal auditor will seek to establish that the Meeting understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
<b>Evidence</b>		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	YES	Bank Reconciliations are conducted on a regular basis within the Financial Report.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and, as at year end 31st March 2022 the balance across the Meeting's accounts stood at £10,243.13 as recorded in the bank reconciliation.
<i>Is there regular reporting of bank balances at Meeting meetings?</i>	YES	Account balances are recorded on a regular basis within the Finance Report at meetings.

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	The accounts are produced on receipts and payments basis.
<i>Financial trail from records to presented accounts</i>	YES	There is a clear financial trail from budgeting, invoice, authorisation, payment and banking.
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	YES	As the Parish Meeting is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed AGAR Form 2PM.
<i>Did the Meeting meet the exemption criteria and correctly declared itself exempt?</i>	YES	As the Meeting was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2021/22, it was able to certify itself as exempt. At the meeting of 30 <sup>th</sup> May 2022, the Parish Meeting agreed that it would be exempt from an external audit due to its gross income and expenditure not exceeding £25,000.
<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	Dates for the exercise of public rights were set at Monday 13 <sup>th</sup> June to Friday 22 <sup>nd</sup> July 2022 which included the mandatory first 10 working days of July. This was evidenced on the Parish Meeting website with the notice publicised.
<i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i>	YES	The Parish Meeting has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 as the following were published on the public website operated by the Meeting: <ul style="list-style-type: none"> <li>• Certificate of Exemption, page 3</li> <li>• Section 1 – Annual Governance Statement 2020/21, page 5</li> <li>• Section 2 – Accounting Statements 2020/21, page 6</li> <li>• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</li> </ul>
<b>Additional comments:</b>		

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

<sup>11</sup> Accounts and Audit Regulations 2015



<b>Section 12 – internal audit</b>		
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>		<i>Internal auditor commentary</i>
<i>Has the Meeting considered the previous internal audit report?</i>	YES	The Internal Audit Report was considered at a meeting held 30 <sup>th</sup> May 2022.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	It is evidenced within the minutes and relevant documents that the items raised within the Audit Report have been actioned.
<i>Has the Meeting confirmed the appointment of an internal auditor?</i>	YES	The Meeting confirmed the appointment of the Internal Auditor for the period under review at a meeting held 30 <sup>th</sup> May 2022.
<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 considered.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the Meeting considered the previous external audit report?<sup>12</sup></i>	<i>N/A</i>	As the Meeting was a smaller authority it was exempt from a limited assurance review and therefore no external report was issued.
<i>Has appropriate action been taken regarding the comments raised?</i>	<i>N/A</i>	As above
<b>Additional comments:</b>		

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<sup>12</sup> Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Meeting should note that it is the Meeting 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.*

<b>Section 14 – additional information</b>		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>13</sup>	YES	The Annual Parish Meeting was held 30 <sup>th</sup> May 2022 with its first item on the agenda the election of the Chairman.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>14</sup>	YES	Meeting has an agenda and page numbering system along with an area for each page to be initialled and the final page signed and dated as a true record of the meeting held. Minutes are approved at each meeting.
<i>Is there a list of members' interests held?</i>	N/A	The Parish Meeting is not defined within the legislation as an authority for which register of interests must be declared.
<i>Does the Meeting have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	The Parish Meeting has no Trustee responsibilities
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	N/A	The Parish Meeting is not bound by the Transparency Code for smaller authorities.
<i>Has the Meeting registered with the Information Commissioner's Office (ICO)?</i> <sup>15</sup>	YES	The Meeting is registered with the ICO as a data controller. Registration Certificate ZA69768 expiry date 15 <sup>th</sup> April 2024.
<i>Is the Meeting compliant with the General Data Protection Regulation requirements?</i>	YES	The Parish Meeting website details a Privacy Policy which explains what type of personal information is collected and why it is held and the rights of the individual.
<i>Has the Meeting published a website accessibility statement on their website in line with Regulations?</i> <sup>16</sup>	NO	The Parish Meeting has not published a Website Accessibility Statement. <b>COMMENT:</b> Your service provider will be able to assist you in the creation and publication of this statement.

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

<sup>14</sup> Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

<sup>15</sup> Data Protection Act 2018

<sup>16</sup> Website Accessibility Regulations 2018

<i>Does the Meeting have official email addresses for correspondence?<sup>17</sup></i>	YES	The clerk and chairperson of the Parish has official email addresses directly linked to the council.
<i>Is there evidence that electronic files are backed up?</i>	YES	The Clerk ensures that the parish meeting's records are backed up to an external hard drive.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The Meeting does not have committees
<b>Additional comments:</b>		

Signed: *J.Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 23<sup>rd</sup> June 2023

On behalf of Suffolk Association of Local Meetings

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<sup>17</sup> Practitioners Guide