

Internal Audit Report for Nedging with Norton for the period ending 31 March 2025

Clerk	Lynn Allum
RFO (if different)	
Chairperson	Councillor Christopher Harding
Precept	£7,745.03
Income	£ 8,746.54
Expenditure	£ 10,831.76
General reserves	£8,583.24
Earmarked reserves	£3,806.82
Audit type	Exempt (Income less than £25,000)
Auditor name	Alan Melton

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 2024/25 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	The council uses a standard excel from Microsoft Office <ul style="list-style-type: none"> • All transactions are properly recorded. • The RFO is able to present concise documents for records and presentation to council
<i>Is the ledger on the correct basis in relation to gross income/expenditure?</i>	Yes	The Council is a small exempt authority, the ledger is adequate and conforms to current guidelines, councils’ standing orders and financial regulations.
<i>Is the cash book up to date and regularly verified?</i>	Yes	Fully updated and verified quarterly. The excel spread sheets list all requirements. <ul style="list-style-type: none"> • Dates • Items • Credits • Payments • VAT • Power reference
<i>Is the arithmetic correct?</i>	Yes	Cross checking has established that the arithmetic is correct
<i>Additional comments: The ledgers are well maintained and easy to understand.</i>		

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 Order are up to date and reviewed and adopted 9 th July 2024
Are Financial Regulations up to date and reviewed annually?	Yes	The Model Financial Regulations are up to date and adopted 9 th July 2024
Has the Council properly tailored the Financial Regulations?	Yes	The council uses the Model Financial Regulations as a basis for the councils accounting and reporting
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	The Responsible Finance Officer is the Clerk
<i>Additional comments: The council has adopted the NALC Financial Regulations April 2024. There was a further revision issued March 2025.</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		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	Random payments were cross checked against authorisation, bank statements and cash book. <i>Comment: The council carries out good practise in line with the financial regulations and standing orders.</i>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	The are properly administered and reported to council. Authorisation to make payments are agreed by council and recorded in the minutes.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	A VAT statement is presented at council meetings. A VAT reclaim for £865.22 was made for the period 01/01/2024 to 31/01/2025, within specified time limits and credited to the council's bank account 6 th February 2025
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	The council does not have General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	No s137 payment were made

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 £10.81 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	There are no outstanding loans
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	The council has adopted the following: <ul style="list-style-type: none"> • General Risk Assessment (09/07/2024) • Financial Risk Assessment (09/07/2024) • Electronic Risk Assessment (09/07/2024) • Internet Use Risk Assessment (14/01/2025)
<i>Is there evidence that risks are being identified and managed?</i>	Yes	See above. Risk assessments are reviewed annually
<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 has an insurance policy with ANVAR policy number: AVY2387966 renewed 1 st October 2024. Insurance is reviewed annually and is considered adequate for the council. <ul style="list-style-type: none"> • Public Liability £10m • Employers Liability £5m • Fidelity Cover £25k
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	Internal controls are reviewed regularly and conform to the Accounts and Audit Controls Regulations 2015. The internal review statement was

⁴ Accounts and Audit Regulations

		reviewed at the meeting 9 th July 2024. Council agreed that the Internal Controls were adequate and there was no need for revision.
<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	The council has appointed Suffolk Association of Local Councils to conduct the Internal Audit for 2023/2024. The report was considered by council 9 th July 2024. Members agreed that standards were being met, and the work of the internal audit is effective.
<i>Additional comments:</i>		

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	The budget was set at the council meeting 9 th January 2024. There are clear and transparent detail of the budget on the council’s website. The budget was set at £7,745.03 which represented a 5% increase.
<i>Verify that the precept amount has been agreed in full Council and clearly recorded in the minutes.</i>	Yes	The precept request of £7,745 was agreed by council on 9 th January 2024. The documentation is recorded on the council website.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	At council meetings
<i>Reserves held – general and earmarked⁶</i>	Yes	General Reserves £8,583.24 – Including Earmarked Reserves £3,806.82
<i>Additional comments: £3,806.82 of the reserves are earmarked reserves from CIL payments.</i>		

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	Reported to council at every meeting
<i>Is income reported to full council?</i>	Yes	Reported to council at every meeting
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The amount requested agrees with the precept demand.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	The CIL report for 2024/2025 Identifies a brought forward balance of £6,008.00.
<i>Is CIL income reported to the council?</i>	Yes	The council spent:
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	<ul style="list-style-type: none"> • Street furniture: £160.00 • Village welcome signs £2,000.00 • Address labels (for neighbourhood plan questionnaire £41.18
<i>Has an annual report been produced?</i>	Yes	Retained balance. £3,806.82
<i>Has it been published on the authority's website?</i>	Yes	
Additional comments: CIL Payments are recorded according to Standing Orders and Financial Regulations		

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	The council does not operate a petty cash policy
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
Additional comments:		

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	I did not have sight of the on ne employee employment contract
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	No	
<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 salary is agreed by council in accordance with NALC guidelines
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	The payroll function is carried out by Suffolk Association of Local Councils
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	see above. All payments are paid promptly to HMRC and reported to council.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	No pension contributions are paid
<i>Have pension re-declaration duties been carried out</i>	N/A	No re-declaration required until June 2025, the previous re-declaration was June 2022.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	Expenses to reimburse the Clerk are reported and agreed by council at every meeting.
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 reviewed on an annual basis
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	Yes	The council has a comprehensive Asset Register. The total of assets £15,603,67
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<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	The Asset Register for 2024/2025 is up to date and forms part of the annual audit.
<i>Cross checking of insurance cover</i>	Yes	The insurance cover is adequate to cover the assets +50%
Additional comments:		

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	The reconciliation itemises. <ul style="list-style-type: none"> • Summary of balances • Details of bank accounts • Summary of Income and Expenditure.
<i>Do bank balances agree with bank statements?</i>	Yes	Summary of receipts and balances £8,583.24 Bank Statements: £8583.24
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	The bank reconciliation and bank balance are reported to every council meeting, with a full breakdown of income, expenses and bank balance.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	In accordance with Standing Orders and Financial Regulations.
<i>Financial trail from records to presented accounts</i>	Yes	Reported to council at all meetings and published on the council's website
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	The AGAR has been completed and reconciles with the financial statement and balance: <ul style="list-style-type: none"> • Bank balance £8,583.24 • Boxes 7&8 accounting statement £8,584
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	The council met the exemption criteria and has issued the correct exemption form 2. The council was able to demonstrate to declare itself exempt from limited assurance for 2024/2025
<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 date of the inspection notice was published 14 th May 2024 The public inspection dates were: Monday 3 rd June 2024 to Friday 12 th July 2024
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The following documents were available for inspection <ul style="list-style-type: none"> • Annual Internal Audit 2023/2024 • Section 1. Annual Governance Statement • Section 2 Accounting Statements • Section 3 Annual Internal Audit • Certificate of Exemption • Exercise of Public Rights Notice • Bank Reconciliation • Explanation of Variances • CIL Report.

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Additional comments:

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	Yes	The internal Auditors Report for 2023/2024 was reported and adopted by the council 12 th November 2024. Reference was made to the general reserve, the report reminded members of the regulations and guidelines regarding reserves. <i>Comment 1: There is evidence that this has been addressed. A full and comprehensive Action Plan has been presented to the council, there are clear objectives, the actions have been completed, minutes and dates when the actions were complete.</i> <i>Comment 2: I note that there is now a record of earmarked reserves as recommended in the Internal Audit Report 2023/2024.</i>
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	An action plan was agreed to address any comments and recommendations. 12 th November 2024.
<i>Has the Council confirmed the appointment of an internal auditor? Has the letter of engagement been approved by full council?</i>	Yes	The Council approved the appointment of Suffolk Association of Local Councils at the meeting of the council 12 th March 2024
<i>Additional comments: The problems of access to the website appear to have been addressed, I was able to access all the information I wished to view.</i>		

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>	<i>N/A</i>	The council has declared itself exempt of limited assurance review.
<i>Has appropriate action been taken regarding the comments raised?</i>	<i>N/A</i>	
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 (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	The Annual Meeting was held on 14 th May 2024 Councillor Christopher Harding was elected Chair of the Council for the municipal year 2024/2025
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	The minutes are recorded and published in accordance with legislation
<i>Is there a list of members' interests held?</i>	Yes	Held by Babergh District Council and published on the own council's 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 administer any trusts
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	Following the internal auditors report 2023/2024. The council have taken the following steps. Including the publication of all council documents on the council's website. Including: <ul style="list-style-type: none"> • Standing Orders • Financial Regulations • Internal Auditors Report • Vat reconciliation • End of Year Accounts • Asset register • Risk Assessments • Access to Information • Councillor details

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

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	Yes	The council is registered with Information Commissioner's Office. Number ZA455855
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council has taken steps to ensure compliance with Data Protection requirements.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	The council has an Accessibility Statement and publishes on the council's website
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	The council operates a .gov.uk email address for the Clerk
<i>Is there evidence that electronic files are backed up?</i>	Yes	He councils backs up information appropriately
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The council does not operate committees.
<i>Additional comments: Following the Internal Report of 2023/2024 there were a number of recommendations particularly with transparency, accessibility and action planning. The Council has carried out a comprehensive review of policies and procedures. I have no further concerns to report.</i>		

Signed: Alan Melton

Date of Internal Audit Visit: 15th April 2025 Date of Internal Audit Report: 15th April 2025

On behalf of Suffolk Association of Local Councils

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide