



Suffolk
Association of
Local Councils
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Internal Audit Report

Year ending: 31st March 2020

Name of Council:	SHADINGFIELD, SOTTERLY, WILLINGHAM AND ELOUGH JOINT PARISH COUNCIL
Income:	£7,580.16
Expenditure:	£8,300.51
Precept Figure:	£7,201.56
General Reserve:	£19,769.93 – AT 20 th MARCH 2020
Farmarked Reserves:	Unknown

Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will 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

Accordingly, in the conduct of planned audits Internal Audit 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 2019/20 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

Subject	Requirements	Comments/Recommendations
1. Proper Book-keeping	Type of cash book or ledger used	The council used an excel spreadsheet as the basis for the Council's accounting system.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and referenced.
	Correct arithmetic and balancing	Spot checks were made and found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The minutes of 18 th March 20 show that a review of the Council's Standing Orders was carried out during the year under review.
	Evidence that Financial Regulations (FRs) have been adopted and reviewed regularly	<i>Comment: at the next annual review, Council should undertake the opportunity to review and adopt the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.</i> The Council's Financial Regulations as seen on the website were those dated and adopted by Council on 20 June 2018.
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	<i>Comment: at the annual review, Council should consider reviewing and adopting the 2019 Model Financial Regulations as produced by NALC which refer to relevant legislation as amended.</i> In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority.
3. Payment controls	Evidence that Financial Regulations have been tailored to the Council	The Council's Financial Regulations are tailored to the Parish Council.
	Supporting paperwork for payments, and appropriate authorisation	Spot checks on the payment file were cross checked against cash book, bank statement, invoice and minutes and all were found to be in order.
	Internet Banking transactions properly recorded/approved	Internet banking is not operated by the Council.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The claim for the period March 2018 to March 2019 in the sum of £643.23 was settled during the year under review. The year-end period shows VAT due of £206.14. During the year under review, the RFO, having prepared a VAT statement and reclaim for the years 2016-2019, progressed a claim against HMRC for non-payment of the amounts claimed. A note on

		the files submitted for internal audit show that these will be settled and shown as one payment on the Council's bank statement and should total £2,341.48.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Council does not exercise the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	There were two payments totalling £800 made under the heading Donation with no reference to the power being exercised for the expenditure. <i>Comment: the use of S137 of the LGA 1972 (as amended by the Local Government and Housing Act 1989 s36) is a power of last resort and should be used where no other power applies. It gives the Council the power to incur expenditure which in their opinion is in the interests of and will bring direct benefit to their area or any part of it or all or some of its inhabitants. The benefit obtained must be commensurate with the expenditure incurred and the annual expenditure must not exceed the total electorate multiplied by the annual statutory limit per elector.</i> Recommendation: Council should ensure that to satisfy itself that it has the appropriate legal power to incur expense, it ensures that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. Training for Councillors and the Clerk plus guidance is available from SALC.
4. Risk Management	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Council has no such loans.
	Is there evidence of risk assessment documentation?	The Risk Assessment Document for the period 1 st April 2019 to 31 st March 2019 was reviewed in October 2019. The document covers in general terms the matters which could possibly prevent a smaller relevant body from functioning. <i>Comment: Overall within its Risk Assessment Document, Council has identified a number of risks to property, finances and personnel and has taken steps to control the risk - all of which are clearly identified within the document as approved by Full Council.</i>

<p>Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.</p>	<p>General Insurance is under a Parish Protect Policy from Zurich which shows core cover: Business Interruption; Public & Products Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses and premises cover for the Sotterley Chapel. Fidelity Guarantee Cover is £25,000, which given the current balances held by the Council is within recommended guidelines.</p>
<p>Evidence that insurance is adequate and has been reviewed on an annual basis</p>	<p>Whilst Council renewed its insurance cover during the year under consideration, there is no minute to record that a review had been carried out of the insurance held or to be held.</p> <p><i>Comment: in accordance with Proper Practices, whilst Council has taken steps to manage its key risks in a way which it can justify to a level which is tolerable by transferring the risk and taking out insurance, it should also ensure that the review of the insurance cover as carried out by the RFO, is reported back to the Council and minuted to state that appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i></p>
<p>Evidence that internal controls are documented and regularly reviewed</p>	<p>Although a document showing an adequate system of internal control was submitted for internal audit, it is undated. Whilst the minutes of 18th March 20 show that new internal controls had been drafted, these were not discussed and adopted during the year under review. As such there is no evidence within the minutes for the year under review that the parish council has undertaken a review of the effectiveness of the system of internal control during the year. This review will be required to inform the authority's preparation of its annual governance statement.</p> <p>Recommendation: with reference to the Accounts and Audit Regulations 2015, Council, as advised in the Internal Audit Report for 2018/19, should note the requirement to have in place safe and efficient arrangements to safeguard public money. Council should take steps to ensure that it reviews its arrangements to protect public money during the coming year and minutes that such a review has taken place and sign and date the relevant documentation.</p>

5. Budgetary controls	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The effectiveness of internal audit was not discussed or considered during the year under review.
	Verifying that the budget has been properly prepared, and agreed	<p>Recommendation: Council should be mindful of guidance which states that it should at least annually, carry out a review of the effectiveness of its internal audit arrangements.</p> <p>There were no minutes submitted for internal audit showing at which meeting the budget for the year 2019/20 in the sum of £20,180.93 was discussed and approved and there was limited evidence of budget monitoring in the papers submitted for internal audit.</p> <p><i>Comment: Council should ensure that it evidences that is has understood the key stages as to the budgetary process to be followed in setting the budget for the year:</i></p> <ul style="list-style-type: none"> • decide the form and level of detail of the budget; • review the current year budget and spending; • determine the cost of spending plans; • assess levels of income; • provide for contingencies and consider the need for reserves; • approve the budget.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	There were no minutes submitted for internal audit showing at which meeting the precept was set and formally approved at £7,201.56 although the Precept Form was signed on 22 nd January 2019.
	Regular reporting of expenditure and variances from budget	There was limited monitoring of expenditure and income against budget identifying period and year-to-date variances.

Recommendation: Council should be mindful that proper practises state that reviewing the budget against actual expenditure regularly gives members early warning about the likelihood of a shortfall (or surplus) and helps them to decide what responsive action to take. Council should consider following Model Standing Order 17c which requires the RFO to supply, on a quarterly basis a statement which summarizes: the receipts and payment for each quarter; the aggregate receipts and payments for year to date;

	Reserves held	balance held at the end of each quarter being reported and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.
	General and Earmarked.	At year-end Council had reserves of £19,769.93. There is no further breakdown of the reserve position held in terms of earmarked reserves and restricted reserves (CIL) <i>Comment: the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure. This level should be annually reviewed and should be sufficient alongside contingency sums to meet, within reason, any unforeseen items of expense that may occur.</i>
	Is income properly recorded and promptly banked?	A number of items of income were cross checked against cash book and bank statement. In accordance with Proper Practices, the RFO ensures that the accounting records contain entries from day to day of all sums of money received.
6. Income controls	Is income reported to full Council?	All income received by the parish council is in the main reported as part of the Financial Reports submitted by the RFO.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Council's financial records show that it received a precept sum totalling £7,201.56 for the year under review.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	During the previous year, Council received CIL Funds totalling £1,039.77. <i>Comment: in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds in 2018-2019, should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received, spent and retained at year-end. This should be uploaded onto the Council's website prior to 31st December.</i>
7. Petty Cash	Is a petty cash in operation? If so, is there an adequate control system in place.	A petty cash system is not operated by the parish council. All expenses claimed are approved by full council with supporting paperwork in place.

8. Payroll controls	Do all employees have contracts of employment?	Council had 1 employee on its payroll at the period end of 31 st March 2020 Employment contracts were not reviewed during the internal audit.
	Are arrangements in place for authorising of the payroll and payments by the Council?	All salary payments are authorised by full council.
	Verifying the process for agreeing rates of pay to be applied.	<i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council.</i>
	Do salary payments include deductions for PAYE/NIC?	The payroll function is operated in accordance with HM Revenue and Customs guidelines.
	Is PAYE/NIC paid promptly to HMRC?	<i>Comment: there are 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>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	During the year under review, there were no pension contributions due.
	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register was reviewed during the Internal Audit Visit for year-end and is stated at £200,553.57. It is unclear as to the values that have been given to the asses on the register and the Internal Auditor is unable to verify if they were stated as at the acquisition value and were assets have been gifted or where there is no known value have been stated at the proxy value of £1.
		Recommendation: as per the recommendation in the 2018/19 Internal Audit Report, Council should review the asset register held to ensure it is maintained in accordance with proper practices.
9. Asset control	Verifying that the Asset Register is reviewed annually	It is assumed that the Asset Register value of £200,554 will be stated on the AGAR which had not been completed at the time of internal audit review.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance. Content Items (other property) are identified under the All Risks Category and have been given insurance value in accordance with the policy operated by the insurance company.

	Regularly completed and reconciled with cash book	There is regular reporting of bank reconciliations during the year and the Council, as evidence of good financial practice, has appointed a Councillors to verify the bank reconciliations as carried out by the RFO.
10. Bank reconciliation	Confirm bank balances agree with bank statements	There was no year-end bank reconciliation submitted for internal audit. At 20 th March 2020, bank balances stand at: £19,769.93. Recommendation: Council should be aware that a year-end bank reconciliation should be properly carried out. Since the year-end bank reconciliation has not been provided, the internal auditor will be unable to respond to Control Objective 1 in the affirmative. Overall, there is reporting of bank balances within the minutes of the parish council. <i>Comment: Council follows good practise in ensuring that the reconciliation of cash book to bank statements is reported to members, and the full reconciliation is made available for their scrutiny each time it is done.</i> Accounts are produced on a receipts and expenditure basis. All were found to be in order.
	Regular reporting of bank balances at council meetings	
	Appropriate accounting procedures used	
11. Year-end procedures	Financial trail from records to presented accounts	Whilst there is an underlying financial trail from financial records to the accounts produced, the internal auditor has noted that a number of documents were missing from the website See comments under publication requirements below.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it is assumed that Council will complete Part 2 of the AGAR. This was not completed and submitted at the time of internal audit.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Parish Council had gross income and expenditure not exceeding £25,000 it was able to declare itself exempt from a limited assurance review.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 st March 2019 were carried out in accordance with legislation.

	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The Council has partially complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 for the year ending 31st March 2019 and has published the following on a public website:</p> <p>Annual Internal Audit Report of the AGAR</p> <p>Section 1 – Annual Governance Statement of the AGAR</p> <p>Section 2 – Accounting Statements of the AGAR</p> <p>Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</p> <p>Bank Reconciliation for the period ending 31st March 2019</p> <p>The following were however not published on the website:</p> <p>Certificate of Exemption</p> <p>Analysis of variances</p> <p>Recommendation: Council should be aware that all of the above should have been published on its website for the year 2019/20 by 31 August 2020 (The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.</p>
	Verifying that the previous internal audit reports have been considered by the Council	<p>The Report for the year ending 31st March 2019 was considered and accepted at the meeting of the Council on 20th June 2019 with agreement that the recommendations and comments contained within the report be reviewed over the coming months.</p>
12. Internal audit for year ending 31 March 2019	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following recommendations raised in the report from the internal audit were considered by the parish council at the above meeting:</p> <ol style="list-style-type: none"> 1. Review of powers against which expenditure is incurred 2. Review and document internal controls along with effectiveness of internal controls 3. Review of general reserves held by the Council 4. Review asset register to ensure held in accordance with Proper Practices 5. Review year-end financial position versus year-end bank statement

	Confirmation of appointment of Internal Auditor	<ol style="list-style-type: none"> 6. Ensure year-end figures match those reproduced on the AGAR with reference to agreement between the Exemption Certificate and the Accounting Statements 7. Compliance with the publication requirements of the Accounts and Audit Regulations 2015 8. Election of Chair to be the 1st item on the Annual Council Meeting 9. Compliance with the Transparency Code 2014 10. Register with the ICO as a Data Controller <p>SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of full Council of 19th February 2020.</p>
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	As Council was a smaller authority with income and expenditure not exceeding £25,000 it was not subject to an intermediate review undertaken by the External Auditors.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 9 th May 2019 with the first item on the agenda being the election of the Chairman in accordance with the Local Government Act of 1972 15(1).E
	Correct identification of trustee responsibilities.	The council does not act as the sole trustee for any trusts.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	<p>To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council should be aware that the following must be published on a public website for the year 2019/20 not later than 1 July:</p> <ul style="list-style-type: none"> 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 and that <p>Agendas of Meetings; Associated Papers and Minutes should all be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014</p> <p><i>Comment: the Council should take the earliest opportunity to ensure</i></p>

		<i>all missing data in terms of minutes and associated papers are uploaded to the website.</i>
	Verifying that the council is registered with the ICO	The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council is taking steps to ensure compliancy with the GDPR requirements. A General Privacy Notice was seen on the parish council's website along with an audit/impact assessment. <i>Comment: to ensure compliancy with the GDPR requirements, Council may wish to consider producing further policies that provide clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR. Policies that should be considered are: Procedures for dealing with Subject Access Request; Procedure for dealing with Data Breaches; Data Retention & Disposal Policies and BYOD Policies.</i>

Signed: *Tos M'aples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 01.12.20

Date of Internal Audit Report: 03.12.20