

Internal Audit Report

Year ending: 31st March 2020

Name of Council:	Withersfield Parish Council
Income:	£12,366.03
Expenditure:	£8787.86
Precept Figure:	£9,335
General Reserve:	£0
Earmarked Reserves:	£4000

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 Cashbook is maintained on a Spreadsheet and is well referenced. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cashbook.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and referenced which provides evidence to support the Council's underlying accounting statements.
	Correct arithmetic and balancing	Balancing and arithmetic were found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	NALC Model Standing Orders 2018 have been adopted by the Council and were reviewed on 14/5/19. This was noted in the minutes.
	Evidence that Financial Regulations have been adopted and reviewed regularly	NALC Model Financial Regulations have been adopted but the 2016 version on the website is now out of date. The Financial Regulations were reviewed on 14/5/19 and this was noted in the minutes. Recommendation: To adopt NALC's model Financial Regulations 2019 which incorporate or reference the requirements of new legislation that has been introduced.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It is noted in the Internal Control Document that the Clerk is the Parish Council's Responsible Financial Officer and is responsible for administering the Parish Council's finances. Comment: Council may wish to include evidence in their minutes of the annual appointment of their Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A full audit trail was evidenced.

		<p>RFO provides Council with a report detailing all payments made to date.</p> <p>Comment: For future reference and to ensure that Councillors and members of the public are aware of the amounts of payments made by the authority and the matters to which they relate, this information could be noted either in the minutes or the report containing the information appended to the minutes.</p> <p>The legal powers to pay are not included in the minutes or cashbook.</p> <p>Comment: To ensure that all payments made are within its powers and that it is not acting outside of its legal power, the Council should consider adding a reference as to the power being used in either the minutes or the cashbook.</p>
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	<p>Evidence seen of reclaim from 1/4/19 to 31/3/20 of £73.10. Noted in cashbook on 6/8/2019 a VAT reclaim of £450.71.</p> <p><i>Comment: shows good practice by noting that VAT should be reclaimed in their risk assessment documents.</i></p>
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Council has not adopted the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	<p>S137 payments are recorded in a separate column in the cashbook. Expenditure for this audit year is £170 which is within the guidelines for this capped expenditure.</p> <p>Comment: It is good practice to note S137 payments in the minutes.</p>
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council has no Public Works Loan and as such incurred no interest payments for the period under review.
4. Risk Management	Is there evidence of risk assessment documentation?	The audit review confirmed that the assessments provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

	Evidence that risks are being identified and managed.	Risk assessment documentation was reviewed on 19/11/19.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place including £25,000 of Fidelity Insurance cover which is slightly outside of the guidelines of year end balances + 50% of precept/grants. £10 million of both Employers and Public Liability insurance is held. Withersfield Sports Pavilion is covered under a separate policy. The Council shows good practice by including in their risk assessment documents a review of insurance in place. Comment: Council may wish to consider increasing their fidelity insurance cover.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Adequate insurance is held and the annual review is noted in the risk assessment documents. Comment: It is good practice to include the annual review of the Council's insurance against the asset register in the minutes.
	Evidence that internal controls are documented and regularly reviewed	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting of 14/5/2019. This was noted in the minutes.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Council includes in their internal control document an annual review of the effectiveness of the system of internal control. The review of the effectiveness is informed by the work of the independent internal auditor who reviews the Parish Council's system of internal control. Comment: It is good practise to record in the minutes that a separate review of the effectiveness of the internal audit has been undertaken.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Good budgetary procedures were in place during the year 2019/20. This item is also included in the risk assessment documents.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept amount has been agreed in full Council on 23/1/19 and minuted but the amount of the precept requested was not included in the minutes.

		Comment: It is good practice to include the amount of the precept request in the minutes.
	Regular reporting of expenditure and variances from budget	The Council receives regular detailed reports of expenditure against budget from the RFO.
	Reserves held General and Earmarked.	The RFO confirmed that at the end of the audit year the Council held £4,000 of earmarked reserves and £0 General Reserves. Comment: Council may wish to allocate funds to a general reserve. NALC's Accountability and Governance Item - 5.32 advises 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 (NRE).
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures.
	Is income reported to full Council?	It is noted in the risk assessment documents that the RFO provides a summary of income to the Council at each meeting. Comment: For future reference and to ensure that Councillors and members of the public are aware of the income received by the authority and the matters to which they relate, this information could be noted either in the minutes or the report containing the information appended to the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded in the cashbook agrees with West Suffolk Council's payment of £9335.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	No payments were received from the Community Infrastructure Levy.
	<ul style="list-style-type: none"> Is CIL income reported to Council? 	

	<ul style="list-style-type: none"> Does unspent CIL income form part of Earmarked reserves? Has an annual report been produced Has it been published on the authority's website 	
7. Petty Cash	Is a petty cash in operation?	There is no system of petty cash in operation.
	If so, is there an adequate control system in place.	
8. Payroll controls	Do all employees have contracts of employment?	The clerk's job description and contract of employment are noted in the risk assessment documentation.
	Are arrangements in place for authorising of the payroll and payments by the Council? Verifying the process for agreeing rates of pay to be applied.	Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council. Cross-checks were completed on two payments covering salary and PAYE and were found to be in order. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs, if applicable, on or before the dates prescribed. SALC is contracted to carry out the payroll function for the Council.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	There is no evidence in the minutes of the Council's pension responsibilities for the new Clerk. Comment: Council may wish to note in the minutes, on an annual basis, its responsibilities under the legislation for work place pensions and note if they have completed a Declaration of Compliance under The Pensions Act 2008.

	Are other payments to employees reasonable and approved by the Council?	Other payments to employees are reasonable and approved by full Council.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at original purchase cost or, where the original purchase price is unknown, at a nominal/community value. The total value of £28,713 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed by the Council on 19/11/19.
	Cross checking of Insurance cover	The Council includes in their risk assessment documentation a review of the insurance in place. Comment: It is good practice to include in the minutes that the cross checking of insurance against the asset register to ensure it is adequate, has been carried out.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are regularly completed and form part of the RFO's financial reports.
	Confirm bank balances agree with bank statements	The following bank balances agree with the end of year bank reconciliation: Lloyds Bank Treasurers Account: £4055.18 Lloyds Business Banking Instant Account: £19,308.82
	Regular reporting of bank balances at council meetings	Bank balances are reported at each Council meeting in the RFO's report.
11. Year-end procedures	Appropriate accounting procedures used	Accounts were prepared on a receipts and payments basis.
	Financial trail from records to presented accounts	A financial trail was evidenced from records to presented accounts.
	Has the appropriate end of year AGAR documents been completed?	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed. The Council has also certified itself exempt from the limited assurance review and the certificate has been completed.

	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 in 2018/19. it was able to correctly 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 notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015 was available from 17/6/19 to 26/7/19.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The Council has published on a public website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities the following information:</p> <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Annual Internal Audit Report, page 4 • Section 1 – Annual Governance Statement, page 5 • Section 2 – Accounting Statements, page 6 • Analysis of variances • Bank reconciliation • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015
12.Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The previous year's internal audit report was considered by the Council at their meeting on 16/7/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following items were raised by the internal auditor and have been actioned: Minute the review of the internal control document; review of the effectiveness of the internal audit (but not noted in the minutes); quarterly financial report from the RFO provided to Council; all items owned by Council should be noted on the asset register; publishing the significant variances and the first item on the agenda for the Council's AGM should be the election of the Chair.

		<p>Recommendation: Council must ensure that it takes steps to implement an action plan to address the issues raised by the auditor to ensure that the council is not exposed to the risks associated with any weaknesses in its internal controls and financial systems. From the 2018/19 internal audit these items include: Council should note the items the accounting records should contain and include these in the minutes; legal powers to pay are included in either the minutes or the cashbook (to ensure the Council does not make any payments outside of its legal power); payments made under S137 should be minuted as being paid under this power; clearly minute the amount of the budget and the precept requested annually.</p>
	Confirmation of appointment of Internal Auditor	<p>There is no evidence in the minutes of the appointment of the internal auditor.</p> <p>Recommendation: Council should note in the minutes on an annual basis the appointment of the internal auditor in the minutes.</p>
13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	Council declared itself exempt from a limited assurance review.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	The annual meeting was held in accordance with legislation on 14/5/19 with the 1 st item being the election of the Chair.
	Correct identification of trustee responsibilities	The Council does not have any trustee responsibilities.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	<p>The Council is aware of its responsibilities under the Transparency Code and has published the following information on its website:</p> <p>End of Year Accounts</p> <p>Annual Governance Statement</p>

	<p>Internal Audit Report</p> <p>Asset Register</p> <p>Items of Expenditure Above £100</p> <p>Comment: To be fully compliant Council may wish to include the list of Councillors and Responsibilities and a full list of all Minutes and Agendas of Meetings.</p>
Verifying that the council is registered with the ICO	The Council is registered with the ICO with the payment being noted in the cashbook on 6/3/20.
<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p> <p>Are the following in place:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>The Council does not publish any policies relating to the General Data Protection Regulation requirements.</p> <p>Recommendation: To be fully Compliant with the General Data Protection Regulation requirements the Council should adopt and publish the following policies:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies

Signed.....*Linda Harley*.....

Date of Internal Audit Visit1/7/20..... Date of Internal Audit Report.....1/7/20.....

On behalf of Suffolk Association of Local Councils