

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Spexhall Parish Council
Income:	£3808.00
Expenditure:	£2502.96
Precept Figure:	£2950
General Reserve:	£3661.97
Earmarked Reserves:	NIL

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	Computerised spreadsheets are used as the cash ledger.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is kept up to date and is well referenced including legal powers.
	Correct arithmetic and balancing	Spot checks for the year under review were made and found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders have been adopted (NALC Model Standing Orders 2018) and were reviewed at a Council meeting of 24 July 2019.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were reviewed at a Council meeting of 24 July 2019 and 18 September 2019 when NALC Model Financial Regulations 2019 were adopted.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Council, in accordance with Section 151 of the Local Government Act 1972 (financial administration), the Council has appointed a person (the Clerk) to be responsible for the financial affairs of the relevant authority at its meeting of 9 May 2019.
	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 selection of random payments were selected and cross checked against cash book, invoices, VAT and minutes and found to be in order.
	Internet Banking transactions properly recorded/approved	Internet banking is not used by Council.
	VAT correctly identified and reclaimed within time limits	VAT is correctly identified and a reclaim for £858 was received covering the year 27.3.17 - 1.3.19.
	Has Council adopted the General Power of Competence and is it being correctly applied?	Council has not adopted the General Power of Competence.

	S137 separately recorded, minuted and within statutory limits	Section 137 of the Local Government Act 1972 enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants. One payment had been made in the year under review of £30 correctly using S.137.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none applicable for the year under review.
4. Risk Management	Is there evidence of risk assessment documentation?	A Financial and Management Risk Assessment document was evidenced by the Internal Auditor.
	Evidence that risks are being identified and managed.	Council reviewed its risk assessment at a Council meeting of 29 January 2020.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Insurance cover was in place during the year under review. Employers Liability £10million Public Liability £10million Fidelity Guarantee £25,000 this is within the recommended guidelines of year-end balances plus 1 st instalment of precept received.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance was reviewed at a Council meeting of 18 September 2019.
	Evidence that internal controls are documented and regularly reviewed	Internal Control Statement evidenced by the Internal Auditor. It was noted due to the cancellation of the March 2020 meeting (Covid-19) Council was unable to carry out its review however the review was carried out at the next available meeting.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The effectiveness of internal audit was not carried out in the year under review but was evidenced by the Internal Auditor. See above.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Budget was agreed at a Council meeting of 22 November 2018, with the budget paper seen by the Internal Auditor.

	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept in the sum of £2950 was agreed at a Council meeting of 22 November 2018 with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	Quarterly reports of expenditure and variance from budget carried out as per Council's Standing Orders.
	Reserves held General and Earmarked.	General Reserves: £3661.97 Earmarked Reserves: NIL
6. Income controls	Is income properly recorded and promptly banked?	Income is properly recorded within the cashbook.
	Is income reported to full Council?	Income is reported to Council and forms part of the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Evidence was provided showing the Precept to be paid and receipt of same in the Council's Bank Account.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	No CIL payments have been received.
	<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? 	
	<ul style="list-style-type: none"> • Has an annual report been produced 	
	<ul style="list-style-type: none"> • Has it been published on the authority's website 	
7. Petty Cash	Is a petty cash in operation?	Council does not operate a petty cash system.
	If so, is there an adequate control system in place.	

8. Payroll controls	Do all employees have contracts of employment?	Contract of employment not seen by the Internal Auditor.
	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.	PAYE is operated in accordance with HM Revenue and Customs guidelines. SALC is contracted to fulfil the function of payroll administrator. Council agreed Clerks pay scale at a meeting of 9 May 2019.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Salary includes deductions for PAYE. PAYE is paid in accordance with HM Revenue and Customs timescales.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Pension payments are not in operation. It was noted in the Internal Audit Report 2019 a Declaration of Compliance had been made on 29 September 2017.
	Are other payments to employees reasonable and approved by the Council?	Council approves all expenses paid to the Clerk with a minute reference made.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register is maintained in accordance with proper practices and covers the fixed assets owned by the Council.
	Verifying that the Asset Register is reviewed annually	The Asset Register was reviewed at a Council meeting of 29 January 2020 and shows an uplift of £200 from the previous year with the purchase of a projector.
	Cross checking of Insurance cover	The Parish Protect insures property up to £10,000.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Regular reconciliations are completed.
	Confirm bank balances agree with bank statements	The overall year-end bank position is stated as £3661.97 Balances are confirmed at year end are: Barclays Community Account £4202.51 O/S cheques £540.54
	Regular reporting of bank balances at council meetings	Bank balances are reported to Council at each meeting with a reference being made in the Council's Minutes.

11. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring that payments and receipts are listed in the Council's Minutes, cheque stubs and invoices are initialled as part of the smaller authorities financial control.
	Has the appropriate end of year AGAR documents been completed?	Part 2 of the AGAR has been correctly completed and signed. The Internal Auditor has completed the relevant page of this form.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2018/19, it was able to certify itself as an exempt authority which was confirmed at a meeting of Council on 9 May 2019.
	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 find the details of the arrangements for the exercise of public rights for the period ending 31 st March 2019 on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council have complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website: Annual Internal Audit Report Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Notice of the period of 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 Internal Audit Report was considered at a Council meeting of 24 July 2019.

	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	No recommendations were raised in the internal audit report.
	Confirmation of appointment of Internal Auditor	SALC was appointed as the Internal Auditor at a Council meeting of 29 January 2020.
13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	No external report was provided by the external auditors as the Council was able to certify itself as exempt from a Limited Assurance Review.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Not applicable.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 9 th May 2019 the election of the Chair was not the first item on the agenda. <i>Comment: In accordance with the Local Government Act of 1972 15 (1) the election of the Chair must be the first item on the agenda. However, it is noted within the Minutes it is stated this was an administrative error this item should have been the first item on agenda.</i>
	Correct identification of trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2019/20 not later than 1 July: 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 Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency Code for smaller authorities – December 2014.
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. Registration No: ZA198824
Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place: <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 	Council is not compliant with the General Data Protection Regulations however the Internal Auditor has noted Council has in place: New Councillors Privacy Notice Privacy Notice for Parishioners Privacy Notice for Employees and Councillors Recommend: The following policies should be put in place to meet the requirements of the General Data Protection Regulations: Audit/Impact Assessment Procedures for dealing with Subject Access Requests Procedures for dealing with Data Breaches Data Retention & Disposal Policies Templates for the above are available on the SALC website under Information Management.

Signed: S.J. Brown

Date of Internal Audit Report: 13th July 2020

On behalf of Suffolk Association of Local Councils