

**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2020**

<b>Name of Council:</b>	Peasenhall Parish Council
<b>Income:</b>	£14781.04
<b>Expenditure:</b>	£8459.71
<b>Precept Figure:</b>	£12074
<b>General Reserve:</b>	£25967.98
<b>Earmarked Reserves:</b>	£4700.00

## **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

<b>Subject</b>	<b>Requirements</b>	<b>Comments/Recommendations</b>
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	Excel spreadsheet used.
	Cash book kept up to date and regularly verified against bank statement	Cashbook is up to date to 31/3/19 and reconciled against bank statements.
	Correct arithmetic and balancing	Arithmetic and balancing are correct.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Up to date NALC model Standing Orders were adopted on 15/5/19 and 29/1/20
	Evidence that Financial Regulations have been adopted and reviewed regularly	Up to date NALC model Financial Regulations were adopted on 15/5/19 and 29/1/20
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The clerk was appointed as the Responsible Financial Officer
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	Evidence seen to support paperwork for payments and appropriate authorisation. Invoices initialled by 2 Councillors.
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	All VAT is recorded in a separate column in the cash book. VAT paid from November 2015 to October 2019 was reclaimed on 06/11/19 for £ 1799.80. VAT for 19/20 was recorded in the cashbook as £183.25.
	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	Payments made under S137 are separately recorded in the cash book and are within statutory guidelines.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	N/A
<b>4. Risk Management</b>	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.	Risks have been identified and managed and the assessment documents were reviewed on 29/1/20
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate levels of insurance cover are in place with both £10 million for Public and Employers Liability. £250,000 of Fidelity Insurance cover is in place which is within guidelines. Assets are covered under an 'all-risks' policy.
	Evidence that insurance is adequate and has been reviewed on an annual basis	At the Council's meeting on 15/5/19 the insurance policy was reviewed. 2019/20 is the second year of a 3 year term and the premium is set at £484.32.
	Evidence that internal controls are documented and regularly reviewed	A Comprehensive internal control document is in place.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The effectiveness of the internal audit is included in the internal control document.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The budget was agreed on 28/11/18 with a breakdown of the budget published on the website.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount was agreed and minuted at the meeting on 28/11/19.
	Regular reporting of expenditure and variances from budget	Due to a changeover of Clerk expenditure figures were not reported this financial year.

		<p>A system has been put in place for 2020/21 and noted in the Internal controls: ' that the Council will review and approve quarterly budget versus actual income and expenditure'.</p> <p><b>Recommendation: in accordance with Council's own Standing Orders, Council should receive and consider a report submitted by the Responsible Financial Officer as soon as practicable after 30 June, 30 September and 31 December which contains a statement to summarize:</b></p> <ul style="list-style-type: none"> <li><b>i. the council's receipts and payments for each quarter;</b></li> <li><b>ii. the council's aggregate receipts and payments for the year to date;</b></li> <li><b>iii. the balances held at the end of the quarter being reported and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.</b></li> </ul>
	<p>Reserves held</p> <p>General and Earmarked.</p>	<p>General £25967.98 Earmarked £4700.00</p> <p>The Accountability and Governance document (5.32) states that ' 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).</p> <p>There are no upper or lower limit to Earmarked Reserves save only that they must be held for genuine and intended purposes, and their level should be subject to regular review and justification (at least annually) and should be separately identified and enumerated.'</p> <p><b>Recommendation : A proportion of the General Reserve should be earmarked, to ensure it is within the suggested guidelines.</b></p>
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is recorded in the cashbook and promptly banked.

	Is income reported to full Council?	Income received is not noted in the minutes. <b>Recommendation: It is good practice to ensure a record of all receipts is noted in the minutes.</b>
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded of £12,074 agrees to the Council Tax Authorities notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	No funds were received from CIL.
	<ul style="list-style-type: none"> <li>• Is CIL income reported to Council?</li> <li>• Does unspent CIL income form part of Earmarked reserves?</li> <li>• Has an annual report been produced</li> <li>• Has it been published on the authority's website</li> </ul>	
<b>7. Petty Cash</b>	Is a petty cash in operation?	No petty cash held.
	If so, is there an adequate control system in place.	
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Evidence seen of the Clerk's contract of employment and this was noted in the internal controls document.
	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.	Arrangements are in place for authorising payroll. Internal control document states that: Employer filing obligations are met by outsourcing payroll duties to SALC. Any PAYE/NIC due is notified to the Council by a SALC payslip at quarterly meetings and is paid by Council cheque. P60 for Sharon Smith seen.
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	PAYE is operated in accordance with HMRC regulations. Regular payments have been made to HMRC and detailed pay slips are produced.

	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	The Council noted the re-declaration of compliance with the Pensions legislator 29/2/20.
	Are other payments to employees reasonable and approved by the Council?	Other payments are reasonable, approved by the council with invoices being initialled by 2 members.
<b>9. Asset control</b>	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 £27,689 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	It was minuted that the asset register was reviewed on 29/1/20.
	Cross checking of Insurance cover	Council reviewed and approved the insurance cover on 15/05/19 including the Fidelity Guarantee cover.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Quarterly bank reconciliations are completed and noted in the minutes.
	Confirm bank balances agree with bank statements	Bank balances at 31/3/20 agree with the bank reconciliation: Barclays Current Account       £23715.82 Barclays Business Premium       £7130.72 account Total                                       £30846.54
	Regular reporting of bank balances at council meetings	Bank balances are reported in the minutes.
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Receipts and Payments system used.
	Financial trail from records to presented accounts	A financial trail from records to presented accounts was checked. Auditor advised that some paperwork is still with the previous Clerk including the cemetery records.

<p>Has the appropriate end of year AGAR documents been completed?</p>	<p>Section 1 has not been completed as the Council has not met to consider, due to the current corona virus restrictions. Section 2 Accounting Statement has been correctly completed and figures checked to bank reconciliation and cash book.  <b>Recommendation: Section 1 of the AGAR must be approved before Section 2 as detailed on the first page of the AGAR Return 2019/20. The AGAR must be approved and published by 31 August 2020 at the latest or may be approved earlier, wherever possible. This means that the period for the exercise of public rights can now be held any time after the approval of the accounts and AGAR as long as it is commenced on 1 September at the latest. Authorities should publish the dates of their public inspection period.</b></p>
<p>Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?</p>	<p>In 2018/19 Peasenhall Parish Council correctly declared itself exempt, having both income and expenditure of less than £25,000.00.</p>
<p>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?</p>	<p>No evidence seen that the smaller authority demonstrated that it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations for 2018/19.  <b>Recommendation: The period for the exercise of public rights must cover the first 2 weeks ie the first 10 working days of July and must last for 30 working days. Information relating to this should be published on the Council's website</b></p>
<p>Have the publication requirements been met in accordance with the Audit &amp; Accounts Regulations of 2015</p>	<p>The Council met the publication requirements by publishing the following items on their website:</p> <ul style="list-style-type: none"> <li>• Certificate of Exemption, page 3</li> <li>• Annual Internal Audit Report 2017/18,</li> <li>• Section 1 – Annual Governance Statement 2017/18,</li> <li>• Section 2 – Accounting Statements 2017/18</li> <li>• Bank reconciliation</li> </ul>



		However the Council did not publish the Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. See Recommendation above.
<b>12. Internal audit for the year ending 31 March 2019</b>	Verifying that the previous internal audit reports have been considered by the Council	Council is aware that it should review the internal audit report and noted at their meeting on 26/2/20 that the report from the Council's appointed auditor for the financial year 2018/2019 had not yet been received. It was finally approved by email in March 2020 due to Coronavirus restrictions.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The council were unable to take appropriate actions raised in the report in the financial year 2019/20 as it had not been received from the internal auditor. The Council documented this in their minutes.
	Confirmation of appointment of Internal Auditor	SALC were confirmed as the internal auditor at the meeting on 31/10/19.
<b>13. External audit for the year ending 31 March 2019</b>	Verifying that the external audit report has been considered by the Council	The Council declared itself exempt from an external audit.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The council's Annual Meeting was held on 15/5/19. The first item on the agenda was not the election of the Chairman. <b>Recommendation: In accordance with legislation, the first item on the agenda for the annual general meeting of the Council should be the election of the Chair.</b>
	Correct identification of trustee responsibilities	N/A
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Transparency code has been correctly applied and information is published in accordance with current legislation including: Items of Expenditure Over £100; 2018/2019 Annual Accounts; 2018/2019 End of Year Bank Reconciliation; 2018/2019 Annual

	Governance Statement; 2018/2019 Internal Audit Report; 2018/2019 List of Councillor Responsibilities; Details of Land and Public Buildings Minutes and Agendas and Meeting Papers. See note above regarding the publication of elector's rights.
Verifying that the council is registered with the ICO	The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under current Data Protection legislation (Registration ZA649315 30/10/19)
Verifying that the Council is compliant with the General Data Protection Regulation requirements  Are the following in place: <ul style="list-style-type: none"> <li>• Audit / Impact Assessment</li> <li>• Privacy Notices</li> <li>• Procedures for dealing with Subject Access Requests</li> <li>• Procedure for dealing with Data Breaches</li> <li>• Data Retention &amp; Disposal Policies</li> </ul>	The Council's Subject Access Request Policy and Procedure was approved on 26/02/20 and their Personal Data Audit approved on 26/02/20. <b>Recommendation: to be fully compliant with the General Data Protection Regulation requirement the Council should adopt and publish:</b> <b>Audit/Impact Assessment</b> <b>Privacy Notices</b> <b>Procedures for dealing with Subject Access Requests</b> <b>Data Retention and Disposal Policy</b>

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

Date of Internal Audit Visit .....22/5/20.....

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On behalf of Suffolk Association of Local Councils