

## Internal Audit Report

### Year ending: 31<sup>st</sup> March 2020

<b>Name of Council:</b>	GREAT AND LITTLE WHELNETHAM PARISH COUNCIL
<b>Income:</b>	£23,241.38
<b>Expenditure:</b>	£19,917.97
<b>Precept Figure:</b>	£11,015.00
<b>General Reserve:</b>	£13,969.24
<b>Earmarked Reserves:</b>	£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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	The council uses 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 which provides evidence to support the Council's underlying accounting statements.
	Correct arithmetic and balancing	Spot checks were made and found to be correct. The accounting records are well maintained and allow clear identification of amounts that the parish council has spent in the year, and the income it has received at any given point.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	At the meeting of 10 <sup>th</sup> March 2020, Council carried out an annual review of its own Standing Orders which are based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations (FRs) have been adopted and reviewed regularly	The Council's Financial Regulations which were also reviewed at a meeting of 10 <sup>th</sup> March 2020 are based on the latest Model Financial Regulations as produced by NALC.  <i>Comment: at its next review, Council might wish to consider and adopt the Model Financial Regulations produced by NALC in 2019 which have been adapted to reflect recent changes in legislation concerning procurement.</i>
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	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.
	Evidence that Financial Regulations have been tailored to the Council	To ensure that its Financial Regulations are tailored to the Parish Council, Council should consider removal of the alternative options for a council and in particular removing the square brackets ([ ]), thereby eliminating ambiguity.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	At each full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being

		shown in the minutes and evidence of such paperwork in the files submitted for internal audit. During the year, at a meeting of 17 <sup>th</sup> December 2019, Council agreed to permit the Clerk to sign cheques when a second signatory cannot be obtained, if a Cllr is unavailable. Clerk to seek authorisation from a Cllr via email and obtain signatory from another Cllr. Council's Financial Regulation 6.4 has been amended to reflect this practice.
	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 1 <sup>st</sup> April 2018 to 31 <sup>st</sup> March 2019 in the sum of £1,120.30 was settled during the year under review. The year-end period shows VAT due of £2,398.20.
	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 no payments made under this power for the year under review.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Council has no such loans.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	<p>The Risk Assessment Document for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2019 was considered at a meeting of the Parish Council on 10<sup>th</sup> March 2020 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><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>
	Evidence that risks are being identified and managed.	<p>Council has a comprehensive section reviewing the financial risks to the Council in its Risk Assessment Document.</p> <p><i>Comment: council's documents identify the risks associated</i></p>

		<p><i>with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks. The documentation of the specific control procedures that have been adopted by the council for payments not only protects the RFO but also fulfils an internal control objective.</i></p>
	<p>Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.</p>	<p>General Insurance from Zurich for the period from 1<sup>st</sup> October 2019 to 30<sup>th</sup> September 2020 shows core cover: Business Interruption; Public &amp; Products Liability; Employer’s Liability; Office Contents; Libel &amp; Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £50,000, which given the current balances held by the Council is slightly below recommended guidelines.</p> <p>Property Damage and Money are covered as per the schedule with contents items (other property) being generic under the All Risks Category.</p> <p><i>Comment: It is noted that the minutes of the meeting of 12<sup>th</sup> September state that the Council has assets to the value of £23,242 (see section on Assets below).</i></p>
	<p>Evidence that insurance is adequate and has been reviewed on an annual basis</p>	<p>Council reviewed its current insurance cover at the meeting of 12<sup>th</sup> September 2019.</p> <p><i>Comment: in accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance. The RFO, in accordance with Proper Practices has ensured that there is evidence that a review of the insurance cover was completed, and 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>In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at a meeting of 10<sup>th</sup> March 2020.</p>

		<i>Comment: with reference to the Accounts and Audit Regulations 2015, Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money.</i>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The effectiveness of internal audit was discussed by full Council at its meeting in July 2019 with agreement at the meeting of 10th March 2020 that the current system was effective and appropriate for the Council.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	<p>The budget for the year 2019/20 in the sum of £11,015 was approved by full Council at a meeting of 9<sup>th</sup> January 2019.</p> <p><i>Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> <li>• <i>decide the form and level of detail of the budget;</i></li> <li>• <i>review the current year budget and spending;</i></li> <li>• <i>determine the cost of spending plans;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>provide for contingencies and consider the need for reserves;</i></li> <li>• <i>approve the budget;; and</i></li> <li>• <i>review progress against the budget regularly throughout the year.</i></li> </ul>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £11,015 and formally approved at a meeting of 28 <sup>th</sup> January 2019 with Council evidencing that this would equate to an increase of 2.5% for a Band D Property.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure is included within the documentation circulated to Councillors with the agenda at each meeting. The minutes reflect that they have been received and noted.
	Reserves held  General and Earmarked.	<p>Whilst Council reviewed its level of reserves at its meeting of 10<sup>th</sup> March 2020, it is noted that Council's final accounts show general reserves in the sum of £13,969.24.</p> <p><b>Recommendation: Council should consider the advice contained within proper practices which states that smaller</b></p>

		authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes. Council might wish to consider whether it might be beneficial to review its general reserves and consider splitting them out between restricted (capital) reserves, earmarked and general reserves.
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	A number of items of income were cross checked against cash book and bank statement and found to be in order. In accordance with Proper Practices, the Responsible Financial Officer ensures that the accounting records contain entries from day to day of all sums of money received.
	Is income reported to full Council?	All income received by the parish council is reported as part of the Financial Reports submitted by the RFO. The RFO ensures that monies received are promptly banked.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £11,015 during the year under review in April 2019.  <i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 11<sup>th</sup> December 2018, served on the Charging Authority to receipt of same in the Council's Bank Account.</i>
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	There were no CIL funds received in the year under review.
<b>7. Petty Cash</b>	Is a petty cash in operation?	A petty cash system is not operated by the parish council.
	If so, is there an adequate control system in place.	All expenses claimed are approved by full council with supporting paperwork in place.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Council had 1 employee on its payroll at the period end of 31 <sup>st</sup> 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?  Verifying the process for agreeing rates of pay to be applied.	All salary payments are authorised by full council.  <i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has</i>

		<i>been approved in advance by the Council.</i>
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	The payroll function operated in accordance with HM Revenue and Customs guidelines.  <i>Comment: 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.</i>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	During the year, there were no pension contributions due.  Council is aware of its duties under the duties under employment legislation and has met its pension obligations.
<b>9. Asset control</b>	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 £13,242. This figure is also the one shown on the Accounting Statements of the Annual Governance and Accountability Return (AGAR). However as stated above, at the meeting of 12 <sup>th</sup> September 2019, Council declared that its assets totalled £23,242 as the Play Equipment (cost £10,000) was not listed on the Asset Register although it was listed on the 2018-2019 Insurance Schedule.  <b>Recommendation: Council reviews the Asset Register and Accounting Statements to ensure that it accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership.</b>  All other assets have been stated as at the acquisition value and where assets have been gifted or where there is no known value have been given the proxy value of £1. <i>Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and has ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been consistently applied and if/where amended, it will need to</i>



		<i>publish and provide explanations in changes in value to any previously recorded assets.</i>
	Verifying that the Asset Register is reviewed annually	The Asset Register value has been stated on the AGAR and it is expected that this will be reviewed prior to being formally accepted at the meeting to approve the AGAR.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance and cover was deemed to be appropriate. Content Items (other property) are generic under the All Risks Category and have been given insurance value in accordance with the policy operated by the insurance company under its Local Council Policy.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets.  <i>Comment: The RFO, as evidence of good financial practice, provides evidence of the bank reconciliations at each meeting to be verified by the Parish Council which are signed off by the Chairman of the Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i>
	Confirm bank balances agree with bank statements	Bank balances agree with period end statements and as at 31 <sup>st</sup> March 2020 stand at: £13,969.24  Broken down as follows: Current Account: £12,834.18 Deposit Account: £ 1,135.06
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances within the financial reports submitted to the parish council.  <i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.</i>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Accounts are produced on a receipts and expenditure basis. All were found to be in order.

	Financial trail from records to presented accounts	There is an underlying financial trail from financial records to the accounts produced.
	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 has completed Part 2 of the AGAR. The RFO has completed Section 2 Accounting Statements of the AGAR which is unsigned at the time of Internal Audit.  <b>Recommendation: it is suggested that the Accounting Statements are revisited prior to being signed off with regards to declared Assets.</b>
	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 <sup>st</sup> March 2019 were 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 has 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 31 <sup>st</sup> March 2019 and published the following on a public website: Certificate of Exemption Annual Internal Audit Report of the AGAR Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015. Bank Reconciliation for the period ending 31 <sup>st</sup> March 2019 Analysis of variances
<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	The Internal Auditor's Report for the year ending 31 <sup>st</sup> March 2019 was considered and accepted Meeting of the Parish Council on 9 <sup>th</sup> July 2019.
	Verifying that appropriate action has been taken regarding	The following recommendations raised in the report from the

	recommendations raised in reports from Internal Audit	internal audit were considered and approved by the parish council: 1. Confirmation of appointment of s151 Officer 2. Tailor FRs to the Council 3. Payment controls and evidence of authorizing signatories 4. Evidence that internal controls are documented and reviewed 5. Budgetary controls - evidence of budget set and regular reporting of expenditure and variances from budget 6. Review of asset cover against insurance schedule 7. Verification of bank reconciliation 8. Review of Box 4 and 6 of the AGAR 9. Compliancy with the publication requirements of the Audit and Accounts Regulations of 2015 10. Registration with the ICO
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of full Council of 10 <sup>th</sup> March 2020 for the year ending 31 <sup>st</sup> March 2020.
<b>13.External audit for the year ending 31 March 2019</b>	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.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 10 <sup>th</sup> 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).
	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	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

		<p>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</p>
	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. ZA664140 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council has taken positive steps to ensure compliancy with the GDPR requirements and is monitoring matters to ensure the process is managed at all times. A General Privacy Notice was seen on the parish council's website as well as the following documents: Procedures for dealing with Subject Access Requests; Procedure for dealing with Data Breaches and Data Retention & Disposal Policies

Signed: *V S Waples*

**Date of Internal Audit Visit: 05.06.2020**

**Date of Internal Audit Report: 08.06.2020**

**On behalf of Suffolk Association of Local Councils**