

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Hargrave Parish Council
Income:	£8375.09
Expenditure:	£5086.18
Precept Figure:	£5000
General Reserve:	£0
Earmarked Reserves:	£0

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.
	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	Arithmetic and balancing were in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Up to date NALC Model Standing Orders 2018 had been adopted. A Review was carried out on 9/5/19 and noted in the minutes on 7/11/19.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Up to date NALC Model Financial Regulations have been adopted and noted in the minutes on 7/11/19.
	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 Council's Responsible Financial Officer. Comment: The appointment of a Financial Officer is included in the Council's Financial Regulations so noting in the minutes that this has been completed annually is a good internal control.
	Evidence that Financial Regulations have been tailored to the Council	The Council has partly tailored the Financial Regulations to the Council. Comment: to ensure that its Financial Regulations are fully tailored to the Parish Council, Council might want to consider removal of the alternative options for a council and in particular removing the square brackets, thereby eliminating ambiguity.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	sample of payments were examined and found to be in order with a full audit trail evidenced. The legal powers to pay are not noted in the minutes or cashbook.

		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.
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	1 VAT reclaim seen for this audit year: 1/11/18 – 31/12/19 £1048.95 which is recorded in the cashbook on 27/1/20. This was not noted in minutes. The Council does not have a separate column in the payments section of the cashbook to record VAT to be reclaimed. Comment: Council may wish to include a separate column in the cashbook to record VAT that is being claimed during the audit year and to cross reference against the claim to HMRC. It is good practice to record in the minutes details of all income received.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	The Council made 1 payment under S137 in this audit year, a donation to SARS which is within the guidelines for this capped power. This amount was noted under miscellaneous in the cashbook and was not annotated as a S137 payment in the minutes. Comment: The Council may wish to record Local Government Act 1972 (Section 137) payments in a separate column in the cashbook and note details of payments made under this power in the minutes.
	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 risk assessments for the Council's assets, provide a good analysis of the risks faced and the control measures in place to mitigate the risks identified.

		Council's financial risks are assessed in the Internal Control Document and in accordance with Proper Practices, Council has identified its key risks and taken steps to manage them.
	Evidence that risks are being identified and managed.	Evidence seen that risks are being identified and managed. Comment: The Council arranges for an independent inspection of their playground equipment which is good practice.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with assets being insured under an all risks policy for up to £50,000. £25,000 of Fidelity Insurance cover which is within guidelines. £10 million of Public Liability and Employers Liability insurance is also held.
	Evidence that insurance is adequate and has been reviewed on an annual basis	It is noted in the Council's Internal Control Document that insurance is reviewed annually for schedule of cover and value for money. Comment: It is good practice to record annually in the minutes that this review has been carried out.
	Evidence that internal controls are documented and regularly reviewed	Council noted in the minutes the need to review the effectiveness of the system of internal control at its meeting of 12/3/2019. Comment: In accordance with the Accounts and Audit Regulations 2015, Council should review the effectiveness of the system of internal control during the audit year and minute that this has been carried out.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	There is no evidence that a review of the effectiveness of the internal audit has been undertaken. Recommendation: Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. <i>Comment: by reviewing the terms of reference for internal audit, Council has followed guidance with the Governance and Accountability Guide and recognises that the internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.</i>

5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Examination of the accounts and supporting documentation for the period under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The budget was agreed at the Council meeting of 1/11/18 and minuted.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was agreed in full Council on 1/11/18 and the precept decision and amount have been clearly minuted.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure is included within the documentation circulated to Councillors in accordance with Council's own Standing Orders. The minutes reflect that they have been received and noted.
	Reserves held General and Earmarked.	The audit received no evidence that reserves were held. Comment: Council may wish to allocate funds to General reserves. Accountability and Governance item 5.32 confirms 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).
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?	Details of income received is noted in the Clerks reports to Council but not noted in the minutes. 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 of £5000 agrees to West Suffolk Council's notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	No funds have been received under the Community Infrastructure Levy.
	<ul style="list-style-type: none"> • Is CIL income reported to Council? • 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?	RFO confirmed that no system of petty cash is in operation.
	If so, is there an adequate control system in place.	
8. Payroll controls	Do all employees have contracts of employment?	The contract of employment for the Clerk was signed on 10/1/2019.
	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.	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. No salary invoices are issued Comment: No payments were made to HMRC in this audit year.

		<p>Comment: It is good practice for the Council to issue salary invoices, to confirm: the amount paid, the hourly rate, the number of hours worked, Clerk's National Insurance number, the amount of PAYE and NICS paid (or confirmation that no payments were due), any pension contributions and the amount paid for Clerk working from home/home office.</p>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	<p>It was noted in the minutes from 11/7/19 that salary is insufficient for pension contributions.</p> <p>It was minuted on 7/11/19 - that a letter was signed outlining the pension scheme criteria for workplace pensions.</p>
	Are other payments to employees reasonable and approved by the Council?	Other payments to employees are reasonable and approved by the Council with receipts provided.
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 £45933 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	<p>It is noted in the Internal Control Document that the asset register is reviewed annually but this has not been noted in the minutes.</p> <p>Comment: Council may wish to record in the minutes the annual review of the asset register, which ensures all assets owned by the Council are included.</p>
	Cross checking of Insurance cover	<p>It is noted in the Internal Control Document that insurance is reviewed annually in relation to schedule of cover and value for money.</p> <p>Comment: It is good practice to record this review in the minutes.</p>
10. Bank reconciliation	Regularly completed and reconciled with cash book	Spreadsheets show accounts have been reconciled on a regular basis and are circulated to Councillors as part of the RFO's report but not noted in minutes.

		Comment: The Council, as evidence of good financial practice, may wish to provide evidence of the bank reconciliations at each meeting to be verified by the Parish Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective. This should then be noted in the minutes.
	Confirm bank balances agree with bank statements	The following bank balances agree with the annual bank reconciliation: Lloyds Bank Treasurers Account: £9070.85 Lloyds Bank Business Instant Access Account £2245.89
	Regular reporting of bank balances at council meetings	Bank balances are reported at each Council meeting, included in the report from the RFO.
11. Year-end procedures	Appropriate accounting procedures used	The receipts and payments method of accounting was used.
	Financial trail from records to presented accounts	There is a clear audit trail from the financial records held to the 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. A certificate of exemption 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 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 Council correctly provided for the exercise of public right as required by the Accounts and Audit Regulations from 1/7/19 to 31/7/19.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Council has published on their website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code

		<p>for Smaller Authorities:</p> <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Section 1 – Annual Governance Statement, page 5 • Section 2 – Accounting Statements, page 6 <p>Comment: To be fully compliant with the publication requirements Council may wish to publish the following documents on their website.</p> <ul style="list-style-type: none"> • Annual Internal Audit Report, page 4 • Analysis of variances • Bank reconciliation <ul style="list-style-type: none"> • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
<p>12. Internal audit for the year ending 31 March 2019</p>	<p>Verifying that the previous internal audit reports have been considered by the Council</p>	<p>The Council reviewed the previous internal audit report for 2018/19 and noted this in the minutes of 11/7/19 along with a detailed audit plan.</p>
	<p>Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit</p>	<p>The following items raised in the 2018/19 audit report have been actioned:</p> <p>To adopt NALC Model Standing Orders and Financial Regulations; reporting of variances from budget noted in minutes as attached. These are not available on the website so Council may wish to rectify this; credits listed in the RFO report (not attached to minutes on website); pension responsibilities; ensure all items owned by the Council are included on the asset register (explanations given); appointment of internal auditor; amounts of the precept and budget to be minuted when agreed.</p> <p>The following items raised in the 2018/19 audit report have not been actioned: Note the annual appointment of the RFO in the minutes; minute that the annual review of the asset register has taken place; note the annual review of the effectiveness of the internal audit in the minutes; election of Chair the first item on the agenda for the Council's AGM; Recommendation: to enable Council to positively answer assertion 7 in the AGAR, Council should consider internal</p>

		audit reports and decide what action it needs to take to prevent recurrence of the issues raised.
	Confirmation of appointment of Internal Auditor	SALC was appointed as the internal auditor and this was minuted on 12/3/20.
13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The Council has declared themselves 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 Council's AGM was held on 9/5/19. The election of Chair was the second item on the agenda. Comment: the first item on the agenda for the Council's AGM should be the election of the Chairman in accordance with the Local Government Act of 1972 15(1).
	Correct identification of trustee responsibilities	The Council has no trustee responsibilities.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council had published the following items on their website in line with the transparency code: End of Year Accounts Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities Minutes Asset Register Items of Expenditure Above £100 Comment: To be fully compliant council may wish to publish their agendas and their asset register.
	Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA446468
	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 	The Council is partially compliant with the General Data Protection Regulation requirements having published a Privacy Notice and Data Protection and Information Security Policy on their website.

	<ul style="list-style-type: none"> • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>Comment: To be fully compliant Council may wish to adopt and publish the following policies:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies
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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