

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

<b>Name of Council:</b>	Little Blakenham Parish Council
<b>Income:</b>	£8399
<b>Expenditure:</b>	£7099
<b>Precept Figure:</b>	£5916
<b>General Reserve:</b>	£3556
<b>Earmarked Reserves:</b>	£6500

## **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	Council uses computerised spreadsheets as the cash ledger.
	Cash book kept up to date and regularly verified against bank statement	The cash book was kept up to date with the financial report regularly verified against bank statement by a Councillor and a minute reference made.
	Correct arithmetic and balancing	Spot checks for the year under review were made and found to be in order.
<b>2. Financial Regulations &amp; Standing Orders</b>	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 21 May 2019 and can be viewed on the Council's website.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations have been adopted and were reviewed at a Council meeting of 21 May 2019 and 17 September 2019.
	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 21 May 2019.
	Evidence that Financial Regulations have been tailored to the Council	The Financial Regulations have been tailored to the Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against cash book, invoices, VAT and minutes. A financial report and payment schedule which identified the appropriate legal power used was minuted for each meeting except the January 2020 meeting where the finance report and payment schedule were not included in the minutes displayed on the smaller authorities website. <b>Recommend: The Finance/Payment Report is included in the minutes or attached to the minutes.</b>

	Internet Banking transactions properly recorded/approved	Apart from a direct debit used for the payment of the provision of electricity internet banking is not used by the Council.
	VAT correctly identified and reclaimed within time limits	VAT is identified a reclaim of £2146.26 for the year 2017/18 was received in the year under review.
	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. It was noted a payment of £1000 was made using S.137 at a Council meeting of 17 March 2020 with the power being clearly identified within the minutes. The Internal Auditor noted the Minutes of 21 May 2019 it was agreed two S.137 payments should be made of £100 each to SARS and the East Anglian Air Ambulance which were not paid.
	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.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	A financial risk assessment document dated May 2019 was seen by the Internal Auditor which was unsigned.
	Evidence that risks are being identified and managed.	Council reviewed its risk assessment at a Council meeting of 21 May 2019. The Internal Auditor noted an annual inspection of the play equipment was carried out and a minute reference was made at a Council meeting of 17 March 2020.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<a href="#">Insurance cover was in place during the year under review.</a> <a href="#">Employers Liability £10million</a> <a href="#">Public Liability £10million</a> <a href="#">Employee Dishonesty £150,000 – the recommended guidelines this should cover the year-end balances plus 1<sup>st</sup> instalment of precept received.</a>

	Evidence that insurance is adequate and has been reviewed on an annual basis	Council renewed its Annual Insurance in terms of cover provided during the year under review, there is no minute reference to show it reviewed its current insurance cover. <i>Comment: Council should note that, in accordance with Proper Practices, it needs to show evidence that a complete review of the insurance cover was completed, and that appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
	Evidence that internal controls are documented and regularly reviewed	In accordance with the Accounts and Audit Regulations 2015, Council carried out a review of its financial control procedures at a Council meeting of 21 May 2019. <i>Comment: Council is aware of the requirement to have in place arrangements to safeguard public monies.</i>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	In accordance with the Accounts and Audit Regulations 2015, within the Internal Control Statement, a Parish Council should review the effectiveness of internal audit and accept the internal audit plan as proposed by its Internal Auditors as being comprehensive and that it would evaluate the effectiveness of its risk management, control and governance processes and considering internal audit processes for smaller authorities. <i>Comment: In accordance with the Accounts and Audit Regulations 2015, Council should be aware that it should formally review the scope and effectiveness of its internal audit arrangements and that in accordance with the Accounts and Audit Regulations 2015, this document should be reviewed from time to time and/or or least once every three years and in the year of any change or appointment of the internal audit provider or responsible finance officer. A copy of a template Internal Control Statement and report is available on the SALC website</i>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The budget was agreed at a Council meeting of 15 January 2019 and a copy of the budget paper seen by the Internal Auditor.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept was agreed and minuted at a Council meeting of 15 January 2019 however no minute reference was made to the amount agreed.

		<i>Comment: Council may wish to clearly state in the minutes the amount of precept agreed.</i>
	Regular reporting of expenditure and variances from budget	In accordance with Council's Standing Orders quarterly reporting of expenditure and variances from budget are reported and a minute reference made.
	Reserves held General and Earmarked.	General Reserves £3556 Earmarked Reserves £6500
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is properly recorded within the cashbook.
	Is income reported to full Council?	Income is reported within the financial reports to Council at each meeting.
	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?	Not applicable.
	<ul style="list-style-type: none"> <li>• Is CIL income reported to Council?</li> </ul>	
	<ul style="list-style-type: none"> <li>• Does unspent CIL income form part of Earmarked reserves?</li> </ul>	
	<ul style="list-style-type: none"> <li>• Has an annual report been produced</li> </ul>	
<b>7. Petty Cash</b>	Is a petty cash in operation?	Council does not operate a petty cash system.
	If so, is there an adequate control system in place.	
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Contracts 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.	Payroll included within the financial report which is provided to Council and all payments are approved at a meeting of Council.
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	PAYE is operated in accordance with HM Revenue and Customs guidelines. SALC is contracted to fulfil the function of payroll administrator.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	It was noted from a previous internal audit report a declaration of compliance was made 9 <sup>th</sup> January 2018.
	Are other payments to employees reasonable and approved by the Council?	Council approves all expenses paid to the Clerk with a minute reference made.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	An asset register is maintained and covers the fixed assets owned by the Council. It was noted a rubbish bin had been purchased in the year under review and added to the asset register at £259.46 however the cost of the purchase should be shown without VAT. <b>Recommend: To amend the purchase cost of the rubbish bin to £216.22 as shown within the Council's cashbook.</b>
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed at a Council meeting of 21 May 2019
	Cross checking of Insurance cover	It was noted by the Internal Auditor the street furniture was insured for £1,682.43. <i>Comment: Council may wish to review the level of insurance for street furniture/streetlight columns/lanterns to ensure they have adequate insurance cover.</i>
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Regular bank reconciliations are carried out and presented to Council. With the financial reports independently checked and signed by a Councillor and minuted which ensures good financial practice.
	Confirm bank balances agree with bank statements	The overall year-end bank position is stated as £10,129.97

		Balances confirmed at year end are: Lloyds Business Instant Account £2935.08 Lloyds Treasurers Account £7746.68 O/S Cheques £551.79
	Regular reporting of bank balances at council meetings	Bank balances are reported within the Financial Report presented to Council and a minute reference made.
<b>11. Year-end procedures</b>	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 are listed in the Council's Minutes as part of the Smaller Authorities financial controls.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure less than £25,000 it has completed Part 2 of the AGAR. A certificate of exemption had been completed and Section 2 of the AGAR was completed and unsigned at the time of the Internal Audit. The Internal Auditor noted Box 1 showed £8,831 however on the Council's website Section 2 of the 2018-19 AGAR has been amended and signed to show the figure as £8832. It was noted Box 4 staff costs shows £2,783 according to Council's cashbook this should read £2738. Box 7 does not agree with the yearend bank reconciliation of £10,129.97 (£10,130 rounded). The Accounts and Audit Regulations 2015 state these figures must agree. Box 8 has not been completed Box 9 is incorrect see item 9 above. <b>Recommend: Section 2 Accounting Statement for 2019/20 is revisited and corrected before being signed.</b>
	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 16 July 2019.



	<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>The Internal Auditor was <b>not</b> able to find the details of the arrangements for the exercise of public rights for the period ending 31<sup>st</sup> March 2019 on the public website used by the Council however the Clerk supplied the Internal Auditor with a copy of the above Notice.</p> <p><i>Comment: Council should be aware these documents should remain on the website to allow the Internal Auditor to review them and to answer question L on the AGAR.</i></p>
	<p>Have the publication requirements been met in accordance with the Audit &amp; Accounts Regulations of 2015</p>	<p>The Council has not complied with all 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 of the AGAR  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 (<b>Not on Website</b>) and  other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</p> <p><i>Recommend: As above the Notice of the period of the exercise of public rights must be published on the smaller authority's website to comply with the Accounts and Audit Regulations 2015.</i></p>
	<p>The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020</p>	<p>Owing to the increasing impact of COVID-19 MHCLG has made amended Regulations which extend the statutory audit deadlines for 2019-20 only for all Category 2 smaller authorities (town and parish councils, parish meetings, internal drainage boards and other authorities).</p> <ul style="list-style-type: none"> <li>• The requirement for public inspection period to include the first 10 working days of July has been removed.</li> <li>• Instead, smaller authorities must commence the public inspection period on or before 1 September 2020. Authorities are urged to commence this period as soon as possible.</li> </ul>

		<ul style="list-style-type: none"> <li>The AGAR must be approved and published by 31 August 2020 at the latest or may be approved earlier, wherever possible.</li> <li>This means that for 2019-2020, the period for the exercise of public rights can now be held at any time after the approval of the accounts and AGAR provided it is commenced by 1 September at the latest.</li> </ul> <p><b>Recommend: Council needs to be aware that it should have made provision for the exercise of public rights for the year 2019-2020 and as such has failed to ensure that, in accordance with the above legislation, relevant information was uploaded onto its publicly accessible website.</b></p>
<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 audit report was considered at a Council meeting of 16 July 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	An internal audit action plan 2018/19 was agreed to take forward at a Council meeting of 19 November 2019. Transparency Code: Outstanding
	Confirmation of appointment of Internal Auditor	SALC was appointed as the Internal Auditor at a Council meeting of 21 January 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	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.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 21 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 Parish Council does not act as sole trustee for any Trust funds.

<p>Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation</p>	<p>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:</p> <p>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.</p> <p><b>Recommend: Council publishes:  Items above £100 including recoverable and non-recoverable VAT  End of year accounts</b></p>
<p>Verifying that the council is registered with the ICO</p>	<p>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: ZA172924</p>
<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"> <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>	<p>Council is not compliant with the General Data Protection Regulations although the Internal Auditor has noted Council has privacy notices.</p> <p><b>Recommend: The following should be put in place to meet the requirements of the General Data Protection Regulations:  Audit/Impact Assessment  Procedures for Subject Access Requests  Procedures for Data Breaches  Data Retention and Disposal Policies  Templates for the above are available on the SALC website.</b></p>

**Signed:** *S.J. Brown*

**Date of Internal Audit Report:** 3<sup>rd</sup> December 2020

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