



Internal Audit Report

Year ending: 31st March 2020

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| Name of Council: | SNAPE PARISH COUNCIL |
| Income: | £20,813.66 |
| Expenditure: | £12,728.05 |
| Precept Figure: | £11,250.00 |
| General Reserve: | £24,512.52 |
| Earmarked Reserves: | £20,400.50 |
| Restricted Reserves: | £5,462.10 |



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 |
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| 1. Proper Book-keeping | 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 | Whilst the Cashbook is kept up to date it is not clearly referenced with dates as to when expenditure was incurred and income received. |
| | Correct arithmetic and balancing | Spot checks were made and found to be in order. |
| 2. Financial Regulations & Standing Orders | Evidence that standing orders have been adopted and reviewed regularly | The Council's Standing Orders as seen on the website were reviewed at a meeting of 24 th September 2019 and 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 seen on the website were also reviewed at the above meeting and are based on the 2019 model and were deemed to be fit for the Council's purposes. |
| | 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 | The financial regulations have been tailored to the parish council. |
| 3. Payment controls | Supporting paperwork for payments, and appropriate authorisation | <p>At each full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being recorded. On the files submitted for audit there is evidence retained to show which Councillor signed the cheques or orders for payment in accordance with FRs 6.3, 6.4 and 6.5.</p> <p><i>Comment: Council has ensured that there is a straightforward and clear audit trail for each payment, from the authorising of an expenditure through order, invoice, cashbook, payment authorisation and bank statements with evidence that Councillors have seen the actual invoice/request for payments (initials) or have authorised the payment schedule (signing of the payment slip). This not only protects the RFO but fulfils an internal control objective to ensure the safeguarding of public money.</i></p> |
| | Internet Banking transactions properly recorded/approved | Internet banking is not operated by the Council. |

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| | VAT correctly identified and reclaimed within time limits | VAT is identified in the cash book and a separate column is shown on the cashbook for recoverable VAT. At year-end the VAT position stood at £699.53. |
| | Has Council adopted the General Power of Competence and is it being correctly applied? | Whilst the Council does not exercise the General Power of Competence it has used this power to authorise some items of expenditure. Recommendation: it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense, thereby it is a requirement that the council ensures that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. To exercise this power, Council needs to have confirmed at either the annual meeting immediately after the next elections for the parish council or an ordinary meeting during the year, that it fulfils the criteria and resolves to adopt the General Power of Competence. |
| | S137 separately recorded, minuted and within statutory limits | Payments made under this power for the year under review totalled £200.00 and were within statutory guidelines and limits. |
| | Payments of interest and principal sums in respect of loans, are paid in accordance with agreements | The council had outstanding Public Works Board Loans as at 31 st March 2020 of £3,106.40 (as per the notification from United Kingdom Debt Management Office and as declared on the Annual Governance and Accountability Return). Repayments of interest were made during the year in accordance with the schedule seen. |
| 4. Risk Management | Is there evidence of risk assessment documentation? | The Risk Assessment Document for the period 1 st April 2019 to 31 st March 2020 was seen for the year under review and adopted at the meeting of 24 th September 2019. <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> |
| | Evidence that risks are being identified and managed. | Council has carried out detailed further risk assessments which have been reported to the Council throughout the year. <i>Comment: council's documents identify the risks associated 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</i> |

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| | | <i>adopted by the council for payments not only protects the RFO but also fulfils an internal control objective.</i> |
| | Contingency Plan to deal with the impact of the Coronavirus on the Parish Council | In light of the current coronavirus situation, at the meeting on 24 th March 2020 the Council agreed a number of measures to ensure the safety of staff, councillors and members of the public. Actions taken to ensure the council kept functioning covered specifically delegated powers to the Clerk/RFO relating to the payment of contractors and other emergency payments. Such payments will be agreed in conjunction with the Chair or Vice-Chair, and a hard copy of emails retained by the Clerk until the situation of the Covid-19 lockdown changes. <i>Comment: to allow proper scrutiny of records of payments and the accounts, in accordance with section 5 of the Financial Regulations, any payments made away from such meetings shall be reported to the Council at the next convenient meeting.</i> |
| | Appropriate Insurance cover in place for employment, public liability and fidelity guarantee. | General Insurance is under a Parish Protect Policy for the period from 1 st October 2019 to 30 th September 2020 shows core cover: Business Interruption; Public & Products Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £50,000, which given the current balances held by the Council is within recommended guidelines. |
| | Evidence that insurance is adequate and has been reviewed on an annual basis | Whilst Council renewed its insurance cover in September 2019, there is no minute to record that a review had been carried out of the insurance held or to be held. <i>Comment: in accordance with Proper Practices, whilst Council has taken steps to manage its key risks in a way which it can justify to a level which is tolerable by transferring the risk and taking out insurance, it should also ensure that the review of the insurance cover as carried out by the RFO, is reported back to the Council and minuted to state 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 the effectiveness of the system of internal control at its meeting of 24 th September 2019. <i>Comment: with reference to the Accounts and Audit Regulations</i> |

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| | | <i>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 also covered in the review of Council's internal control statement and signed off at the above meeting. <i>Comment: in accordance with the Accounts and Audit Regulations 2015, Council has ensured that it carried out a review of the effectiveness of internal audit which includes the consideration that standards are being met and that the work of internal audit is effective.</i> |
| 5. Budgetary controls | Verifying that the budget has been properly prepared, and agreed | The budget for the year 2019/20 in the sum of £13,869.71 was approved by full Council at a meeting of 27 th November 2018. <i>Comment: Council has shown good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i> <ul style="list-style-type: none"> • <i>decide the form and level of detail of the budget;</i> • <i>review the current year budget and spending;</i> • <i>assess levels of income;</i> • <i>provide for contingencies and consider the need for reserves;</i> • <i>approve the budget; and</i> • <i>review progress against the budget regularly throughout the year.</i> |
| | Verifying that the Precept amount has been agreed in full Council and clearly minuted | The precept was set at £11,250 at the same meeting. |
| | Regular reporting of expenditure and variances from budget | Comparisons between budgeted and actual income and expenditure are reported to full Council in accordance with its own Standing Orders. |
| | Reserves held General and Earmarked. | The reserves allocated at year-end were £24,512.52 as General Reserves; £20,400.50 as Earmarked Reserves with £5,462.10 as Restricted Reserves (CIL). <i>Comment: 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. Council might wish to review the level of General Reserves being held.</i> |

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| 6. Income controls | 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? | Council has ensured that in accordance with its own Standing Order 17c, all income received by the parish council is reported as part of the quarterly Financial Reports submitted by the RFO. |
| | Does the Precept recorded agree to the Council Tax Authority's notification? | The council received precept of £11,250 during the year under review in April and September 2019. <i>Comment: evidence was provided showing a full audit trail from Precept being discussed and approved and 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? | Whilst Council did not receive CIL funds in the year under review, it does have a retained balance showing in its reserves of £5,462.10. In accordance with the 2010 Regulations, the Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated. There is however no Annual Report for 2018-19 on the Council's website showing this retained balance. Recommendation: Council should comply with its duty to produce an annual report that details the amount of CIL funds received, spent and retained for each financial year until the funds are totally expended. Each annual report should be uploaded onto the Council's website by 31 st December. The annual report for the year ending 31 st March 2020 should be uploaded onto its website by 31 st December 2020. |
| 7. Petty Cash | Is a petty cash in operation? If so, is there an adequate control system in place. | A petty cash system is not operated by the parish council. All expenses claimed are approved by full council with supporting paperwork in place. |
| 8. Payroll controls | Do all employees have contracts of employment? | Council had 1 employee on its payroll at the period end of 31 st March 2020. Employment contracts were not reviewed during the internal audit. |

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| | <p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p> | <p>All salary payments are authorised by full council.</p> <p><i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council.</i></p> |
| | <p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p> | <p>The payroll function is operated in accordance with HM Revenue and Customs guidelines.</p> <p><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></p> |
| | <p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p> | <p>During the year, there were no pension contributions due. The Internal Audit Report for 2018/19 states that Council has shown awareness of its duties under the duties under employment legislation and has met its pension obligations.</p> |
| 9. Asset control | <p>Verifying the Council maintains an Asset Register in accordance with proper practises</p> | <p>The Asset Register as approved by full Council at the meeting of 9th March 2020 is stated at £68,284.</p> <p><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 should ensure that where the acquisition value of the asset at the time of first recording is used, that method of valuation is consistently applied and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets.</i></p> |
| | <p>Verifying that the Asset Register is reviewed annually</p> | <p>The Asset Register value has been stated on the AGAR which was signed off by the Council at a meeting of 12th May 2020.</p> |
| | <p>Cross checking of Insurance cover</p> | <p>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 an insurance value in accordance with the policy operated by the insurance company.</p> <p><i>Comment: at the annual review of its insurance cover, Council might wish to review the adequacy of insurance cover noting that it has assets recorded at a value of £68,284 with cover under All Risks to the value of £50,000 only.</i></p> |

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| 10.Bank reconciliation | Regularly completed and reconciled with cash book | Bank reconciliations are completed on a regular basis and reconcile with the cash sheets. <i>Comment: the Council, as evidence of good financial practice, has appointed the Finance Group to verify the bank reconciliations as carried out by the RFO. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective. Council might wish to consider recording at full Council meetings that such a review has taken place.</i> |
| | Confirm bank balances agree with bank statements | Bank balances agree with statements supplied and as at 31 st March 2020 stand at: £50,375.12 across all accounts held by the council. |
| | Regular reporting of bank balances at council meetings | Overall, there is regular reporting of bank balances within the reports submitted to Council. The RFO has ensured that the bank reconciliation is part of the key tools for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities. |
| 11.Year-end procedures | 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? | Although Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has chosen to complete Part 3 of the AGAR which was signed at the time of internal audit. |
| | Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt? | Although the Parish Council did not have gross income and expenditure exceeding £25,000, as it had completed Part 3 of the AGAR, it chose not 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 st 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 exceeding £25,000 but not exceeding £6.5 million for the year ending 31 st March 2019 and published the following on a public website: |

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| | | <p>Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Section 3 – External Audit Report and Certificate. Notice of the period for the exercise of public rights The Annual Internal Audit Report</p> |
| 12.Internal audit for year ending 31 March 2019 | Verifying that the previous internal audit reports have been considered by the Council | The Internal Auditor's Report for the year ending 31 st March 2019 was received and noted at the meeting of 23 rd July 2019 with agreement that the Finance Group would meet to review the findings. |
| | Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit | <p>The following recommendations were raised in the report from the internal audit for the year ending 31.03.20:</p> <ol style="list-style-type: none"> 1. Review SO against NALC Model Orders for 2018 - actioned 2. Review effectiveness of internal audit - actioned 3. Use most up to date bank statements ie last working day of March - actioned 4. Review of internal audit and plan to show response to matters raised by internal and external audit - outstanding (external only) |
| | Confirmation of appointment of Internal Auditor | The appointment of SALC to act as the Parish Council's Internal Auditors was agreed at a meeting of 28 th January 2020. |
| 13.External audit for the year ending 31 March 2019 | Verifying that the external audit report has been considered by the Council | <p>There is no evidence in the Council's minutes to show that Council considered and accepted the External Audit Report and Certificate following the limited assurance review undertaken by the External Auditors. It has however, in accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, published on a public website Sections 1, 2 and 3 from the 2018/19 AGAR as well as the Notice of the Conclusion of the Audit.</p> <p>Recommendation: in accordance with Regulation 20 of the Accounts and Audit Regulations 2015, Council should ensure that, following the completion of an audit, full Council and not a Committee or Working Group considers and receives the audit letter from the local auditor and that this shall be as soon as reasonably practicable. It should also ensure that where such issues are raised it discusses corrective action as appropriate.</p> |

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| | Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit | <p>The following matters should have been considered by the attention of the Council:</p> <p>The smaller authority has not addressed the 'except for' matter raised by the external auditor when qualifying the prior year AGAR. Section 2, Box 10 of the prior year column should have been restated to £6,543 as reported in our prior year external audit report.</p> <p>The smaller authority has disclosed that it took appropriate action on all matters raised in reports from internal and external audit, by answering 'Yes' to Section 1, Assertion 7, which, on the basis of the above, is not correct. This is also consistent with the findings of the internal auditor, as reported in their internal audit report.</p> <p>In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to significant weaknesses in relation to standing orders, risk assessment and bank reconciliations at year end. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner</p> <p>Recommendation: As a result of failing to consider the External Audit Report, the Council should answer 'No' to Assertion 4 of the Annual Governance Statement for 2019/20 and provide an explanation to the external auditor describing how the weaknesses identified have been/will be addressed.</p> |
| 14. Additional Comments | Annual meeting - held in accordance with legislation | The Annual Meeting of the Parish Council was held on 21 st May 2019 with the first item on the agenda being the election of the Chairman in accordance with 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 | <p>Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000).</p> <p><i>Comment: To ensure compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), the following information should be: Publish quarterly:</i></p> |

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| | | <p><i>Individual items of expenditure that exceed £500</i> <i>Government Procurement Card transactions</i> <i>Invitations to tender for contracts over £5,000</i> <i>Details of contracts that exceed £5,000</i> <i>Publish annually:</i> <i>Details of all land and building assets</i> <i>Grants to Voluntary, Community and Social Enterprise Organisations</i></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. ZA313927 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 evidence was seen of the following on the Council's website: <i>General Privacy Notice; Personal Data Audit; Data Protection Impact Assessment; Subject Access Request Policy & Subject Access Procedure Policy; Procedures for dealing with Data Breaches and information on Data Retention and Disposal Policies.</i> |

Signed: *V S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 19.06.2020

Date of Internal Audit Report: 22.06.2020