

Internal Audit Report

Year ending: 31st March 2020

Name of Council:	Holton St Mary Parish Council
Income:	£14,223.46
Expenditure:	£6,171.95
Precept Figure:	£6,830.31
General Reserve:	£4,025.24
Earmarked Reserves:	£1,500
	£7,376.96 (CIL Restricted Reserves)



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	Computerised cash sheets are used.
	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 were found to be correct.
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 those reviewed at the meeting of 9 th December 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 have been adopted and reviewed regularly	The Council's Financial Regulations (FR), were reviewed at a meeting of 18 th September 2019 and are based on the Model Financial Regulations produced by NALC in 2019.
	Evidence that a Responsible Financial Officer 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	Financial Regulations 2019 are in part tailored to the Parish Council. <i>Comment: to ensure that its Financial Regulations are 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.</i>
3. Payment controls	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.
	Internet Banking transactions properly recorded/approved	Council, in using internet banking for the settlement of its accounts, is mindful that all payments should be made in accordance with Council's FR 6.9, and that evidence is retained showing which members approved the payment.

		<i>Comment: Council has shown good practice by ensuring that the implemented procedure whereby an on-line payment slip is signed to ensure that there is an effective system in place to reduce the risks of error is evident for all such payments. BACS payments are also independently verified by a Councillor as a risk control procedure. This not only protects the RFO but will fulfil an internal control objective to ensure the safeguarding of public money.</i>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The claim for the period 1 st January 2018 to 30 th November 2019 in the sum of £83.86 was settled during the year under review.
	Has Council adopted the General Power of Competence and is it being correctly applied?	Council does not used 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	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 Risk Assessment Document for the period 1 st April 2019 to 31 st March 2019 was considered at a meeting of the Parish Council on 18 th July 2019 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning. <i>Comment: within its Risk Management 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 a comprehensive Financial Risk Assessment which identifies the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks. <i>Comment: 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>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance is in place under a Commercial Combined Policy Schedule and shows core cover: Business Interruption;

		Public Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £150,000 which is within the recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its current insurance cover at the meeting of 8 th May 2019 and noted that it was in year two of a three-year agreement. <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. 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>
	Evidence that internal controls are documented and regularly reviewed	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting of 13 th November 2019. <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. Within the Internal Control Statement, as reviewed and adopted by Full Council, Council has reviewed its arrangements to protect 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 within the Internal Control Statement submitted and approved at a meeting of 13 th May 2019. <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	The budget for the year 2019/20 in the sum of £7,230.31 was approved by full Council at a meeting of 9 th January 2019 but there is no evidence written into the minutes for the sum set.

		<p><i>Comment: to show good practice, Council might wish to evidence that it has followed the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> • <i>decide the form and level of detail of the budget;</i> • <i>assess levels of income;</i> • <i>provide for contingencies and consider the need for reserves;</i> • <i>approve the budget.</i>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £6,830.31 at the same meeting.
	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.	<p>Council's final accounts show general reserves in the sum of £4,025.24 with earmarked reserves in the sum of £1,500 and restricted reserves in the sum of £7,376.96 (CIL).</p> <p><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. At the current level, council's general reserves are considered to be within this level.</i></p>
6. Income controls	Is income properly recorded and promptly banked?	<p>A number of items of income were cross checked against cash book and bank statement and found to be in order.</p> <p><i>Comment: 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.</i></p>
	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?	<p>The council received precept of £6,830.31 during the year under review in April and September 2019.</p> <p><i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of</i></p>

		<i>10th January 2019, served on the Charging Authority to receipt of same in the Council's Bank Account.</i>
	Are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations (CIL) 2010?	Council received CIL funds in the sum of £7,376.96 during the year under review. 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. <i>Comment: Council should note its duty to comply with the CIL Regulations 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 Councils website by 31st December. The annual report for the year ending 31st March 2020 should be uploaded onto its website by 31st December 2020.</i>
7. Petty Cash	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.
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, but all salary payments are authorised by full council. It is noted that the contract is to be amended to reflect that the post of RFO is also filled by the Clerk. <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>
	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.	The payroll function is operated within the RTI system. Cross-checks were completed on two payments covering salary and PAYE and were found to be in order. 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?	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are

	Is PAYE/NIC paid promptly to HMRC?	calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs, if applicable, on or before the dates prescribed.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	A re-declaration of compliance with regards to automatic enrolment duties was completed in September 2019.
9. Asset control	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 accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end (31.03.2020) was £2,744. All 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 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 Annual Governance and Accountability Return (AGAR) which was signed at the time of Internal Audit.
	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.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis in 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. 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 st March 2020 stand at: £12,902.20 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 financial reports submitted on a quarterly basis to the parish council.
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 a clear audit trail from the financial records held to the presented accounts.
	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. Recommendation: it is suggested that the Accounting Statements are revisited as currently it does not cast by £1. Council should also note that it has still to complete Box 11 within the Accounting Statements as signed on 13th May 2020.
	Where an authority certified itself exempt in 2018/19, did it meet 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 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, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities and has 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 st March 2019 Analysis of variances
12. Internal audit for the 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 considered and accepted at the meeting of the Parish Council on 18 th September 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following recommendations raised in the report from the internal audit was considered and approved by the parish council: <ol style="list-style-type: none"> 1. Use of legal powers for all expenditure incurred - completed 2. Control measures for bank transfer payments - completed 3. Formal assessment of effectiveness of internal control - completed 4. Review of general reserves held - completed 5. Rounding of figures on the AGAR to the nearest £1 (one pound) - to be addressed 6. Completion of Box 11 on Section 2 - to be addressed
	Confirmation of appointment of Internal Auditor	SALC was appointed the Council's Internal Auditor at a meeting of full Council on 13 th May 2020.
13. External audit for the year ending 31 March 2019	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.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 8 th 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

		<p>Items of Expenditure Above £100 including recoverable and non-recoverable VAT</p> <p>End of Year Accounts</p> <p>Annual Governance Statement</p> <p>Asset Register</p> <p>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 registered with the Information Commissioner's Office (ICO) as a Data Controller. Registration A8455698 refers.
	<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"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>Council has taken steps to ensure compliancy with the GDPR requirements and is aware that this should be monitored at all times to ensure compliancy. The Council's Privacy Notices were seen on the parish council's website. Council has completed the following documents which are also available to view on the Council's website: Data Protection Impact Assessment and Data Protection & Information Management Policy; Subject Access Request Policy & Subject Access Procedure Policy; Data Retention and Disposal Policies.</p>

Signed: *V S Waples*

Date of Internal Audit Visit: 20.06.2020
On behalf of Suffolk Association of Local Councils

Date of Internal Audit Report: 22.06.2020