

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	SHIMPLING PARISH COUNCIL
Income:	£11,120.13
Expenditure:	£8,650.56
Precept Figure:	£9,519.00
General Reserve:	£4,622.83
Earmarked Reserves:	£6,439.64

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 council used an excel spreadsheet as the basis for the Council's accounting system but towards the end of the year changed to the Scribe Accounting Package which will provide full accounting details to allow the production of the Statement of Accounts.
	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. The RFO is aware that the financial year for local authorities runs from 1 st April to 31 st March.
	Correct arithmetic and balancing	<p>Spot checks were made and it should be noted that whilst the excel cashsheet used for receipts balanced overall, there were anomalies within the columns across the spreadsheets.</p> <p><i>Comment: the Responsible Financial Officer is aware that whilst the cash book is the focus for day-to-day accounting, and the cash book is updated to record all of these transactions, he should ensure that there is a full reconciliation across the spreadsheets being used. It is anticipated that this issue will be resolved with the use of the Scribe Accounting Package.</i></p>
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The Council's Standing Orders as reviewed at the meeting of 13 th May 2019 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 reviewed at the meeting of 13 th May 2019 are based on the 2019 Model Financial Regulations as produced by NALC.
	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. It should also consider ensuring that where the guidance has information in (round bracket) there is an

		expectation that the council will insert values that are relevant to the council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	Spot checks on the payment file were cross checked against cash book, bank statement, invoice and minutes. The following comment should be noted: Recommendation: Council should ensure that with particular reference to FR 6.6, signatures obtained for invoices other than at a council meeting should be reported to the council at the next convenient meeting and retrospectively approved.
	Internet Banking transactions properly recorded/approved	Internet banking was only operated in the latter stages of the financial year. <i>Comment: Council has introduced specific control procedures for payments by bank transfer or other electronic means to ensure that the risks brought about by the ease and speed of such transactions and the difficulties faced in unravelling them should there be errors are mitigated. Council might wish to expand the control procedures for any payments by bank transfer, or other electronic means, to include verification of expenditure incurred, by either the Chair or nominated person, appointed to undertake an internal review on the parish council's accounts. The risk associated with online banking should be added to the Council's Annual Financial Risk Assessment.</i>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The claim for the period 1 st April 2018 to 31 st March 2019 in the sum of £876.55 was settled during the year under review. The year-end period shows VAT due of £713.24.
	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.
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 reviewed on 10 th May 2019 and adopted at the Council meeting of 13 th May 2020. The document covers in general

		<p>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 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>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>General Insurance is under a Parish Protect Policy from Zurich for the period from 1st October 2019 to 30th November 2020 which shows core cover: Business Interruption; Public & Products Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses and premises cover for the Village Hall. Fidelity Guarantee Cover is £25,000, which given the current balances held by the Council is within recommended guidelines.</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis	<p>Council reviewed its current insurance cover as reported by the RFO at the meeting of 11th November 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>
	Evidence that internal controls are documented and	<p>Within its risk assessment, Council has identified a number of</p>

	regularly reviewed	controls for the safeguarding of public finances. It is noted at its meeting of 11 th May 2020, that the Council has moved to online banking but has continued to safeguard the two signatory requirement for the authorisation of online bank payments. There is clear separation of those setting up online payments and those authorising payments. The system used allows for such interrogation. <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 13 th May 2019 at which the terms of reference for the audit service offered by SALC were discussed and agreed. <i>Comment: Council is mindful of guidance which state that it should at least annually, carry out a review of the effectiveness of their internal audit arrangements.</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 £9,519 was discussed and approved by full Council at meetings of 12 th November 2018 and 14 th January 2019 respectively. <i>Comment: Council shows 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>determine the cost of spending plans;</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 £9,519 and formally approved at a meeting of 14 th January 2019.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure

		is reported to Council and the minutes reflect that such reports have been received and noted.
	Reserves held General and Earmarked.	At year-end Council had general reserves of £4,622.83; earmarked reserves of £4,750 and restricted reserves of £1,689.64. <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. This level should be annually reviewed and should be sufficient alongside contingency sums to meet, within reason, any unforeseen items of expense that may occur.</i>
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. In accordance with Proper Practices, the RFO ensures that the accounting records contain entries from day to day of all sums of money received. <i>Comment: the comment under1 above is also applicable here.</i>
	Is income reported to full Council?	Council, by using the computerised system, is able to ensure that in accordance with its own SOs, all income received by the parish council is able to be reported as part of the Financial Reports submitted by the RFO.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £9,519 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 at the meeting of 14th January 2019, 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. In accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL in previous years, has ensured that retained balances are transferred into an Earmarked Reserve specially allocated. <i>Comment: Council has understood that it must comply with its duty</i>

		<i>to produce an annual report that details the amount of CIL funds received, spent and carried forward. The report for the year ending 31st March 2020 was seen on the council's website.</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.
	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 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 is 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. It was reported at the meeting of 9 th September 2019 that the Parish Council had registered as an employer with The Pensions Regulator under the Pensions Act 2008.
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 is stated at £397,787. All assets have been stated as at the insurance 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 as it has applied the insurance value of the asset at the time of first recording as a proxy that method of valuation has been consistently applied and if/where</i>

		<i>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 (£379,787) has been stated on the AGAR which was signed by the Chair at a meeting of 11 th May 2020.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance. 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. <i>Comment: at the next review, Council might wish to increase its insurance cover on assets under the ownership / stewardship of the noting that the asset register (excluding the village hall) stands at £104,787 with insurance cover up to £100,000.</i>
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, might wish to consider appointing a non-signatory Councillor 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.</i>
	Confirm bank balances agree with bank statements	Bank balances agree with period end statements and as at 31 st March 2020 stand at: £11,062.47 and are broken down as follows: Community Account: £3,972.97 Business Account: £7,089.50
	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..</i>
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.

	<p>Has the appropriate end of year AGAR documents been completed?</p>	<p>As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR which were signed at the time of internal audit.</p> <p>Recommendation: whilst figures on the Accounting Statements - Section 2 - should be rounded to the nearest whole pound, Council should ensure that this does result in the overall balance not adding up.</p> <p><i>Comment: whilst the overall accounts agree with the overall balances as shown on the AGAR under Accounting Statements, Council may wish to restate the figures on its Summary of Accounts - Current Financial Status - Financial Year commencing April 2019.</i></p>
	<p>Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?</p>	<p>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.</p>
	<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 able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31st March 2019 were on the public website used by the Council.</p>
	<p>Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015</p>	<p>The Council partially 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 31st March 2019 and published the following on a public website:</p> <ul style="list-style-type: none"> 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 <p>Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</p> <p>The following were not published:</p> <ul style="list-style-type: none"> Bank Reconciliation for the period ending 31st March 2019 Analysis of variances <p><i>Comment: Council is aware that all of the above should be published on its website for the year 2019/20 by 31 August 2020 (The Accounts</i></p>

		<i>and Audit (Coronavirus) (Amendment) Regulations 2020</i>
12. Internal audit for year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Report for the year ending 31 st March 2019 was considered and accepted at the meeting of the Council on 8 th July 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 were considered by the parish council at the above meeting: <ol style="list-style-type: none"> 1. Use of powers to ensure correct use of statute 2. Reporting of budget variance in accordance with FRs. 3. Evidence of Declaration of Compliance with the Pensions Regulator 4. Compliance with the publication requirements of the Audit & Accounts Regulations 2015 5. Compliance with the publication requirements of the Transparency Code for smaller authorities 2014
	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 11 th May 2020 for the year ending 31 st March 2020.
13. External audit for the year ending 31 March 2019	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.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 13 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).
	Minutes - treatment of	It is noted on the website that there are copies of both the Draft set of minutes with the Approved set of minutes alongside. <i>Comment: Council should review its own SO12f which states that "following a resolution which confirms the accuracy of the minutes of a meeting, the draft minutes or recordings of the meeting for which approved minutes exist shall be destroyed." Council would be advised to remove the Draft Documents so as to avoid confusion.</i>
	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	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000),

	with current legislation	<p>Council is aware that the following should be published on a public website for the year 2019/20 not later than 1 July:</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</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 correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Registration No. ZA174927 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Council is taking steps to ensure compliancy with the GDPR requirements. A General Privacy Notice was seen on the parish council's website along with an audit/impact assessment.</p> <p><i>Comment: to ensure compliancy with the GDPR requirements, Council may wish to consider producing futher policies that provide clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR. Policies that should be considered are: Procedures for dealing with Subject Access Request; Procedure for dealing with Data Breaches; Data Retention & Disposal Policies and BYOD Policies.</i></p>

Signed: *T S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 11.06.2020

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