

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	EXNING PARISH COUNCIL
Income:	£73,917.87
Expenditure:	£65,833.70
Precept Figure:	£56,000
General Reserve:	£28,000
Earmarked Reserves:	£25,198

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	Excel spreadsheets are used as the cashbook
	Cash book kept up to date and regularly verified against bank statement	The cashbook is kept up to date and referenced, providing evidence to support the Councils accounting statements.
	Correct arithmetic and balancing	Spot checks were carried out and the cashbook was 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 were reviewed at a meeting of 26 February 2020 and are based on the Model Standing Orders produced by NALC 2018 and are tailored to the Council.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations were reviewed at a meeting of 26 February 2020 and are based on the Model Financial Regulations produced by NALC.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It is presumed the Clerk is the Responsible Financial Officer (RFO) responsible for the financial administration of the authority and this was confirmed in its Financial risk assessment.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Parish Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were examined and found to be In-order with a full audit trail. Powers identified on the payment and receipt schedule within the minutes of each meeting.
	Internet Banking transactions properly recorded/approved	Internet banking transactions recorded and approved by Council. It is noted Council follows its Financial Regulations and has implemented the Recommendation to add the transfer of funds to the monthly financial report and initialled by two Councillors.

	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The RFO ensures the claims are submitted on a quarterly basis during the year covering the period 1 st April to 31 st March 2020. Spot checks were carried out on the claims submitted and cross referenced to the cash book and found to be in order.
	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 LGA 1972 enables local councils to spend a limited amount of money for purposes for which they have no 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. Payments made under this power for the year under review totalled £1500.
	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?	A financial and management risk assessment document was submitted for internal audit.
	Evidence that risks are being identified and managed.	A review of the financial and management of the Council was carried out at its meeting of 26 February 2020 and found that they were appropriate for the Parish Council.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place: Employers Liability £10 million Public Liability £12 million With cover included for the Cemetery Chapel and Cemetery Outhouses. The Fidelity Guarantee (Employee Dishonesty) cover stands at £250,000 which meets the current recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance is adequate with spot checks being made with assets however no minute reference was seen by the internal auditor for the annual review of insurance. It is presumed by the

		<p>internal auditor to have been carried out as per Councils own financial risk assessment.</p> <p>Recommend: As per Councils own Financial risk assessment an annual review to be undertaken before time of the policy renewal July 2019. A separate minute reference should be made.</p>
	Evidence that internal controls are documented and regularly reviewed	In accordance with the Accounts and Audit Regulations 2015, Council reviewed their internal controls at a meeting of 26 February 2020.
	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, Council reviewed the effectiveness of its internal audit at a meeting of 26 February 2020.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The budget for the year 2019-20 in the sum of £70,050 was adopted by Council at its meeting of 24 October 2018.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept in the sum of £56,000 was agreed at a Council meeting of 24 October 2018 with the use of reserves of £14,050 and a clear minute reference made in accordance with good practice.
	Regular reporting of expenditure and variances from budget	A comprehensive budget report is supplied to Council on a quarterly basis in accordance with Council's Standing Orders.
	Reserves held General and Earmarked.	General Reserves: £28,000 Earmarked Reserves: £25,198
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures.
	Is income reported to full Council?	Income is reported at each meeting and forms part of the Payments and Receipts schedule in the minutes approved by Council.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded in the cashbook was evidenced and receipt of same in the Council's bank account.

	<p>If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?</p> <ul style="list-style-type: none"> • Is CIL income reported to Council? • Does unspent CIL income form part of Earmarked reserves? • Has an annual report been produced • Has it been published on the authority's website 	<p>No CIL payments received.</p>
7. Petty Cash	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>No petty cash in operation.</p>
8. Payroll controls	<p>Do all employees have contracts of employment?</p>	<p>Contracts of Employment were not submitted for the annual internal audit. At year-end Council has three employees.</p>
	<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>PAYE is operated in accordance with HM Revenue and Customs guidelines. Payments made to employees are reported to council on a monthly basis in accordance with Financial Regulations 7.4.</p>
	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>PAYE is paid to HM Revenue and Customs in accordance with agreed timescales.</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>Council is aware of its pension responsibilities and confirmation was provided in 2017 that Council has auto-enrolled with the Pension Regulator.</p>
	<p>Are other payments to employees reasonable and approved by the Council?</p>	<p>A spot check was carried out and found to be in order.</p>

9. Asset control	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. Council has assets recorded as totalling £339,090 which shows an uplift of £4271 in the year under review.
	Verifying that the Asset Register is reviewed annually	The Asset Register for the period ending 31 March 2020 was reviewed during internal audit.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed 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 monthly basis.
	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: Barclays Community Account £337.73 Barclays Active Saver £62,586.96
	Regular reporting of bank balances at council meetings	Bank balances are reported to Council at each council meeting and form part of the minutes.
11. Year-end procedures	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 the Receipts and Payments Schedule are listed in the Council's minutes as part of the smaller authority's financial control.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it has completed Part 3 of the AGAR. The smaller authority has completed the Accounting Statement Section 2 of the AGAR which was unsigned at the time of the internal audit.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	<i>As the Council was a smaller authority with gross income and expenditure exceeding £25,000 during the year 2019/20 it was not able to certify itself as an exempt authority.</i>

	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 find the details of the arrangements for the exercise of public rights for the period ending 31 March 2019 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 and published the following on a public website for the year 2018/19: Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015. Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statement of the AGAR Section 3 – External Auditor Report & Certificate Section 4 – Internal Audit Report
12.Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	Council considered and accepted the Annual Internal Audit Report at its meeting of 15 May 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following matters arising from the Internal Audit were actioned: 1. Standing Orders adopted & reviewed - actioned 2. Internet banking transfers approved - actioned 3. Legal powers identified - actioned 4. PAYE/NIC paid promptly to HMRC - actioned
	Confirmation of appointment of Internal Auditor	SALC were confirmed as the Internal Auditor at a Council meeting of 25 March 2020.
13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	Council considered and accepted the External Audit Report and Certificate at a meeting of 25 September 2019.

	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	There were no matters which necessitated the issuing of a separate report.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 15 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.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	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).
	Verifying that the council is registered with the ICO	The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller ZA271589
	Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place: <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	Council has taken positive steps to ensure compliancy with the GDPR requirements. The Internal Auditor viewed on the Council's website general privacy notices and a Data Protection Policy document which included Subject Access Requests and procedures for Data Breaches, reference was made to the Council's document retention policy but not viewed by the internal auditor.

Signed: S.J. Brown

Date of Internal Audit Report: 11th May 2020

On behalf of Suffolk Association of Local Councils

**Response to the Internal Audit Report by Suffolk Association of Local Councils for Financial Year 2019/2020
Action Plan against Recommendations/Comments**

REQUIREMENT	COMMENTS/RECOMMENDATIONS (IA – SALC)	ACTION PLAN (CLERK – EPC)
<p>4 Risk Management Evidence that insurance is adequate and has been reviewed on an annual basis.</p>	<p>Insurance is adequate with spot checks being made with assets, however no minute reference was seen by the internal auditor for the annual review of insurance. It is presumed by the internal auditor to have been carried out as per Council’s own financial risk assessment. Recommendation: As per Council’s own Financial Risk Assessment, an annual review to be undertaken before time of the policy renewal in July 2019. A separate minute reference should be made.</p>	<p>June 2020 agenda item – To review adequacy of insurance policy for Exning Parish Council for 1st August 2020 – 31st July 2021. To be annual item, going forward.</p>
<p>14 Additional Comments</p>	<p>Verifying that the Council is compliant with the General Data Protections Regulation requirements. ... reference was made to the Council’s document retention policy, but not viewed by the internal auditor.”</p>	<p>June 2020 agenda item – To approve the Document Retention Policy for Exning Parish Council. Policy made available on council website.</p>

Cathy Whitaker

Clerk to Exning Parish Council

15/5/2020