

## Internal Audit Report for Sproughton Parish Council

### for the year ending 31<sup>st</sup> March 2021

Clerk	Kirsty Webber
RFO (if different)	
Chairperson	
Precept	£53,960.00
Income	£93,506.98
Expenditure	£71,275.80
General reserves	£89,687.01
Earmarked reserves	£289,308.09
Restricted reserves	£15,336.52
Audit type	<b>Annual</b>
Auditor name	Vicky Waples

### Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC 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

## Methodology

When conducting the audit, the internal auditor 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 2020/21 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

<b>Section 1 – proper bookkeeping</b>		
The internal auditor will look at the methods and processes used to manage the council's accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses an Accounting Package which allows the Responsible Financial Officer (RFO) to produce reports on a Receipts and Payments basis once exported onto an excel spreadsheet and ensures that the financial transactions of the parish council are recorded and are as accurate as reasonably practicable.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The RFO has ensured that the cashbook is the focus for day-to-day accounting and is aware that the balancing off and reconciliation to the bank statement remains the most important control over the accounting system. The cashbook is reconciled on a monthly basis.
<i>Is the arithmetic correct?</i>	Yes	The accounting records were spot checked – they are well maintained, referenced the manner in which the payment was made and identified expenditure and income at any given point.
<b><i>Additional comments:</i></b> <i>For further transparency and scrutiny, the RFO, in accordance with best practice, has referenced all payments and receipts with a description as to the expenditure and income being incurred to ensure the integrity of data being input and processed.</i>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	The Council reviewed its Standing Orders at its meeting of 9 <sup>th</sup> September 2019), a copy of which can be found on the Council's website and which are

		based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.
Are Financial Regulations up to date and reviewed annually?	Yes	The Council's Financial Regulations which were reviewed at the meeting of the Council on 9 <sup>th</sup> September 2020a copy of which can be found on the Council's website and which are based on the Model Standing Orders produced by NALC in 2019.
Has the Council properly tailored the Financial Regulations?	No	Council should ensure that its Financial Regulations are fully tailored to the Parish Council by removing the [ square ] sections and in particular those sections that do not apply to the Council (Payments under contracts for building or other construction works; stores and equipment and charities).
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	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.
<b>Additional comments:</b> <i>Council has shown good practice by ensuring that it has in place appropriate measures governing how it operates, provisions for securing competition and regulating the manner in which tenders are invited. In accordance with proper practices, Council has ensured that its Standing Orders and Financial Regulations are regularly reviewed, fit for purpose and that Council agrees to adhered to them as written.</i>		

<b>Section 3 – Payment controls</b> The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	<i>Partly met</i>	At each scheduled meeting a list of all payments is presented to the meeting with formal approval of such expenditure being shown in the

<sup>1</sup> Section 151 Local Government Act 1972 (d)

		minutes. Within the Internal Control Statement, it is stated that Council has implemented the dual authorisation system whereby two members of the Council sign every cheque or order for payment. The signatories consider each cheque against the relevant invoice, sign the invoice and initial the cheque counterfoil. All authorised cheque signatories are members of the Council.
Where applicable, are internet banking transactions properly recorded and approved?	<i>Partly met</i>	<p>Internet banking is operated by the Council with the Internal Control Statement providing the terms of reference for such payments to be made: All payments are reported to the Council for approval. However, the RFO to the Council is the only person with access to the CO-OP online banking account on a day-to-day basis, as per the Finance Committee decision made on the 4.5.20 minute number 5.3.1. A security token is required to access the account. There are currently no dual authority procedures in place when making payments using online banking with the CO-OP. Any agreed payments are made by the RFO and invoices and a bank reconciliation is produced at the next Council meeting for transparency purposes.</p> <p><i>Comment: This system is contrary to Council's adopted Financial Regulations which retains dual authorisation and members being authorised signatories on the accounts.</i></p>
Is VAT correctly identified, recorded and claimed within time limits?	Yes	VAT is clearly identified in the ledger book and claimed in accordance with the guidelines for local authorities and similar bodies. The year-end date of assessment position of £6,580.03 is verified in the cashbook. The claim for the period ending 31 March 2020 in the sum of £4,568.89 was settled during the year under review.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	No	Council has not adopted the General Power of Competence.

<sup>2</sup> Localism Act

Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?		The cashbook allows for the details of payments made under S137 to be clearly referenced in the cashbook and the RFO ensures that payments made are in accordance with the budget set with reference to the statutory limit for such expenditure. For the year under review expenditure in the sum of £1,000 was incurred.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	<i>Not applicable</i>	The Council has no such loans.
<p><b>Additional comments:</b></p> <p><b>Recommendation:</b> Council should be aware that NALC's guidance over repealed Section 150(5) of the Local Government Act 1972, is that Councils must not relinquish the 'two-member signatures' control over cheques and other orders for payment until they have put in place safe and efficient arrangements. Guidance from the NALC Finance and Audit Advisor has been that the over-riding requirement resulting from the abolition of S150 (5) is that each and every local council seeking to depart from the two-signature rule must "implement and maintain robust controls on expenditure as an integrated part of their overall financial control system". Council should note that whilst it is not a requirement that two people authorise electronic payments, council should consider the appropriate systems, procedures and controls available by banking providers and follow its own Financial Regulations.</p> <p><b>Recommendation:</b> The approved schedule should be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments should then be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.</p> <p><i>Comment: in accordance with FR 5.6 Council has ensured that having received the schedule of annual due payments which arise on a regular basis of a continuing contract, a list of such payments incurred is submitted at the next appropriate meeting. To enable a full audit trail, documentation should be retained with the list and the schedule ruled off and initialled by the Chair of the meeting.</i></p>		

#### Section 4 – Risk management

The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.

<sup>3</sup> Section 137 of the Local Government Act 1972 ("the 1972 Act") 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.

Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	The risk assessment documentation submitted for Internal Audit provides details of the risks associated with the functioning of a smaller authority and the measures that the Council will undertake to mitigate such risks. The Risk Assessment for the year under review was adopted by full Council at its meeting of 10 <sup>th</sup> March 2021.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	Council is aware that risk assessment needs to focus on the safety of the parish council's assets and in particular its money. There is evidence that overall the parish council has taken action to identify and assess those risks and has considered what actions or decisions it needs to take during the year to manage in order to avoid financial or reputational consequences.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee <b>and</b> has been reviewed on an annual basis?</i>	Partly met	<p>Council has insurance in place under a Parish Protect Policy which shows core cover for the following: Public liability: £10m; Public/Products Liability: £10m; Business Interruption: £20k, Property – Tithe Barn, Community Building and Shop and Fidelity Guarantee of £350k. Council formally reviewed the insurance document at its meeting of 10<sup>th</sup> March 2021.</p> <p><i>Comment: the level of Fidelity Guarantee is not sufficient to meet the recommended guidelines which provides that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.</i></p>
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	Yes	In accordance with the Accounts and Audit Regulations 2015, Council is aware that it should formally review the effectiveness of its system of internal control to ensure that it has mitigation measures on place to address the risks associated with the management of public finances. The Internal Control Statement was adopted by Council at its meeting of 30 <sup>th</sup> September 2020
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year<sup>5</sup></i>	Yes	Council considered the effectiveness of internal audit during the year under review within the Internal Control Statement adopted by Council at its meeting of 30 <sup>th</sup> September 2020.

<sup>4</sup> Accounts and Audit Regulations

<sup>5</sup> Governance and Accountability Guide



		<i>Comment: by reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the function of internal audit is to test and report to the authority on whether its system of internal control is adequate.</i>
<p><b>Additional comments</b></p> <p><b>Recommendation:</b> given the current levels of finances, Council should review the appropriate level of fidelity guarantee insurance being held. Council should be aware that all cover should be risk based and should be kept under constant review to make sure it adequately reflects changes in circumstances.</p> <p><b>Recommendation:</b> Council might wish to consider appointing a Councillor to review and examine the control checks identified by the Council as being part of the measures undertaken to safeguard public finances and ensure the management of Council's finances and assets are in accordance with Proper Practice and that such a review along with its findings, is reported back to the Council and evidenced via a minute reference. A number of items on the internal control documentation, as adopted by Council, may be able to be undertaken remotely and Council is advised to explore this possibility.</p> <p><i>Although Council is mindful to ensure that all payments are carried out with reference to its own Financial Regulations 5.5, there is no reference to online banking for the use of the settlement of accounts within the Council's overall Risk Assessment documentation. Council should consider expanding its policies to ensure that it has a clear procedure for the way in which it operates with regards to the operation of its online accounts.</i></p>		

<p><b>Section 5 – Budgetary controls</b></p> <p>The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed</p>		
Evidence		Internal auditor commentary
Verify that budget has been properly prepared and agreed	Partly met	The budget for the year 2020–2021 in the sum of £59,755 was set at a Finance Sub-Committee Meeting on 24 <sup>th</sup> January 2020.
Verify that the precept amount has been agreed in full Council and clearly minuted	Partly met	The precept was agreed at £53,960.00 and set at the above Finance Sub-Committee Meeting.
Regular reporting of expenditure and variances from budget	No	Within the files submitted for internal audit there was no evidence that reports detailing comparisons between budgeted and actual income and expenditure were submitted and considered by either the Finance Committee (under delegated powers) or full Council. Such reports would also form the basis of



		approval for virements in accordance with Council's own Financial Regulations.
<i>Reserves held – general and earmarked<sup>6</sup></i>	Yes	<p>Council's final accounts show general reserves in the sum of £89,687.01 with earmarked reserves in the sum of £289,308.09 and restricted reserves in the sum of £15,336.52.</p> <p><i>Council might wish to be aware of the guidance as issued by Proper Practices which states that it is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 12 months of Net Revenue Expenditure and should ensure that the level of general reserves adopted is in accordance with its General Reserve Policy. There is no upper limit for Earmarked Reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually).</i></p>
<p><b>Additional comments:</b>  <b>Recommendation:</b> Council should be aware that in order to demonstrate good practice, Council should ensure that it follows the recommended key stages as to the budgetary process to be followed for the year:</p> <ul style="list-style-type: none"> <li>• decide the form and level of detail of the budget;</li> <li>• review the current year budget and spending;</li> <li>• determine the cost of spending plans;</li> <li>• assess levels of income;</li> <li>• bring together spending and income plans;</li> <li>• provide for contingencies and consider the need for reserves;</li> <li>• approve the budget;</li> <li>• confirm the precept or rates and special levies; and</li> <li>• review progress against the budget regularly throughout the year.</li> </ul> <p>Council should also note that the preparation of an annual budget is one of the key statutory tasks undertaken by the Council and cannot be devolved to a Committee. There is no evidence within the minutes reviewed to show that for the year under review, full Council approved the budget to be set for the year 2020-2021 and formally agreed the precept to be levied on its parishioners.</p>		

<sup>6</sup> In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

*Reserves: in accordance with guidance as issued under the Practitioners Guide, the Council has had regards to the need to put in place a General Reserve Policy with explanations as to the high level of general reserves being held and has evidenced that it has reviewed the level and purpose of all Earmarked Reserves. Council's Reserve Policy as adopted on 8<sup>th</sup> July 2020 was seen on its website.*

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	Income is recorded in accordance with Council's Financial Regulations. A number of items of income were cross checked against cash book and bank statement and found to be in order and recorded in accordance with Proper Practices. The RFO has continued to ensure that the accounting records contain all day-to-day entries of all sums of money received. A number of receipts were cross checked against cashbook and the bank statement and found to be in order.
<i>Is income reported to full council?</i>	Yes	Income received is reported within the financial reports submitted at scheduled meetings. The RFO ensures that monies received are promptly banked.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The council received precept of £53,960 during the year under review in April and September 2020. An email confirming the Precept being levied by the District Council on the parish of Sproughton was seen within the files submitted for internal audit.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	Yes	For the year under review Council receive CIL Receipts in the sum of £3,662.55. In accordance with the 2010 Regulations, the Council having a retained balance of CIL funds has ensured that retained balances are transferred into an Earmarked Reserve specifically allocated. The trail balance provides details of the CIL balances for current and previous years. Retained balances within the Earmarked Reserves show
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	

<sup>7</sup> Community Infrastructure Levy Regulations 2010

<i>Has an annual report been produced?</i>	Yes	retained balances totalling £15,336.52. Council still has to formally approve the Annual CIL Statement and as such the report for the year 20/21 has not yet been uploaded onto the Council's website.
<i>Has it been published on the authority's website?</i>	No	
<b>Additional comments:</b> <i>CIL Reporting: Council is aware of the requirement to ensure that it complies with its duty to produce an annual CIL report for each financial year and that such a report is uploaded onto its website by 31st December of that year. The Council should ensure that the CIL report contains all of the balances for CIL as detailed within the Council's trial balance – EMR codes 337 and 338 refer.</i>  <i>Council is reminded of the reporting schedule of its aggregate receipts and payments as adopted within its own Standing Order 17: The Responsible Financial Officer shall supply to each councillor as soon as practicable after 30 June, 30 September and 31 December in each year a statement to summarise:</i> <i>i. the Council's receipts and payments (or income and expenditure) for each quarter;</i> <i>ii. the Council's aggregate receipts and payments (or income and expenditure) for the year to date;</i> <i>iii. the balances held at the end of the quarter being reported and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends</i>		

<p><b>Section 7 – petty cash</b>  The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.</p>		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	<i>Not applicable</i>	Council does not operate a petty cash system.
<i>If appropriate, is there an adequate control system in place?</i>	<i>Not applicable</i>	
<p><b>Additional comments:</b></p>		

<p><b>Section 8 – Payroll controls</b>  The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1<sup>st</sup> April 2011, evidence will be required to show compliance with the new requirements for</p>
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the statement of employment, induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	Council had 1 employee on its payroll at the period end of 31 <sup>st</sup> March 2021. Employment contracts were not reviewed during the internal audit which was carried out by remote means. All salary payments are authorised by full council. The minimum wage is not applied to any employees.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	No	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	Yes	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 legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	The payroll function for the year under review was carried out by Suffolk Association of Local Councils and is operated in accordance with HM Revenue and Customs guidelines. Cross-checks were completed on three payments covering salary and PAYE and Pension Deductions and were found to be in order. Deductions paid to HM Revenue and Customs and the Pension Provider during the year under review were made in accordance with timescales as set out in the regulations.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	Yes	Council is aware of its pension responsibilities with the member of staff being a member of the NEST Pensions Scheme.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>		Council is aware of the changes in the Practitioners Guide for 2020 on the treatment of what can be included as employment expenses within the Annual Governance and Accountability Guide 2020 - section 2.16 refers and submitted within Box 4 of the AGAR. All expenses / payments made are against itemised invoices submitted to and approved by full Council
<b>Additional comments:</b> <i>There are robust payroll arrangements in place with ensures the accuracy and legitimacy of payments of salaries and associated liabilities and as such the Council has complied with its duties under employment legislation and has met its pension obligations.</i>		

<sup>8</sup> The Pension Regulator – [website click here](#)

<b>Section 9 – Asset control</b> The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?<sup>9</sup></i>	<i>Partly met</i>	The Asset Register as submitted for internal audit was reviewed and reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is however limited in detail. The declared value for all assets at year-end of 31 March 2021 is £57,408.00 which shows movement in the year – assets purchased in the sum of £2,199.96 and assets disposed of in the sum of £3,700.08.  All assets have been stated at cost value (fixed at 2010) in accordance with the basis as recommended by the Chartered Institute of Public Finance and Accountability (CIPFA) and where assets have been gifted or where there is no known value have been given the proxy value of £1.  Records of deeds, articles, land registry title number were not reviewed during the internal audit which was carried out via remote means.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	<i>Yes</i>	
<i>Are records of deeds, articles, land registry title number available?</i>	<i>No</i>	
<i>Is the asset register up to date and reviewed annually?</i>	<i>Yes</i>	Council formally reviewed its asset register at its meeting of 10 <sup>th</sup> March 2021 and requested that a number of items be added to the register.
<i>Cross checking of insurance cover</i>	<i>Yes</i>	Council has insurance under a Parish Protect Policy for assets to the value of £200,000 which is a sufficient banding for assets recently added to the register.
<b>Additional comments:</b>		

<sup>9</sup> Governance and Accountability for Smaller Authorities in England – March 2019

*Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2020 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.*

**Recommendation:**

**Council should take further steps to ensure that its asset register is maintained in accordance with proper practices: key information required is:**

- **dates of acquisition, upgrade and disposal**
- **costs of acquisition and any expenditure which increases the life of the asset;**
- **if proxy cost is used for first valuation, a note of the method used for valuation;**
- **location;**
- **responsibility;**
- **useful life estimate.**

**Section 10 – bank reconciliation**

The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.

Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	Bank reconciliations, following the implementation of the financial package, are completed on a regular basis and reconcile with the cash sheets. Overall there is regular reporting of bank balances within the detailed financial reports submitted at each meeting.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements and, as at year end (31 <sup>st</sup> March), the balance across the councils accounts stood at £394,331.62 as recorded in the Statement of Accounts and on the Year-end Bank Reconciliation.
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Balances across the Council's accounts are reported on a monthly basis to full Council. All Councillors approved the bank reconciliation. The RFO ensures that the 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 and therefore aids decision-making.



**Additional comments:**

*In accordance with Proper Practises, Council has implemented a system whereby a Councillor carries out a review of the Council's banking internal control by formally signing off the bank reconciliation. This is not only good practice but also is a safeguard for the RFO and fulfils one of the authority's internal control objectives.*

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	Yes	Accounts are produced on a receipts and expenditure basis and all found to be in order.
Financial trail from records to presented accounts	Yes	The end of year accounts and supporting documentation were well presented for the internal auditor review.
Has the appropriate end of year AGAR <sup>10</sup> documents been completed?	Yes	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it will be required to complete Part 3 of the AGAR.
Did the Council meet the exemption criteria and correctly declared itself exempt?		As the Parish Council had gross income and expenditure exceeding £25,000 it was not able to declare itself exempt from a limited assurance review.
During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?	Yes	The Internal Auditor is able to confirm that the parish council can demonstrate that it correctly provided for the exercise of public rights as required by the 2015 Regulations. Dates set were from 1 September to 12 October 2020.
Have the publication requirements been met in accordance with the Regulations? <sup>11</sup>	Yes	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 March 2020 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Section 3 – External Audit Report and Certificate

<sup>10</sup> Annual Governance & Accountability Return (AGAR)

<sup>11</sup> Accounts and Audit Regulations 2015



		Notice of the period for the exercise of public rights Annual Internal Audit of the AGAR
<p><b>Additional comments:</b>  <i>Council has noted that under the Accounts and Audit Regulations 2015, it is recommended that, as best practice, and to avoid any potential confusion by local electors and interested parties, that the Council also publishes the Annual Internal Audit Report of the AGAR page 3. The full written report which accompanies Page 3 of the AGAR along with explanations to some of the issues raised within the Internal Audit report for the previous year was also seen on the Council's website.</i></p>		

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		Internal auditor commentary
Has the previous internal audit report been considered by the Council?	Partly met	The Internal Audit Report was considered by full Council at its meeting of 9 <sup>th</sup> September 2020 at which it was reported the Clerk was working on completing the actions set within the report although no details were given.
Has appropriate action been taken regarding the recommendations raised?	Partly met	<p>The following recommendations were raised in the internal report:</p> <ol style="list-style-type: none"> <li>1. Annual review of Standing Orders</li> <li>2. Adoption of up-to-date Financial Regulations</li> <li>3. Internal controls with reference to Internet Banking</li> <li>4. Implementation of financial risk assessment documentation</li> <li>5. Evidence that risks are being identified and measures in place to mitigate such risks</li> <li>6. Review of internal control documentation</li> <li>7. Reporting of expenditure and variances from budget in accordance with Council's Standing Orders</li> <li>8. Reporting of income to Council</li> <li>9. Provision of all bank account / building society statements to 31 March to allow year-end bank reconciliations to be carried out</li> <li>10. Amendments to the Annual Governance Statement in relation to comments raised within the Internal Audit Report</li> <li>11. Evidence of the period for the exercise of Public Rights</li> </ol>

		12. Consideration of the Internal Audit Report by full Council 13. Implementation of an audit plan to deal with the matters arising from the Council's Internal and External Audit reports 14. Consideration of the External Audit report by full Council 15. Adoption of policies showing compliance with the General Data Protection Regulations.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The appointment of SALC as the Council's internal auditor was confirmed at the meeting of 10 <sup>th</sup> March 2021.
<b>Additional comments:</b> <b>Recommendation: following the completion of the internal audit, Council should be aware that if it receives a report from the internal auditor, it should consider the matters included in this report and decide what action it needs to take to prevent recurrence of the issues raised. Internal audit reports should inform the council's response to Assertions 2 and 6 of the Annual Governance Statement. As the internal audit report identified areas for development, Council should ensure that it produces an action plan with proposed remedial actions and that the plan identifies the people responsible for delivering improvement and the deadlines for completion of the actions.</b>		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
Evidence		Internal auditor commentary
<i>Has the previous external audit report been considered by the Council?<sup>12</sup></i>	No	At the meeting of full Council of 9 <sup>h</sup> December 2020, Council was advised by the Clerk that there had been a delay in the completion of the limited assurance review as a parishioner had raised several questions with the external auditors. Work was ongoing to respond to the questions submitted. Although the Limited Assurance Review was completed on 17 <sup>th</sup> February 2021, this was not brought back to Council for its consideration and formal acceptance.

<sup>12</sup> Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e.. All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

<p><i>Has appropriate action been taken regarding the comments raised?</i></p>	<p><i>Partly met</i></p>	<p>The final report from the External Auditor dated 17<sup>th</sup> February 2021, outlined the amendments required as detailed below: The AGAR has not been signed in accordance with the Accounts and Audit Regulations 2015: Section 2 was not signed by the Responsible Finance Officer before approval. Assertion 3 of the Annual Governance Statement should have been answered 'No' since the Council did not comply with the requirement to appoint an RFO throughout the year. During the year the Chair was acting RFO whilst the Council sought to appoint a new Clerk/RFO. Section 1, Assertion 4 has been incorrectly completed, the period for the exercise of public rights was correctly advertised and carried out during the summer of 2019. Assertion 4 should have been answered 'Yes'. Section 1, Assertion 5 has been incorrectly completed, information received from the Internal Auditor indicates the smaller authority does not have sufficient risk management arrangements in place to support the 'Yes' response. Assertion 5 should have been answered 'No'.</p> <p>Other matters not affecting our opinion which we draw to the attention of the authority: The smaller authority has confirmed that it has not complied with the governance assertions in Section 1, Boxes 2, and 6, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified. 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 risk management arrangements, budgetary controls and bank statement reporting. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.</p>
<p><b><i>Additional comments:</i></b> <b>Recommendation:</b> following the completion of the external auditor's review, Council should be aware that if it receives a letter or further report from the external auditor, full council must meet to consider it as soon as practicable. Whilst Council has complied with the publication requirements, it has failed to consider the report and the findings of the report. In order to answer in the affirmative to the Annual Governance Statement 7 – reports from auditors, Council will have needed to consider the matters included in the reports of both Internal and External Auditors and decide what action it needs to take to prevent recurrence of the issues raised. The consideration and decision should be included in formal minutes. Council is therefore recommended to answer in the negative to this assertion.</p>		

<b>Section 14 – additional information</b> The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		Internal auditor commentary
Was the annual meeting held in accordance with legislation? <sup>13</sup> (note to auditor- emergency Regulations as a result of the COVID-19 pandemic) <sup>f14</sup>	Yes	Council did not hold an Annual Meeting of the Parish Council during the year under review.  <i>Comment: In recognition of this being unprecedented times and following the Government's guidelines for staying at home and working remotely, the Government included within s.78 in the Coronavirus Act 2020 (made 4<sup>th</sup> April 2020) the ability for the Secretary of State to have the power to make Regulations to cover the provisions for the holding of meetings. The 2020 Regulations set out those provisions. This also repealed for the year under review, the requirement to hold an Annual Council Meeting. Council has followed these regulations and held its meetings via the Zoom Videoconferencing platform.</i>
Is there evidence that Minutes are administered in accordance with legislation? <sup>15</sup>	Yes	Council is aware that that under LGA 1972 schedule 12, paragraphs 41(1) and 44 the draft minutes of a meeting should be formally approved (with any necessary amendments) at the next meeting. At each meeting, the Chair is given formal approval to sign the minutes. Minutes seen for internal audit demonstrate that the minutes have been so signed.
Is there a list of members' interests held?	Yes	Evidence was seen on the District Authority's website of the Register of Interests for all current Parish Councillors.  <i>Comment: Council is reminded that whilst the monitoring officer of the District Council must arrange for the parish council's register of members'</i>

<sup>13</sup> The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

<sup>14</sup> The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

<sup>15</sup> Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

		<i>interests to be available for inspection in the district and must be published on the district council's website, where the parish council has its own website, its register of members' interests must also be published on that website. (Openness and transparency on personal interests - A guide for councillors – August 2012).</i>
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	<i>Not applicable</i>	
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	<i>Partly met</i>	Councils with income over £25,000 but under £200,00 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000). Council is working towards ensuring compliance with the requirements under the Transparency Code 2015.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>16</sup></i>	Yes	The council is correctly registered with the IO as a Data Controller in accordance with legislation. Reference: ZA112642 Expires 20/04/2022.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy and has shown good practice by ensuring that an impact assessment audit will be carried out on the occasion of the adoption of a new policy which potential GDPR implications. A range of documents were able to view on the website detailing the framework that the public can expect for the handling of requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>17</sup></i>	Yes	A website accessibility statement was seen on the Council operated website detailing the technical information of the website along with the methods used for testing the website; the steps being taken to improve accessibility and how the site is being improved to ensure that content meets the WCAG 2.1 Standard under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.
<i>Is there evidence that electronic files are backed up?</i>	Yes	

<sup>16</sup> Data Protection Act 2018

<sup>17</sup> Website Accessibility Regulations 2018

<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	No	There are no documents linked to the Terms of Reference shown on the Council's website.
<p><b>Additional comments:</b>  <i>Transparency Code 2015 - To ensure full compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), the following information should be published in accordance with the required timescales:</i>  <i>quarterly:</i>  <i>Individual items of expenditure that exceed £500 (currently published on an annual basis);</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>annually:</i>  <i>Details of all land and building assets;</i>  <i>Grants to Voluntary, Community and Social Enterprise Organisations.</i></p>		

Signed: *Victoria S Waples*

Date of Internal Audit Visit: 03.05.2021    Date of Internal Audit Report: 06 May 2021

On behalf of Suffolk Association of Local Councils