

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Earl Soham Parish Council
Income:	£11,600.96
Expenditure:	£8,937.86
Precept Figure:	£11,131
General Reserve:	£10,701.43
Earmarked Reserves:	£15,000

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 Cashbook is maintained on a spreadsheet and Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cashbook.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is well referenced with bank account balances included. The cashbook is dated March 2020 and the last payment entered is 24/2/20.
	Correct arithmetic and balancing	Arithmetic and balancing were found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Up to date NALC Model Standing Orders 2018 have been adopted and were last reviewed by the Council on 7/3/19. This was noted in the minutes. There is no evidence in the minutes that they have been reviewed in this audit year. Recommendation: Council should carry out a review of their Standing Orders in each audit year to ensure they are up to date and the procedures are being adhered to.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations on the website were adopted and reviewed 7/3/18. There is no evidence that they have been reviewed in the audit year 2019/20. Recommendation: To adopt the new Financial Regulations 2019 issued by NALC which incorporate or reference the requirements of new legislation that has been introduced. Council should minute that their Financial Regulations have been reviewed on an annual basis.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	There is no evidence in the minutes that a Responsible Financial Officer has been appointed in this audit year. Comment: It is good practice to note annually in the minutes the appointment of the Responsible Financial Officer. The appointment of a Financial Officer is included in NALC's Financial Regulations so noting in the minutes that this has been completed annually is a good internal control.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations published on the website have been tailored to the 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 evidenced. The risk assessment confirms that the financial statement detailing payments is presented and approved at bi-monthly meetings. Details of payments are not noted in the minutes. Comment: For future reference and to ensure that Councillors and members of the public are aware of the amounts of payments made by the authority and the matters to which they relate, this information could be noted either in the minutes or the report containing the information appended to the minutes.
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	VAT is recorded in a separate column in the cashbook. There were no items of VAT to reclaim for this audit year.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	Payments made under the Local Government Act S137 are recorded in a separate column in the cashbook. No payments were made in this audit year.
	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 audit review confirmed that the assessments provide an analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.
	Evidence that risks are being identified and managed.	It is noted in the risk assessments documentation that regular checks are made on all equipment by members of the Council and separate risk assessments are held for individual events undertaken. Comment: It is noted in the risk assessment document that 'Powers to pay' will be noted on the financial statements and

		this has not been carried out. It is good practice to include the power to pay in the minutes to ensure that the Council is not acting outside of its legal powers.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place including £25,000 of Fidelity Insurance cover which is just outside of the current guidelines of year end balances + 50% precept/grants. Assets are covered under an all risks policy with both Public Liability and Employers Liability covered up to £10 million. Comment: Council may wish to consider increasing their fidelity insurance.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council shows good practice by noting in the risk assessment document that the asset register is kept up to date and insurance is held at the appropriate level for all items.
	Evidence that internal controls are documented and regularly reviewed	The Council's risk assessment documents are dated 7/3/18 and noted as reviewed on 7/3/19. There is no evidence that they have been reviewed in this audit year Comment : Council may wish to review their risk assessment documents annually in line with NALC Financial Regulations 2019 Item 1.5 which states 'At least once a year, prior to approving the Annual Governance Statement, the council must review the effectiveness of its system of internal control which shall be in accordance with proper practices'.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	There is no evidence that the Council has undertaken a review of the effectiveness of it's internal audit during the audit year. <i>Comment : by reviewing the terms of reference for internal audit, Council follows 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> Recommendation: Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement. This should then be noted in the minutes.

5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The authority has prepared and approved a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year. This was noted in the minutes.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept amount of £11,131 was agreed in full with a supporting budget and this was noted in the minutes of 10/1/19.
	Regular reporting of expenditure and variances from budget	Council receives a regular report from the RFO detailing expenditure to date.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £10,701.43 with earmarked reserves in the sum of £15,000.
6. Income controls	Is income properly recorded and promptly banked?	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 which is promptly banked.
	Is income reported to full Council?	Council receives regular reports from the RFO detailing income received. These amounts are not noted in the minutes. The risk assessment document confirms that the financial statement detailing receipts is presented and approved at bi-monthly meetings. Comment: For future reference and to ensure that Councillors and members of the public are aware of the amounts of income received by the authority and the matters to which they relate, this information could be noted either in the minutes or the report containing the information appended to the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded agrees with the Council Tax Authority's (East Suffolk Council) notifications of a precept of £11,131.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	Council have noted 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.

	<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>CIL income forms part of earmarked reserves.</p> <p>The report is published on the website www.earlsoham.org</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 is held.</p> <p>N/A</p>
8. Payroll controls	<p>Do all employees have contracts of employment?</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>Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council. P60 seen for 2019/20 G Harvey.</p> <p>The payroll is authorised by full Council. <i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved by the Council.</i></p>
	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. No payments are due in this audit year.</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>There is no evidence included in the minutes or risk assessment documents for this audit year that the council is aware of its responsibilities under pension regulations, however the Internal audit report from 2018/19 states that the Clerk has opted out of the pension scheme. <i>Comment: Council may wish to note in the minutes, on an annual basis, its responsibilities under the legislation for work place pensions and note if they have completed a Declaration of Compliance under The Pensions Act 2008.</i></p>

	Are other payments to employees reasonable and approved by the Council?	Other payments to employees are reasonable, approved by full Council with receipts to support expenditure.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at original purchase cost or, where the original purchase price is unknown, at a nominal/community value. The total value of £9,436 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	It is noted in the risk assessment documents that the asset register is kept up to date and insurance is held at the appropriate level for all items. There is no evidence in the minutes that the asset register has been reviewed in this financial year. The asset register published on the website is dated 2018. Comment: Council may wish to note in the minutes the annual review of their asset register in line with proper practices and include an up to date version on their website.
	Cross checking of Insurance cover	It is noted in the risk assessment documentation that insurance is held at the appropriate level for all items. Comment: Council may wish to note in the minutes the annual cross checking of insurance cover against assets and funds held, to ensure full cover is in place including the correct amount of fidelity cover.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations have not been completed during the year. An annual bank reconciliation has not been completed. Recommendation: Information required on the Council's Annual Bank Reconciliation is included in Governance and Accountability for Smaller Authorities in England with an example document under appendix 1. It is good practice to complete regular bank reconciliations during the audit year.
	Confirm bank balances agree with bank statements	The following bank balances for 31/3/20 were confirmed: Barclays Community Account £2245.34 Barclays Business Premium Account £13392.34

	Regular reporting of bank balances at council meetings	The risk assessment confirms that financial statement detailing bank account balances is presented and approved at bi-monthly meetings.
11. Year-end procedures	Appropriate accounting procedures used	The receipts and payments method of accounting was used.
	Financial trail from records to presented accounts	There is a clear audit trail from records to presented accounts.
	Has the appropriate end of year AGAR documents been completed?	<p>Council have completed Section 2 The Accounting Statement but not Section 1 The Annual Governance Statement. Comment: The guidance notes for completing the AGAR states that the authority must approve Section 1 before approving Section 2.</p> <p>The staff costs figure noted on the AGAR does not agree with the figure in the cashbook for staff salary. Recommendation: Council may wish to review the Accounting Statement of the AGAR box 4: to comply with NALC's Governance and Accountability Guide (Item 2.16) confirms that staff costs for the purpose of Line 4 include the following items: gross salary of employees, employers national insurance contributions, employers pension contributions, gratuities for employees or former employees and severance or termination payments to employees. The following are not staff costs for the purpose of Line 4; mileage and other travelling and subsistence allowances, "Homeworking allowance" that is, an allowance paid to cover the extra costs of working from home, the provision of work related training, the reimbursement of childcare or other carers costs, the reimbursement of a staff members subscription to the Society of Local Council Clerks, the provision of office supplies such as laptop, scanner or stationery and consultants and agency staff. The definition of "staff costs" for the purposes of Line 4 may differ from what is, or is not, treated as taxable earnings by HMRC.</p>

	<p>The following figures on the AGAR do not agree with the figures in the cashbook: Box 3 - Total other receipts Box 6 - All other payments</p> <p>Recommendation: In accordance with regulations, the Council should complete an annual bank reconciliation with figures supported by the cashbook and bank statements. The figures noted in the AGAR should also be supported by this reconciliation and the cashbook.</p>
Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	The Council correctly certified itself exempt from a limited assurance review in 2018/19. The higher of gross income or gross expenditure did not exceed £25,000.
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>The Council provided for the exercise of public rights from 18/7/19 to 17/8/19 and published this information on their notice board.</p> <p>Recommendation: To fully provide for the exercise of public rights the inspection period must include the first 10 working days of July. The information should also be published on the Council's website.</p>
Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>Council has published on a public website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities the following documents: Certificate of Exemption, page 3</p> <ul style="list-style-type: none"> • Annual Internal Audit Report, page • Section 1 – Annual Governance Statement, page • Section 2 – Accounting Statements, page 6 <p>Comment: To be fully compliant with the publication requirements the Council should also publish the following information:</p> <ul style="list-style-type: none"> • Analysis of variances • Bank reconciliation

		<ul style="list-style-type: none"> • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Council has reviewed the previous internal audit report and noted this in their minutes of 4/7/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	No recommendations were made by the internal auditor, only suggestions to be added to the existing risk assessments documents.
	Confirmation of appointment of Internal Auditor	There is no evidence in the minutes of the appointment of the internal auditor for the 2019/20 financial year. Comment: Council may wish to note in their meetings the annual appointment of the internal auditor.
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The Council declared itself exempt from a limited assurance review.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	The annual meeting was held on 9/5/19 but the Council did not elect a Chair. Recommendation : The first item on the agenda for the council's Annual General Meeting is the election of the Chairman in accordance with the Local Government Act of 1972 15(1). This should be noted in the minutes.
	Correct identification of trustee responsibilities	The Council does not have any trustee responsibilities.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council has published the following information on their website under the Transparency Code: End of Year Accounts Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities

	Minutes and Agendas of Meetings Asset Register A list of items of Expenditure Above £100.
Verifying that the council is registered with the ICO	The Council was not registered with the ICO in the audit year 2019/20 however this has been rectified and they registered on 9/6/2020 under reference ZA762319.
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 	The Council are aware of their responsibilities under the General Data Protection Regulations noted in their Standing Orders. However, to be fully compliant with their Standing Orders and the GDPR they will need to adopt the relevant policies. Recommendation: To comply with their standing orders, the Council should adopt the following policies and publish them on their website: <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

Signed.....*Linda Harley*.....

Date of Internal Audit Visit29/6/20.....

Date of Internal Audit Report.....29/6/20.....

On behalf of Suffolk Association of Local Councils