

**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2020**

<b>Name of Council:</b>	SOMERSHAM PARISH COUNCIL
<b>Income:</b>	£20,287.34
<b>Expenditure:</b>	£20,793.55
<b>Precept Figure:</b>	£17,052.00
<b>General Reserve:</b>	£13,392.91
<b>Earmarked Reserves:</b>	£280.50

## **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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	The council used an excel spreadsheet for income and expenditure as the basis for the Council's accounting records which provides 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.
	Correct arithmetic and balancing	<p>Spot checks were made, and the following is found: unrepresented cheques/overpayment raised during the year have been brought back into the cashbook as a receipt.</p> <p><i>Comment: it should be noted that to cancel 'lost or unrepresented' cheques, the entries should be reversed within expenditure, which will effectively re-create the previously settled debt in the Council's books.</i></p>
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	The Council's Standing Orders, as seen on the website, were those reviewed at the meeting of 20 <sup>th</sup> May 2019 and are based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations have been adopted and reviewed regularly	<p>The Council's Financial Regulations (FR), were reviewed at a meeting of 20<sup>th</sup> May 2019 and are based on the NALC Model FRs as produced in 2016.</p> <p><i>Comment: at the next annual review, Council should consider reviewing and adopting the Model Financial Regulations produced by NALC in August 2019.</i></p>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority (FR1.8).
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Parish Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	<p>At each full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being shown in the minutes and evidence of such paperwork in the files submitted for internal audit. Whilst Council identifies the powers used to incur expenditure it is noted that in the main, reference is made to the LGA 1972 s111 &amp; 112.</p> <p><i>Comment: whilst it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense, Council might wish to</i></p>

		<i>review the exact powers being used as there are a variety of powers at Council's disposal that will ensure all financial decisions or payments being made are in accordance with statute.</i>
	Internet Banking transactions properly recorded/approved	Council does not use internet banking for the settlement of its accounts.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. At year-end the reclaimable amount was £1,153.78
	Has Council adopted the General Power of Competence and is it being correctly applied?	Council does not use the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £2000.00 and were within statutory limits and in accordance with the LGA 1972 s137 provisions.
	Payments of interest in respect of loans, are paid in accordance with agreements	The Council has one Public Works Loan and as such incurred interest payments for the period under review in the sum of £6,517.00. The balance of the loan outstanding at 31 <sup>st</sup> March 2020 was £11,828.01
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	The Risk Assessment Document for the period 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2019 was considered at a meeting of the Parish Council on 20 <sup>th</sup> May 2019 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.
	Evidence that risks are being identified and managed.	Council has identified the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance is in place under a Parish Protect Policy which shows core cover: Business Interruption; Public Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £25,000 which is within the recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	There is no minute to show that the Council has reviewed its current insurance cover during the year.  <i>Comment: in accordance with Proper Practices, Council should ensure that it evidences that it identifies its key risks and has 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.</i>
	Evidence that internal controls are documented and regularly reviewed	Whilst the Council's financial risk assessment, Council reviewed the effectiveness of its system of internal control.

		<p><b>Recommendation: Council should ensure that it evidences, by a minute reference, that it has considered its system of internal control and that it has in place safe and efficient arrangements to safeguard public money and has reviewed such arrangements.</b></p> <p><i>Comment: Council might also wish to amend the reference with the Risk Assessment documentation from Account and Audit Regulations 2003 to Account and Audit Regulations 2015 to ensure that the most up-to-date guidance is referenced.</i></p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	<p>Whilst the internal audit report was reviewed as a meeting of 5<sup>th</sup> June 2019, there is no minute to show that Council has considered the effectiveness of internal audit.</p> <p><b>Recommendation: Council show note that guidance within the Governance and Accountability Guide states that by reviewing the terms of reference for internal audit, Council would have recognised 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.</b></p>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	<p>The budget for the year 2019/20 in the sum of £19,000 was approved by full Council at a meeting of 2<sup>nd</sup> January 2019 with the minutes showing the amount approved.</p> <p><i>Comment: Council shows good practise by ensuring that it has followed the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> <li>• <i>decide the form and level of detail of the budget;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>provide for contingencies and consider need for reserves;</i></li> <li>• <i>approve the budget.</i></li> </ul>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £17,052 at the above meeting.
	Regular reporting of expenditure and variances from budget	The minutes show that comparisons between budgeted and actual income and expenditure is contained within the online cashbook which is circulated to all Councillors before each meeting and includes updated budget tracking figures.
	Reserves held	Council's final accounts show general reserves in the sum of £13,392.91 with an Earmarked Reserve of £280.50 being funds for the Land Trust temporarily held

	General and Earmarked.	<p>within the Parish Council's Accounts until full banking facilities have been set up.</p> <p><i>Comment: Council should be mindful of guidance submitted within Proper Practices which states that whilst it is essential that authorities have sufficient Reserves (General and Earmarked (EMR)) to finance both its day to day operations and future plans, it is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive. The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure. At the current level, council's general reserves are considered to be in excess of this level.</i></p>
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	<p>A number of items of income were cross checked against cash book and bank statement and found to be in order.</p> <p><i>Comment: in accordance with Proper Practices, the Responsible Financial Officer ensures that the accounting records contain entries from day to day of all sums of money received.</i></p>
	Is income reported to full Council?	All income received by the parish council is reported as part of the Financial Reports submitted by the RFO. The RFO ensures that monies received are promptly banked.
	Does the Precept recorded agree to the Council Tax Authority's notification?	<p>The council received precept of £17,052.00 during the year under review.</p> <p><i>Comment: There was a full audit trail from the form submitted to the Charging Authority reflecting the Precept discussed and approved at the meeting of 2<sup>nd</sup> January 2019 through to the items declared in the cashbook and evidence of receipt in the Council's Bank Account.</i></p>
	Are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations (CIL) 2010?	Council had no CIL receipts for the year under review and none retained from previous years.
<b>7. Petty Cash</b>	Is a petty cash in operation?	A petty cash system is not operated by the parish council.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Council had 1 employee on its payroll at the period end of 31 <sup>st</sup> March 2020. Employment contracts were not reviewed during the internal audit, but 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>
	Are arrangements in place for authorising of the payroll and payments by the Council? Verifying the process for agreeing rates of pay to be applied.	The payroll function is outsourced and operated within the RTI system. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages.
	Do salary payments include deductions for PAYE/NIC?	From the cashbook and statements evidence was seen that PAYE taxes due for the year under review were paid across to HM Revenue and Customs in accordance with the required timescales.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	A declaration of Compliance dated 18 <sup>th</sup> August 2020 was verified during the internal audit review.
<b>9. Asset control</b>	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. It is noted that the declared value for all assets at year-end (31.03.2020) was £14,264 as has been declared on the Annual Governance and Accountability Return as signed by the Council on 6 <sup>th</sup> May 2020. All assets have been stated as at the acquisition value and were 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 which states that the Asset Register should reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It has however ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been consistently applied and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets</i>
	Verifying that the Asset Register is reviewed annually	The Asset Register value was approved by full Council at a meeting of 6 <sup>th</sup> May 2020.
	Cross checking of Insurance cover	Insurance cover was generic across all risks to the value as specified on the insurance schedule.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets.
	Confirm bank balances agree with bank statements	Bank balances agree with period end statements and as at 31 <sup>st</sup> March 2020 stand at: £13,676.341 across all accounts held by the Council.

	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances to the council.  <i>Comment: there is reporting of bank statements at monthly meetings with a nominated Council verifying that the bank reconciliation has been carried out and is in accordance with proper practices.</i>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Accounts are produced on a receipts and payments basis. All were found to be in order.
	Financial trail from records to presented accounts	There is a clear audit trail from the financial records held to the presented accounts.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR which was signed on 6 <sup>th</sup> May 2020.  <b>Recommendation: Council might wish to review the figures as stated on the Certification of Exemption as the income stated on the Certificate of Exemption (£20278) does not match the income declared on the Accounting Statements (£20287).</b>
	Where an authority certified itself exempt in 2018/19, did it meet the exemption criteria and correctly declare itself exempt?	As the Parish Council did not have gross income and expenditure exceeding £25,000 it was able to declare itself exempt from a limited assurance review.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2019 were on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has partially complied with the requirements of the Accounts and Audit Regulations 2015 and the Local Audit (Smaller Authorities) Regulations 2015 and has published the following on a public website for the year 2018/19: Certificate of Exemption Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015. Bank Reconciliation for the period ending 31 <sup>st</sup> March 2019  <i>The following information was not found on the website: Analysis of variances</i>



		<p><i>Annual Internal Audit Report of the AGAR</i></p> <p><b>Recommendation: Council should be aware that all of the above information should be published on the Council's website for the year 2019/20 by 31<sup>st</sup> August 2020.</b></p>
<b>12. Internal audit for the year ending 31 March 2019</b>	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the year ending 31 <sup>st</sup> March 2019 was considered and accepted at the meeting of the Parish Council on 5 <sup>th</sup> June 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following recommendations raised in the report from the internal audit was considered and approved by the parish council:</p> <ol style="list-style-type: none"> <li>1. Use of legal powers to incur expenditure</li> <li>2. Review of general reserves held</li> <li>3. Review of assets held by the Parish Council and inclusion within the Asset Register</li> <li>4. Publication in accordance with the Transparency Code for Smaller Authorities</li> </ol>
	Confirmation of appointment of Internal Auditor	SALC was appointed the Council's Internal Auditor at a meeting of full Council on 6 <sup>th</sup> November 2019.
<b>13. External audit for year ending 31 March 2019</b>	Verifying that the external audit report has been considered by the Council	No external report was provided by the external auditors as the Council was able to certify itself as exempt from a Limited Assurance Review.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was scheduled for 20 <sup>th</sup> 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 thereof	<p>It is noted on the website that some of the minutes are still in Draft form.</p> <p><i>Comment: Council might wish to 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 replace the Draft Documents with Approved Documents so as to avoid confusion.</i></p>
	Correct identification of trustee responsibilities	The council does not act as a sole trustee.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2019/20 not later than 1 July:

		<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  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> <p><b>Recommendation: Council should take steps to ensure that the above list is published in accordance with the Transparency Code 2014.</b></p>
	Verifying that the council is registered with the ICO	The Council is registered with the Information Commissioner’s Office (ICO) as a Data Controller. Registration ZA226040 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council will need to take further steps to ensure compliancy with the GDPR requirements and is aware that this should be monitored at all times to ensure compliancy. The Council’s Privacy Notice was seen on the parish council's website. Council should consider the completion of a Data Protection and Management Policy which will provide comprehensive guidance on the management of data held by the Council.

Signed: *V S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 16.08.2020

Date of Internal Audit Report: 18.08.2020