

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

<b>Name of Council:</b>	TATTINGSTONE PARISH COUNCIL
<b>Income:</b>	£32,632.81
<b>Expenditure:</b>	£29,889.87
<b>Precept Figure:</b>	£12,000.00
<b>General Reserve:</b>	£8,228 (rounded)
<b>Earmarked Reserves:</b>	£4,964 (rounded)

## **Internal Audit Objectives and Responsibilities**

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data

Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2019/20 of the Annual Governance and Accountability Return (AGAR)
- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- Appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- Review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Subject	Requirements	Comments/Recommendations
1. Proper Book-keeping	Type of cash book or ledger used	The council used an excel spreadsheet as the basis for the Council's 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 it should be noted that whilst the excel cashsheet used for receipts and payments balances, there is a fundamental difference between the cashsheets and the year-end paperwork presented for internal audit and the Accounting Statements and Bank Reconciliation as produced and as shown on the council's website.</p> <p><b>Recommendation: Council should be aware that, in accordance with Proper Practices, the accounting records must contain all entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and a record of the assets and liabilities of the authority.</b></p>
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The Council's Standing Orders as reviewed at the meeting of 13 <sup>th</sup> May 2019 are based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations (FRs) have been adopted and reviewed regularly	<p>The Council's Financial Regulations were reviewed at the meeting of 13<sup>th</sup> May 2019.</p> <p><i>Comment: at the next review Council might wish to note that in August 2019, NALC produced the Model 2019 version which reflects recent changes in legislation concerning procurement..</i></p>
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority.
	Evidence that Financial Regulations have been tailored to the Council	To ensure that its Financial Regulations are tailored to the council, it should consider removal of the alternative options for a council and in particular removing the [square brackets], thereby eliminating ambiguity. It should also consider ensuring that where the guidance has information in (round bracket) there is an expectation that values will be inserted that are relevant to the council.

<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	Spot checks on the payment file were cross checked against cash book, bank statement, invoice and minutes.  <i>Comment: Council has ensured that, in order to have measures that safeguard public money, there is a straightforward and clear audit trail for each payment.</i>
	Internet Banking transactions properly recorded/approved	Internet banking is not operated by the Council.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and claimed within time limits.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Council does not exercise the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	There were no payments identified in the cashbook made under this power for the year under review.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Council has no such loans.
<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 reviewed and adopted at the Council meeting of 13 <sup>th</sup> May 2020. The document covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.  <i>Comment: Overall within its Risk Assessment Document, Council has identified a number of risks to property; finances and personnel and has taken steps to control the risk - all of which are clearly identified within the document as approved by Full Council.</i>
	Evidence that risks are being identified and managed.	Council has a comprehensive section reviewing the financial risks to the Council in its Risk Assessment Document.  <i>Comment: council's documents identify the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks. The documentation of the specific control procedures that have been adopted by the council for payments not only protects the RFO but also fulfils an internal control objective.</i>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance is under a Parish Protect Policy from Zurich for the period from 1 <sup>st</sup> October 2019 to 30 <sup>th</sup> November 2020 which shows core cover: Business Interruption; Public & Products Liability; Employer's Liability; Office Contents; Libel

		<p>&amp; Slander; Officials Indemnity; Personal Accident and Legal Expenses and premises cover for the Village Hall. Fidelity Guarantee Cover is £25,000, which given the current balances held by the Council is within recommended guidelines.</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis	<p>Council reviewed its current insurance cover as reported by the RFO at the meeting of 7<sup>th</sup> October 2019.</p> <p><i>Comment: in accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance. The RFO, in accordance with Proper Practices has ensured that there is evidence that a review of the insurance cover was completed, and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i></p>
	Evidence that internal controls are documented and regularly reviewed	<p>Within its risk assessment, Council has identified a number of controls for the safeguarding of public finances. It is noted at its meeting in January 2020, that the Council approved the addition of the Clerk as a signatory to the Council's Accounts.</p> <p><i>Comment: whilst Council, with reference to the Accounts and Audit Regulations 2015, has understood the requirement to have in place safe and efficient arrangements to safeguard public money, it should note that its documentation states that the two signatory requirement for the authorisation of payments is by members only. Council will need to ensure that not only are its Internal Controls updated but its Financial Regulations should be amended if this proposal is carried through. Council should also ensure that its internal control statement is fully tailored to the Council.</i></p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	<p>The effectiveness of internal audit was discussed by full Council at its meeting on 13<sup>th</sup> May 2019.</p> <p><i>Comment: Council is mindful of guidance which states that it should at least annually, carry out a review of the effectiveness of their internal audit arrangements.</i></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 £10,990 was discussed and approved by full Council at the meeting of 3<sup>rd</sup> December 2019</p> <p><i>Comment: Council shows good practice by following the recommended key stages</i></p>

		<p>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>• provide for contingencies and consider the need for reserves;</li> <li>• approve the budget.</li> </ul>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £12,000 and formally approved at a meeting of 7 <sup>th</sup> January 2019.
	Regular reporting of expenditure and variances from budget	<p>Comparisons between budgeted and actual income and expenditure is reported to Council.</p> <p><i>Comment: whilst Council has reviewed progress against the budget during the year, Council should be mindful of its own Standing Order 17c on the frequency of the reports and should ensure that such reports are appended to the minutes to allow a record to be retained of the financial decisions made by the Council.</i></p>
	Reserves held  General and Earmarked.	<p>At year-end Council had general reserves of £8,628 and earmarked reserves of £4964.</p> <p><i>Comment: the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure. This level should be annually reviewed and should be sufficient alongside contingency sums to meet, within reason, any unforeseen items of expense that may occur.</i></p>
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	A number of items of income were cross checked against cash book and bank statement. In accordance with Proper Practices, the RFO ensures that the accounting records contain entries from day to day of all sums of money received.
	Is income reported to full Council?	<p>All income received by the council is reported as part of the Financial Reports submitted by the RFO.</p> <p><i>Comment: Council might wish to ensure that such reports are appended to the minutes to allow a record to be retained of the financial decisions made by the Council.</i></p>

	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £12,000 during the year under review.  <i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 14<sup>th</sup> January 2019, served on the Charging Authority to receipt of same in the Council's Bank Account.</i>
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	There were no CIL funds received in the year under review.
<b>7. Petty Cash</b>	Is a petty cash in operation?	A petty cash system is not operated by the parish council.
	If so, is there an adequate control system in place.	All expenses claimed are approved by full council with supporting paperwork in place.
<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.
	Are arrangements in place for authorising of the payroll and payments by the Council?  Verifying the process for agreeing rates of pay to be applied.	All salary payments are authorised by full council.  <i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council.</i>
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	The payroll function is operated in accordance with HM Revenue and Customs guidelines.  <i>Comment: there are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.</i>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	It is noted that the internal audit report for the previous year confirmed that evidence was seen that Council is aware of its pension responsibilities. It is assumed that a declaration of compliance with regards to automatic enrolment duties was completed in 2017 with no staff being automatically enrolled.  <i>Comment: Council should note that every three years, when they complete their re-enrolment duties, they will also need to submit a re-declaration of compliance to tell The Pensions Regulator what it has done at re-enrolment.</i>  <b>Recommendation: Council reviews its staging date and ensures that it has</b>

		submitted its re-declaration by the due date. For further information: <a href="https://help.thepensionsregulator.gov.uk/faq/declaration_of_compliance/once-deadline-every-3-years">https://help.thepensionsregulator.gov.uk/faq/declaration_of_compliance/once-deadline-every-3-years</a>
<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 and is stated at £79,780.  <i>Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and has ensured that as it has applied the insurance value of the asset at the time of first recording as a proxy that method of valuation has been consistently applied and if/where 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 of £79,780 has been stated on the AGAR which was signed by the Chair at a meeting of 1 <sup>st</sup> June 2020.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance. Content Items (other property) are generic under the All Risks Category and have been given insurance value in accordance with the policy operated by the insurance company.
<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.  <i>Comment: As evidence of good financial practice, the minutes state that a bank reconciliation is received, signed and verified. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i>
	Confirm bank balances agree with bank statements	Bank balances agree with period end statements and as at 31 <sup>st</sup> March 2020 stand at £13,713.25 across the Council's accounts.
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances within the financial reports submitted to the parish council.  <i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making.</i>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Accounts are produced on an income and expenditure basis. All were found to be in order.
	Financial trail from records to presented accounts	There is a significant discrepancy between the financial records and the accounts produced and the values as declared on the Exemption Certificate and Accounting



		Statements.  <b>See Recommendation below</b>
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5 million it should have completed Part 3 of the AGAR.  Council has instead completed Part 2 of the AGAR, which along with the Exemption Certificate was signed at the time of internal audit.  <b>Recommendation 1: Council should be aware that the Governance and Accountability Guide - March 2019 - contains guidance on Proper Practices and states that "All figures in Section 2 of the Annual Governance and Accountability Return need to agree to the authority's primary accounting records. The RFO needs to be able to show how the figures in the Annual Governance and Accountability Return reconcile to those in the cashbook and other primary accounting records".</b>  <b>Recommendation 2: Council revisits its Accounting Statements and completes Part 3 of the AGAR which should then be signed at a meeting of the Council with relevant documentation submitted to the External Auditor. Council will need to include all income received by the Council into its accounts and all expenditure raised by the Council.</b>
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Parish Council had gross income and expenditure not exceeding £25,000 it was able to declare itself exempt from a limited assurance review.
	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 is unable to confirm that the Council correctly provided the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2019 as the Annual Governance Statement was signed on 5 <sup>th</sup> August 2019 whilst the Accounting Statements were signed on 13 <sup>th</sup> May 2019. As such the Council has failed to follow the instructions for the completion of the AGAR which states that Section 1 must be signed before Section 2 which states that "The authority must approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both must be approved and published before 1 July".

		<b>Recommendation: Council revisits the Annual Governance Statement and answers in the negative to Assertion 4.</b>
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The Council has only partially complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 for the year ending 31<sup>st</sup> March 2019 and published the following on a public website:</p> <p>Certificate of Exemption  Annual Internal Audit Report of the AGAR  Section 1 – Annual Governance Statement of the AGAR  Section 2 – Accounting Statements of the AGAR  Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</p> <p>The following were not published:  Bank Reconciliation for the period ending 31<sup>st</sup> March 2019  Analysis of variances</p> <p><i>Comment: Council is aware that all of the above should be published on its website for the year 2019/20 by 31 August 2020 (The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020</i></p>
<b>12. Internal audit for year ending 31 March 2019</b>	Verifying that the previous internal audit reports have been considered by the Council	The Report for the year ending 31 <sup>st</sup> March 2019 was considered at the meeting of the Council on 5 <sup>th</sup> August 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 were considered by the parish council at the above meeting:</p> <ol style="list-style-type: none"> <li>1. Review of Internal Controls and their effectiveness</li> <li>2. Review of Internal Audit and its effectiveness</li> <li>3. Compliance with the General Data Protection Regulations</li> </ol>
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of full Council of 13 <sup>th</sup> May 2019 for the year ending 31 <sup>st</sup> March 2020.
<b>13. External audit for the year ending 31 March 2019</b>	Verifying that the external audit report has been considered by the Council	As Council was a smaller authority with income and expenditure not exceeding £25,000 it was not subject to an intermediate review undertaken by the External Auditors.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 13 <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).

	Correct identification of trustee responsibilities	The council does not act as the sole trustee for any trusts.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	<p>To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover 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> <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><i>Comment: 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) and to ensure compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), council is aware that the following information should be</i></p> <p><b><u>Publish quarterly</u></b></p> <p><i>Individual items of expenditure that exceed £500  Government Procurement Card transactions  Invitations to tender for contracts over £5,000  Details of contracts that exceed £5,000</i></p> <p><b><u>Publish annually</u></b></p> <p><i>Details of all land and building assets  Grants to Voluntary, Community and Social Enterprise Organisations</i></p>
	Verifying that the council is registered with the ICO	The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Registration No. Z3053369 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Council is taking steps to ensure compliancy with the GDPR requirements. A General Privacy Notice was seen on the parish council's website along with a Data Management Policy.</p> <p><i>Comment: Council may wish to consider producing futher policies that provide</i></p>

		<i>clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR. Policies that could be considered are: Procedures for dealing with Subject Access Request; Procedure for dealing with Data Breaches; Data Retention &amp; Disposal Policies and BYOD Policies.</i>
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Signed: *T S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 08.07.2020

Date of Internal Audit Report: 13.07.2020