

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	NORTON PARISH COUNCIL
Income:	£39,207.13
Expenditure:	£39,407.91
Precept Figure:	£20,000.00
General Reserve:	£1,915.46
Earmarked Reserves:	£17,709.00

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 uses an excel spreadsheets to record the Council's transactions for the year. <i>Comment: Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.</i>
	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	Spot checks were made, and all were found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	At the meeting of 2 nd March 2020, Council carried out an annual review of its own Standing Orders 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.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations were reviewed and adopted at a meeting of 2 nd March 2020 and are based on the 2019 Model Financial Regulations produced by NALC.
	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.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have in parts been tailored to the Parish Council. <i>Comment: Council might wish to consider the removal of sections that are not applicable to the council and in particular removing the [square] brackets, thereby eliminating ambiguity.</i>
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, invoices and bank statements and as such all were found to be in order. <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. The year-end period shows VAT due of £3,915.41 which is still to be settled by HM Revenue and Customs. The claim for the year 2018-19 in the sum of £2,752.38 was settled on 16 th May 2019.

	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted by the Council.
	S137 separately recorded, minuted and within statutory limits	Donations made under this power for the year under review totalled £170.00 and were within statutory guidelines and limits.
	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 Risk Assessment Document for the period 1 st April 2019 to 31 st March 2020 was considered at a meeting of the Parish Council on 3 rd February 2020 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning. <i>Comment: Overall within its Financial Risk Management 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'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.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance cover is in place core cover is shown as: Business Interruption; Public Liability; Employer's Liability; Public Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £250,000 which is within recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Whilst Council renewed its insurance cover during the year under consideration, there is no minute to record that a review had been carried out of the insurance held or to be held. <i>Comment: in accordance with Proper Practices, whilst Council has taken steps to manage its key risks in a way which it can justify to a level which is tolerable by transferring the risk and taking out insurance, it should also ensure that the review of the insurance cover as carried out by the RFO, is reported back to the Council and minuted to state that appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
	Evidence that internal controls are documented and regularly reviewed	Council reviewed its internal controls at a meeting of 5 th August 2019, with agreement that its controls were fit for purpose and adhered to. An internal review of the

		<p>Council's internal controls was carried out by an appointed member on 31st October 2019 and reported to full Council at its meeting of 4th November 2019.</p> <p><i>Comment: with reference to the Accounts and Audit Regulations 2015, Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money. Within the Internal Control Statement for the Financial Year 2019-2020, as reviewed and adopted by Full Council, Council has reviewed its arrangements to protect public money.</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 covered within the review of the Statement of Internal Control as adopted by the Council in August 2019.</p> <p><i>Comment: by reviewing the terms of reference for internal audit, Council has followed 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></p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The working budget for the year 2019/20 in the sum of £39,825.24 was approved by full Council at a meeting of 7th January 2019.</p> <p><i>Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> • <i>decide the form and level of detail of the budget;</i> • <i>review the current year budget and spending;</i> • <i>determine the cost of spending plans;</i> • <i>assess levels of income;</i> • <i>bring together spending and income plans;</i> • <i>provide for contingencies and consider the need for reserves;</i> • <i>approve the budget;</i> • <i>confirm the precept or rates and special levies; and</i> • <i>review progress against the budget regularly throughout the year.</i>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £20,000 and formally approved at the above meeting.
	Regular reporting of expenditure and variances from budget	<p>The minutes show that comparisons between budgeted and actual income and expenditure is circulated and discussed in accordance with Council's own Standing Orders. The minutes reflect that they have been received and noted with explanations given for variances from budgeted expenditure.</p> <p><i>Comment: Council might wish to consider ensuring that the budget monitoring papers</i></p>

		<i>are appended to the minutes to ensure that the information upon which the Council relied to make a financial decision is retained with the appropriate meeting at which that decision was taken.</i>
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £1,915.46 with earmarked reserves in the sum of £17,709.00. <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. At the current level, council's general reserves are considered to be on the low side.</i>
6. Income controls	Is income properly recorded and promptly banked?	A number of items of income were cross checked against cash book and bank statement and found to be in order. 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 and that monies received are promptly banked.
	Is income reported to full Council?	Income received by the parish council is reported as having been received in accordance with Council's Standing Orders. <i>Comment: Council has ensured that, in order to have measures that safeguard public money, there is a straightforward and clear audit trail for receipts and that the minutes reflect income received.</i>
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £20,000 during the year under review in April and September 2019. <i>Comment: Evidence was provided showing the Precept Form signed at the meeting of 12th December 2018 and 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?	Council received CIL funds in the year under review in the sum of £4,708.27. In accordance with the 2010 Regulations, the Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated. Council has understood that it should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent. Council is aware that the annual report for the year ending 31 st March 2020 should be uploaded onto its website by 31 st December 2020.
7. Petty Cash	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.
8. Payroll controls	Do all employees have contracts of employment?	Council had 2 employees on its payroll at the period end of 31 st 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 operated in accordance with HM Revenue and Customs guidelines. 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.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	A declaration of compliance was signed in September 2017. <i>Comment: Council has complied with its duties under employment legislation and is aware of its pension obligations.</i>
9. Asset control	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 accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end (31.03.2020) was £100,336.91. All assets have been stated as at the acquisition value and where 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 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.</i>
	Verifying that the Asset Register is reviewed annually	The Asset Register was signed off by Council at its meeting of 4 th May 2020 with agreement the register covers the assets within the ownership or responsibility of the Council.

	Cross checking of Insurance cover	Content Items (other property) are generic under heading within the All Risks Category: gates and fences; general contents; mowers and machinery; playground equipment; war memorials; sports equipment and street furniture.
10. Bank reconciliation	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, Council has implemented a system whereby bank reconciliations are verified by the Chair of the Parish Council. 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 st March 2020 stand at: £19,624.46 across 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. A quarterly summary of income and expenditure is submitted to full Council in accordance with its own Standing Orders. <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>
11. Year-end procedures	Appropriate accounting procedures used	Accounts are produced on a receipts and expenditure basis. All were found to be in order.
	Financial trail from records to presented accounts	There is an underlying financial trail from financial records to the accounts produced. The end-of-year accounts and supporting documentation were well presented for the internal audit review.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it has completed Part 3 of the AGAR which are unsigned at the time of internal audit. <i>Note: The smaller authority will need to sign off the completed Sections 1 and 2 of the AGAR as that which was approved on 4th May 2020 was Part 2.</i> <i>Comment: Council should be aware that it will need to amend the dates for the Exercise of Public Rights as they cannot commence until the Council has signed off the Accounting Statements. This will obviously mean that they will need to commence after 6th July 2020, once the AGAR has been approved.</i>
	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 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>It was confirmed to the internal auditor that the exercise of public rights for the period ending 31st March 2019 were 17.06.19 - 26.07.19 and that these were advertised on the Council's noticeboards, the Council's Facebook page but not on the public website used by the Council.</p> <p><i>Comment: to have been able to answer in the affirmative to Assertion 4 of the Annual Governance Statement Council should ensure that it follows the instructions on Page 1 of the AGAR which states that information relating to the Notice of the period for the exercise of public rights must be published on a publicly accessible website (Accounts and Audit Regulations 2015).</i></p>
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The Council has partially 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 31st March 2019 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. The Annual Internal Audit Report (written)</p> <p><i>Comment: the following were not published on the Council's website: Notice of the period for the exercise of public rights. Council should also note the comment on Page 1 of the AGAR with regards to best practice and the publishing of the Annual Internal Audit Report from the AGAR, page 3.</i></p>
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the year ending 31 st March 2019 was considered and accepted at the meeting of the Council on 5 th 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 and agreed by the parish council:</p> <ol style="list-style-type: none"> 1. Tailor FRs to the council - outstanding 2. Clear audit trail for each expenditure incurred - completed 3. Identification of powers for expenditure incurred - completed 4. Carry out bank reconciliation in accordance with FRs, independently verified by a Councillor and reported back to Council - completed 5. Publish in accordance with the accounts and audit regulations 2015 - outstanding 6. Review and complete an audit plan for items raised in the internal and external audit reports - completed 7. Review the effectiveness of internal audit arrangements - completed

		<p>8. Election of Chair as the 1st item on the agenda of the Annual Meeting of the Council - completed</p> <p>9. Register with the ICO as a Data Controller - completed</p>
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of the Council 3 rd February 2020 for the year ending 31 st March 2020.
13. External audit for year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	<p>The Limited Assurance Review for the period ending 31st March 2019 was presented to full Council at its meeting of 7th October 2019. Council accepted and approved the External Auditor's signed Annual Return and Certificate.</p> <p><i>Comment: in accordance with Regulation 20 of the Accounts and Audit Regulations 2015, following the completion of an audit, full Council received and considered the audit letter from the local auditor as soon as reasonably practicable.</i></p>
	Verifying that appropriate action has been taken regarding comments raised in	There were no matters which had come to the external auditor's attention giving cause for concerns that relevant legislation and regulatory requirements had not been met.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 8 th 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>Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000).</p> <p><i>Comment: To ensure compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), the following information should be:</i></p> <p><i>Published quarterly:</i></p> <p><i>Individual items of expenditure that exceed £500</i></p> <p><i>Government Procurement Card transactions</i></p> <p><i>Invitations to tender for contracts over £5,000</i></p> <p><i>Details of contracts that exceed £5,000</i></p> <p><i>Published annually:</i></p> <p><i>Details of all land and building assets</i></p> <p><i>Grants to Voluntary, Community and Social Enterprise Organisations</i></p> <p><i>Details of number of employees whose remuneration is over £50K and job title</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. A847572 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 and has carried out an audit/impact assessment. Privacy Notices were seen on the parish council's website along with a Data Protection Policy.</p> <p><i>Comment: Council will need to monitor matters to ensure the process is managed at all times and should consider having the following in place:</i></p> <p><i>Subject Access Request Policy & Subject Access Procedure Policy</i></p> <p><i>Procedure for dealing with Data Breaches</i></p> <p><i>Data Retention & Disposal Policies</i></p>

Signed: *Victoria S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 26.06.2020

Date of Internal Audit Report: 27.06.2020