

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

**Name of Council:** Cretingham, Mowenden & Hoo Parish Council

**Income:**

£7857

**Expenditure:**

£856

**Precept Figure:**

£2483

**General Reserve:**

£12,557

**Earmarked Reserves:**

£0

## **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

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**Subject Requirements Comments/Recommendations 1. Proper Book-keeping** Type of cash book or ledger used A computerised spreadsheet are used as the cash ledger.

Cash book kept up to date and regularly verified against bank statement

The Cashbook is kept up to date and referenced providing evidence to support the Councils accounting statements.

Correct arithmetic and balancing Spot checks for the year under review were made and found to

be in order. **2. Financial Regulations & Standing Orders**

Evidence that standing orders have been adopted and reviewed regularly

Standing Orders have been adopted (NALC Model Standing Orders 2018) and were reviewed at a Council meeting of 21 January 2020.

Evidence that Financial Regulations have been adopted and reviewed regularly

Financial Regulations have been adopted (NALC Model Financial Regulations 2019) and were reviewed at a Council meeting of 21 January 2020.

Evidence that a Responsible Financial Officer has been appointed with specific duties

The Council, in accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person (the Acting Clerk) to be responsible for the financial affairs of the relevant authority as per Councils Internal Control reviewed at a meeting of 21 January 2020.

Evidence that Financial Regulations have been tailored to the Council

Financial Regulations have been tailored to the Council.

**3. Payment controls** Supporting paperwork for payments, and appropriate authorisation

A selection of random payments were selected and cross checked against cash book, invoices, VAT and minutes and found to be in order. *Comment: It is noted Council identifies the appropriate legal power which ensures all financial decisions or payments are made in accordance with statute and the Council is not*

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*undertaking any decisions or payments that are ultra vires within the Cashbook.* Internet

Banking transactions properly recorded/approved Internet banking not used by Council.

VAT correctly identified and reclaimed within time limits VAT identified and £110.40 was reclaimed for the period

13.6.18 - 8.2.19. Has Council adopted the General Power of Competence and is it being correctly applied?

Council has not adopted the General Power of Competence.

S137 separately recorded, minuted and within statutory limits

Section 137 of the Local Government Act 1972 enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The

basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants. Council made no S.137 payments in the year under review. Payments of interest and principal sums in respect of loans, are paid in accordance with agreements

There were none applicable for the year under review.

**4. Risk Management** Is there evidence of risk assessment documentation? A financial risk assessment document was seen by the Internal Auditor. Evidence that risks are being identified and managed. Council reviewed its financial risk assessment and risk

assessment with amendments made at a Council meeting of 21 January 2020. Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.

Insurance cover was in place during the year under review. Employers Liability £10million Public Liability £10million Employee Dishonesty £150,000 this is within the recommended guidelines of year-end balances plus 1<sup>st</sup> instalment of precept received.

Evidence that insurance is adequate and has been reviewed on an annual basis

Insurance was reviewed at a Council meeting of 12 September 2019.

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Evidence that internal controls are documented and regularly reviewed

The Internal Control Statement was considered and reviewed at a Council meeting of 21 January 2020.

Evidence that a review of the effectiveness of internal audit has been carried out during the year

In accordance with the Accounts and Audit Regulations 2015, at the review of the Internal Control Statement at its meeting of 21 January 2020, Council also carried out a review of the effectiveness of internal audit. **5. Budgetary controls** Verifying that the budget has been

properly prepared, and

agreed

Budget was agreed at a Council meeting of 10 January 2019 for the year under review. Budget paper to support the budget expenditure of £2580 were seen by the Internal Auditor.

Verifying that the Precept amount has been agreed in full Council and clearly minuted

The Precept in the sum of £2483 was agreed at a Council meeting of 10 January 2019 with the amount being clearly minuted. Regular reporting of expenditure and variances from budget

Some evidence of reporting of expenditure and variance from

budget. **Recommend: In accordance with Councils Standing Orders 17c, Council should receive a report submitted by the Responsible Financial Officer as soon as practicable after 30 June, 30 September, 31 December which contains a statement to summarise:**

**1. Councils receipts & payments for each quarter 2. Councils aggregate receipts & payments for the year**

**to date 3. The balances held at the end of the quarter being reported & which includes a comparison with the budget for the financial year & highlights any actual or potential overspends Reserves held**

General and Earmarked.

General Reserves £12,557 Earmarked: None *Comment: It is noted general reserves include*

*CIL of payments of £7,277.58 with a general reserve held of £5279.42* **6. Income controls** Is income properly recorded and promptly banked? Income is properly recorded in the cashbook and banked

where appropriate.

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Is income reported to full Council? Income is reported at meeting and forms part of the Minutes.

Council at its meeting of 9 May 2019 The CIL income has been included in the General Reserves. **Recommend: CIL**

**monies should be held within**

**Earmarked Reserves** An annual report for CIL monies for year 2018-19 seen by Internal Auditor and is published on the authority's website. *Comment: Council is aware that, in accordance with the regulations, the Parish Council having received a proportion of CIL funds will need to comply with its duty to produce an annual report that details the amount of CIL funds received and spent by 31<sup>st</sup> December of the following reported year giving details on the total CIL received how it was spent and unspent funds.*

Does the Precept recorded agree to the Council Tax Authority's notification?

Evidence was provided showing an audit trail from Precept being served on the Charging Authority to receipt of same in the Council's bank account.

If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?

- 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

The CIL income is referenced within the cashbook

**7. Petty Cash** Is a petty cash in operation?

If so, is there an adequate control system in place.

Council does not operate a petty cash system.

A CIL payment of £3674.89 reported to

**8. Payroll controls** Do all employees have contracts of employment? Council did not have an employee in the year under review.

The Internal Auditor has noted Councillor C Saxby is Acting Clerk and Council has budgeted for the employment of a Clerk to the Council.

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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.  
Not applicable

Do salary payments include deductions for PAYE/NIC?

Is PAYE/NIC paid promptly to HMRC?  
Not applicable.

Is there evidence that the Council is aware

Verifying that the Asset Register is reviewed annually The asset register was reviewed at a Council meeting of 21

January 2020. Cross checking of Insurance cover In order with appropriate cover:

Street furniture £4,840.99 Outside equipment £1,509.82  
**10. Bank reconciliation** Regularly completed and reconciled with cash book Bank reconciliation is clear and reconciled with cash book.

Confirm bank balances agree with bank statements The overall year-end bank position is stated as:

Barclays Community account £15,449.95 It was noted this includes £1589 paid in error into the account by Barclays Bank Regular reporting of bank balances at council meetings Bank balances are reported to Council.

**11. Year-end procedures** Appropriate accounting procedures used Council operates on a Receipts and Payment basis.

of its pension responsibilities? Are pension payments in operation?

It was noted an automatic enrolment declaration was made 22.5.2017.

Are other payments to employees reasonable and approved by the Council?  
Not applicable.

**9. Asset control** Verifying the Council maintains an Asset Register in accordance with proper practises An asset register is maintained in accordance with proper practises with a total asset value of £6769

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Financial trail from records to presented accounts The Council demonstrates good financial control by ensuring

that payments and receipts are listed in the Councils Minutes as part of the smaller authority's financial control. Has the appropriate end of year AGAR documents been completed?

A Certificate of Exemption has been completed it was noted the gross income should include all income. **Recommend: Council considers amending the gross income figure to £7857**

Section 2 Accounting Statements it was noted the £1589 payment received in error was included in Box 10 **Recommend: Council considers amending Box 10 to remove the £1589 as this has correctly been shown already in Box 3.**

Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?

[As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2018/19, it was able to certify itself as an exempt authority which was confirmed at a meeting of Council on 9 May 2019.](#)

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 find the details of the arrangements for the exercise of public rights for the period ending 31st March 2019 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 complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website: 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 of the exercise of public rights and other information required by Regulation 15(2), Accounts and Audit Regulations 2015.

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Verifying that the previous internal audit reports have been considered by the Council

[The Internal Audit report was considered at a Council meeting of 18 May 2019.](#)

Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit

The recommendations raised in the Internal Audit report were reviewed and accepted at a Council meeting of 18 May 2019.

- Regular reporting of expenditure & variances from budget – outstanding
- Publication requirements in accordance with the Audit & Accounts Regulations 2015 – Actioned
- Previous internal audit report considered by Council – Actioned
- Appropriate action has been taken regarding recommendations raised in internal audit report – Actioned

- Transparency Code has been correctly applied - Actioned

Confirmation of appointment of Internal Auditor [SALC was appointed as the Internal Auditor at a Council](#)

[meeting of 21 January 2020.](#) **13. External audit for the year ending 31 March 2019**

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. Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit **12. Internal audit for the**

**year ending 31 March 2019**

Not applicable.

**14. Additional Comments** Annual meeting - held in accordance with legislation [The Annual Meeting of the Parish Council was held on 9<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 Parish Council does not act as sole trustee for any Trust

Funds.

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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: 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 timescale as set out in the Transparency code for smaller authorities – December 2014.](#)

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: ZA514828 Verifying that the Council is compliant with the General Data Protection Regulation requirements

Are the following in place:

- Audit / Impact Assessment
- Privacy Notices
- Procedures for dealing with Subject Access Requests
- Procedure for dealing with Data Breaches
- Data Retention & Disposal Policies

Council is not compliant with the General Data Protection Regulations although the Internal Auditor has noted Council has a Privacy Notice for Staff and Councillors. **Recommend: The following policies should be put in place to meet the requirements of the General Data Protection Regulations: Audit/Impact Assessment General Privacy Notice Procedures for**

**Subject Access Requests Procedures for Data Breaches Data Retention & Disposal Policies Templates for the above are available on the SALC website.**

**Signed:** S. J. Brown

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**Date of Internal Audit Report: 18<sup>th</sup> May 2020**

**On behalf of Suffolk Association of Local Councils**