

Internal Audit Report

Year ending: 31st March 2020

Name of Council:	Sproughton Parish Council
Income:	£85,871.18
Expenditure:	£54,077.40
Precept Figure:	£49,732.90
General Reserve:	£82,313.38
Earmarked Reserves:	£289,782.06

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 is well referenced. 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 kept up to date and referenced which provides evidence to support the Council's underlying accounting statements.
	Correct arithmetic and balancing	Arithmetic and balancing were in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The up to date NALC Model Standing Orders have been adopted by the Council on 12/9/18. There is no evidence that the Council have reviewed their Standing Orders during the audit year. Recommendation: Council should review their Standing Orders on an annual basis and note that this has been completed in the minutes.
	Evidence that Financial Regulations have been adopted and reviewed regularly	NALC Model Financial Regulations have been adopted by the Council on 25/7/18. Updates to these regulations were published by NALC in August 2019. There is no evidence that the Financial Regulations have been reviewed during the audit year. Recommendation: Council may wish to adopt the updated NALC Model Financial Regulations from August 2019. It is good practice for the Council to review their Financial Regulations annually and note that this has been completed in the minutes.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It was minuted on 12/6/19 that the Clerk was appointed as the Responsible Financial Officer of the Council.
	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	<p>A sample of payments were examined and found to be in order with a full audit trail evidenced. 2 authorised signatories initial most invoices.</p> <p>Comment: Council may wish to ensure that all invoices are initialled by 2 signatories especially those relating to direct debit payments.</p> <p>The legal powers to pay have not been noted in the minutes or the cashbook.</p> <p>Comment: Council may wish to note the powers to pay in the minutes or cashbook so that the council can consider the legality of payments and agree that they have only acted within powers.</p>
	Internet Banking transactions properly recorded/approved	<p>Council uses internet banking to settle its accounts. Payments have not been made in accordance with their Financial Regulations. No evidence seen that payments have been approved by signatories.</p> <p>Recommendation: In accordance with Council's Financial Regulation 6.10 for payments settled by internet banking transfer, evidence should be retained showing which members approved the payment. Council should consider ensuring that the on-line payment slip is signed to ensure that there is an effective system in place to reduce the risks of error. This will not only protect the RFO but will fulfil an internal control objective to ensure the safeguarding of public money.</p>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cashbook. 1 claim was submitted for £4568.89 covering the period 1/4/19 to 31/3/20.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence was not adopted.
	S137 separately recorded, minuted and within statutory limits	<p>Payments made under LGA S137 are recorded separately in the cashbook and are within the limit for this capped power.</p> <p>Comment: It is good practice to also record in the minutes any payments that have been made under this power.</p>

	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council has no Public Works Loans and as such incurred no interest payments for the period under review.
4. Risk Management	Is there evidence of risk assessment documentation?	<p>The Council adopted an internal control document in 2018/19 but there is no evidence of separate risk assessment documentation.</p> <p>Recommendation: To comply with their Financial Regulations (Item 17), Council may wish to implement risk assessment procedures and minute that they are in place and reviewed on an annual basis. This will ensure the Council can enter a positive assertion for item 5 on Section 1 of the AGAR (The Annual Governance Statement).</p>
	Evidence that risks are being identified and managed.	<p>There is no evidence that risks are being identified and managed.</p> <p>Recommendation: With reference to the Accounts and Audit Regulations, Council needs to identify a number of risks to property; finances and personnel and take steps to control the risk – all of which need to be clearly identified within the risk assessment document and approved by Full Council.</p>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>Appropriate insurance cover is in place with assets being covered under an all risks policy up to £200,000. The Tithe Barn is noted under property insured. Public liability and Employers Liability are covered up to £10 million. Fidelity cover of £350,000 is held which is just outside of current guidelines of year end balances + 50% of precept/grants.</p> <p>Comment: Council may wish to review their level of fidelity cover.</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis	Evidence seen that insurance is adequate and this was reviewed by the Council at their meeting on 9/10/19 and noted in the minutes.
	Evidence that internal controls are documented and regularly reviewed	<p>The Council has a basic Internal Control Document dated in the last audit year, but this does not include an internal control report.</p> <p>Recommendation: The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes</p>

		arrangements for the management of risk. Council may wish to review their internal control document annually, complete the Internal Control Report and note that these items have been carried out in the minutes.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The review of the effectiveness of the internal audit is noted in the Internal Control Document for 2018/19 but no report has been made this year. Comment: Council may wish to carry out a review of the effectiveness of their internal audit during the audit year and note that this has been completed in the minutes.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Council has noted in their minutes of 12/12/18 that a detailed budget has been seen and agreed.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The council noted in their minutes of 12/12/18 that the precept amount of £49,732.90 was agreed.
	Regular reporting of expenditure and variances from budget	There is no evidence that expenditure and variances from budget are reported to the Council. Recommendation: in accordance with Council's own Standing Orders, Council should receive and consider a report submitted by the Responsible Financial Officer as soon as practicable after 30 June, 30 September and 31 December which contains a statement to summarize: <ul style="list-style-type: none"> i. the council's receipts and payments for each quarter; ii. the council's aggregate receipts and payments for the year to date; iii. the balances held at the end of the quarter being report and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends. It is good practice to include a list of payments made each meeting in the minutes.

	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £82,313.38 with earmarked reserves in the sum of £289,782.06.
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures
	Is income reported to full Council?	There is no evidence in the minutes that income is reported to full Council. Recommendation: For future reference and to ensure that Councillors and members of the public are aware of the income received by the authority and the matter to which it relates, this information could be noted either in the minutes or the report containing the information appended to the minutes. This was raised in the last internal audit report.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded agrees with Babergh/West Suffolk Council's notification.
	<p>If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?</p> <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 	Council received CIL funds in the sum of £3662.55 during the year under review. 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.
		Income received from CIL has not been noted in the minutes. Comment: In accordance with the 2010 Regulations, the Council may wish to ensure that all CIL income is noted in the minutes.
		CIL income forms part of earmarked reserves which is noted on the Receipts and Payments summary.
		An annual report has been produced.
		The CIL report has not been published on the website. Comment: To comply with the 2010 Regulations, Council may wish to publish on their website their annual CIL report.

7. Petty Cash	Is a petty cash in operation?	There is no system of petty cash in operation.
	If so, is there an adequate control system in place.	N/A
8. Payroll controls	Do all employees have contracts of employment?	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.	The payroll function is operated by SALC. Cross-checks were completed on two payments covering salary and PAYE and were found to be in order.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE is operated in accordance with HM Revenue and Customs guidelines.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	It was noted from the last internal audit that Council are aware of their pension responsibilities and has provided their employee with information about the right to 'opt in' to a scheme. Clerk's response was reported to Council 23/9/2015. 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.
	Are other payments to employees reasonable and approved by the Council?	Other payments to employees are reasonable and approved by full Council.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The 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 £58,908 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).

	Verifying that the Asset Register is reviewed annually	<p>The Asset Register value has been stated on the Annual Governance and Accountability Return (AGAR) which was signed at the time of Internal Audit.</p> <p>Comment: Council may wish to note in the minutes the annual review of their asset register.</p>
	Cross checking of Insurance cover	<p>The asset register has been cross checked against the insurance held and this was noted in the minutes of the Council meeting on 9/10/19.</p>
10.Bank reconciliation	Regularly completed and reconciled with cash book	<p>An annual bank reconciliation has been completed.</p> <p>Comment: A successful accounting system requires that the basic cash book is kept up to date and balances are regularly verified against a bank statement. The bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities. The year-end bank reconciliation is particularly important as it will provide evidence to support the total cash and short-term investments balance shown in Line 8 in Section 2 of the authority's Annual Governance and Accountability Return.</p> <p>Some authorities will carry out a reconciliation every time they receive a bank statement, which is good practice as it identifies bank errors early on.</p> <p>Comment: Information required on the Annual Bank Reconciliation is included in Governance and Accountability for Smaller Authorities in England with an example document under appendix 1.</p>
	Confirm bank balances agree with bank statements	<p>The following bank balances agree with the bank statements and the annual bank reconciliation:</p> <p>Ipswich Building Society £68,972.27 (balance dated 30/11/19)</p> <p>Co-op deposit account £68,351.36</p> <p>Cambridge Building Society £74,742.79</p> <p>Co-op current account £160,034.02</p>

		Recommendation: In order for the auditor to provide a positive assertion to item I on the Annual Internal Audit Report of the AGAR 'periodic and year end bank reconciliations were properly carried out' - the Council must provide details of bank and Building Society account statements as at the financial year end - 31st March 2020.
	Regular reporting of bank balances at council meetings	There is no evidence that bank balances are reported at Council meetings: Comment: It is good practice to include the bank balances in the minutes of the Council meeting, to show that Councillors are aware of the Council's financial position.
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 the financial records held to the presented accounts
	Has the appropriate end of year AGAR documents been completed?	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed. The Council have provided a 'yes' assertion to Item 5 of Section 1 of the AGAR relating to carrying out 'an assessment of the risks facing the authority and taking appropriate steps to manage those risks'. No evidence of risk assessment documentation has been seen. Recommendation: Council may wish to change the assertion for Item 5 of Section 1 of the AGAR relating to risk assessments to 'no'.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	The Council did not 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?	There is no evidence that the Council provided for the exercise of public right as required by the Accounts and Audit Regulations. Recommendation: The Responsible Financial Officer for a relevant authority must, on behalf of that authority, publish

		(which must include publication on the authority's website): the details of the arrangements for the exercise of public rights for the period ending 31/3 each year.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Being a Council with income or expenditure over £25K but under 200K the smaller authority has published on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return: <ul style="list-style-type: none"> • Section 1 – Annual Governance Statement, • Section 2 – Accounting Statements, • Section 3 – The External Auditor Report and Certificate, Comment: To be fully compliant, the Council may wish to publish the 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	There is no evidence that the internal audit report has been considered by the Council. Recommendation: to enable Council to positively answer assertion 7 in Section 1 of the AGAR, Council should consider internal and external audit reports and if applicable decide what action it needs to take to prevent recurrence of the issues raised. Council may wish to amend their assertion for Section 7 to 'no'.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	There is no evidence that appropriate action has been taken regarding recommendations raised in the internal audit report relating to: Reviewing the effectiveness of internal audit; details of credits not being shown in the minutes or report; confirmation of bank balances to 31/3. Recommendation : Following the guidelines in Accountability and Governance 4.26 - If the review identifies any areas for development or change in internal audit, an action plan should be produced for the authority to manage the remedial process. The action plan should set out the areas of improvement required, any proposed remedial actions, the

		people responsible for delivering improvement, and the deadlines for completion of the actions.
	Confirmation of appointment of Internal Auditor	There is no evidence in the minutes of the appointment of the internal auditor. Comment: It is good practice for the Council to note in the minutes on an annual basis the 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	There is no evidence in the minutes that the external audit has been considered by the Council. Recommendation: to enable Council to positively answer assertion 7 in the AGAR, Council should consider internal and external audit reports and if applicable decide what action it needs to take to prevent recurrence of any issues raised.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	No items were raised by the external auditor.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Council's Annual meeting was held on 8/5/19 with the first item on the agenda being the election of the Chair.
	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 partially complied with the Transparency Code by publishing the following items on their website: End of Year Accounts Annual Governance Statement List of Councillors and Responsibilities Minutes and Agendas of Meetings Asset Register Comment: To be fully compliant Council may wish to also publish the following items: Annual internal audit report and items of expenditure above £100.
	Verifying that the council is registered with the ICO	The council is registered with the ICO under reference ZA112642

	<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p> <p>Are the following in place:</p> <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 	<p>There is no evidence that the council is aware of its responsibilities under the General Data Protection Regulation requirements.</p> <p>Recommendation: Council may wish to adopt the following General Data Protection policies to be compliant with the regulations:</p> <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
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Signed.....*Linda Harley*.....

Date of Internal Audit Visit20/7/20.....

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On behalf of Suffolk Association of Local Councils