

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	BELSTEAD PARISH COUNCIL
Income:	£9,518.96
Expenditure:	£7,523.24
Precept Figure:	£7,000.00
General Reserve:	£5,039.27
Earmarked Reserves:	£18,000.00

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 spreadsheet as the basis for the Council's accounting system. These are very well referenced although it is noted that a number of expenditure items are authorised using the LA 2011 ss1-8 power. <i>Comment - see Section 3 below</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 correct and balanced.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The Council's Standing Orders as seen on the website were reviewed at a meeting of 8 th January 2020 and are based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations (FRs) have been adopted and reviewed regularly	The Council's Financial Regulations as seen on the website were also reviewed at the above meeting and are based on the Model Financial Regulations as produced by NALC in 2019.
	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	Financial Regulations are tailored to the Parish Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	At each full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being shown in the minutes and evidence of such paperwork in the files submitted for internal audit.
	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 a separate column is shown on the cashbook for recoverable VAT. The year-end period shows VAT was reclaimed during the year in the sum of £847.24.
	Has Council adopted the General Power of Competence and is it being correctly applied?	Whilst the Council does not exercise the General Power of Competence it has used this power to authorise items of

		<p>expenditure.</p> <p>Recommendation: it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense, thereby it is a requirement that the council ensures that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. To exercise this power, Council needs to have confirmed at either the annual meeting immediately after the next elections for the parish council or an ordinary meeting during the year, that it fulfils the criteria and resolved to adopt the General Power of Competence.</p>
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £63.00 and are within statutory limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Council has no such loans.
4. Risk Management	Is there evidence of risk assessment documentation?	<p>The Annual Risk Assessment was carried out on 25th March 2020 and approved at the meeting of 13th May 2020 (as the meeting scheduled for March was cancelled due to the COVID-19 lockdown measures.</p> <p><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></p>
	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 is under a Council Parish Policy for the period from 1 st October 2019 to 30 th September 2020 shows core cover: Business Interruption; Public & Products Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is

		£25,000, which given the current balances held by the Council is within recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	<p>Council renewed its current insurance cover at the meeting of 25th September 2019 following a review of the insurance versus cover required.</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 taking out insurance.</i></p>
	Evidence that internal controls are documented and regularly reviewed	<p>In accordance with the Accounts and Audit Regulations 2015, Council carried out a review of the effectiveness of the system of internal control on 27th February 2020 as reported to full Council on 13th May 2020 and found the procedures in compliance with internal control measures adopted.</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.</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 also carried out on 27th February 2020 and reported to full Council at its meeting of 13th May 2020.</p> <p><i>Comment: in accordance with the Accounts and Audit Regulations 2015, Council has ensured that it carried out a review of the effectiveness of internal audit which includes the consideration that standards are being met and that the work of internal audit is effective.</i></p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The budget for the year 2019/20 in the sum of £6,270 was approved by full Council at a meeting of 5th December 2018.</p> <p><i>Comment: Council has shown 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>

		<ul style="list-style-type: none"> • assess levels of income; • provide for contingencies and consider the need for reserves; • approve the budget.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £7,000 and formally approved at a meeting of 5 th December 2018.
	Regular reporting of expenditure and variances from budget	<p>Budget monitoring papers, as submitted to Council in accordance with Council's own Standing Order 17c, were seen during the Internal Audit review.</p> <p><i>Comment: in accordance with proper practices, the Council reviews the progress against the budget regularly throughout the year. Council might wish to consider expanding the minutes to show the level of overall detail discussed and to provide evidence that Council has reviewed progress against the budget regularly throughout the year.</i></p>
	Reserves held General and Earmarked.	<p>Council had year-end general reserves of £5,039.27 and earmarked reserves of £18,000.00.</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. At the current level, council's general reserves are considered to be within this level.</i></p>
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.
	Is income reported to full Council?	All income received by the parish council is reported to Council in accordance with Council's Standing Orders and Financial Regulations.
	Does the Precept recorded agree to the Council Tax Authority's notification?	<p>The council received precept of £7,000 during the year under review in April and September 2019.</p> <p><i>Comment: Evidence was provided showing a full audit trail from</i></p>

		<i>Precept being discussed and approved at the meeting of 8th 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.
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 1 employee on its payroll at the period end of 31 st March 2020. Employment contracts were not reviewed during the internal audit. The minutes of the meeting of 8 th January 2020 show that the Clerk's contract was approved.
	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?	During the year, there were no pension contributions due. A Re-declaration of Compliance with the Pensions Regulator under the Pensions Act 2008 was seen dated November 2019. <i>Comment: Council has shown awareness of its duties under the duties under employment legislation and has met its pension obligations.</i>
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register as seen shows a value of £8,145 which includes four(4) previously unrecorded assets in the register of 2018-2019.

		<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 ensures that where the acquisition value of the asset at the time of first recording is used, that method of valuation is 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 (£8,145) has been stated on the AGAR which is expected to be signed off by the Council and reflects movement in the register for newly acquisitions.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance and cover was deemed to be appropriate. Content Items (other property) are generic under the All Risks Category and have been given an insurance value in accordance with the policy operated by the insurance company.
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: the Council, as evidence of good financial practice, has appointed a Councillor to verify the bank reconciliations as carried out by the RFO. 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: £23,039.27
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances held within the minutes.
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.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR which was signed at the time of internal audit.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself	As the Parish Council had gross income and expenditure not exceeding £25,000 and fulfilled the criteria, it was able to declare

	exempt?	itself exempt from a limited assurance review.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 st March 2019 were on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has 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 st March 2019 and published the following on a public website: 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 Bank Reconciliation for the period ending 31 st March 2019 Analysis of variances
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 received and noted at the meeting of 24 th June 2019. There is evidence seen throughout the year to show that the Council considered an audit plan to ensure that the recommendations made in the internal audit report for the year ending 31 st March 2019 were considered and acted upon.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following recommendations were raised in the report from the internal audit for the year ending 31.03.19: 1. Evidence that Cllrs have seen invoice/request for payment - actioned 2. Evidence that payment settled by internet have been authorised in accord with FR6.4 - practise has since stopped 3. Review the effectiveness of system of internal control - actioned 4. Review budget against expenditure - actioned
	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 th November 2019 for the year ending 31 st March 2020.

13.External audit for the year ending 31 March 2019	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.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 22 nd May 2019 with the first item on the agenda being the election of the Chairman. Council should be aware that, as this was an election year, this was not held in accordance with the Local Government Act of 1972.
	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	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council should be 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 timescales 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. ZA447610 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council will need to take further steps to ensure compliancy with the GDPR requirements. <i>Comment: Council should consider the completion of the following documents which will be needed to evidence compliance with legislation:</i> <ul style="list-style-type: none"> • <i>Uploading of a General Privacy Notice onto the website</i>

		<ul style="list-style-type: none"> • <i>Uploading of a Cookie Policy onto the website.</i> • <i>Personal Data Audit - to ascertain the data the council is processing, what it is used for, where it is located and who has access to it.</i> • <i>Data Protection Impact Assessment - which will provide a description of the processing and the purpose of the processing and identify any risks to the personal data, the rights and freedoms of individuals, and the measures and safeguards implemented to mitigate these risks.</i> • <i>Subject Access Request Policy & Subject Access Procedure Policy – both of which will provide the framework for dealing with requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party.</i>
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Signed: *T S Waples*

Date of Internal Audit: 16.06.2020

Date of Internal Audit Report: 18.06.2020

On behalf of Suffolk Association of Local Councils