

Internal Audit Report

Year ending: 31st March 2020

Name of Council:	Tostock Parish Council
Income:	£23,323.65
Expenditure:	£13,825.05
Precept Figure:	£8285
General Reserve:	Stated as £43,755 (but this is the total amount of Council's funds)
Earmarked Reserves:	£27,700

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.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is up to date to 31/3/20 and is verified against bank statements..
	Correct arithmetic and balancing	Arithmetic and balancing were found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Up to date NALC Model Standing Orders 2018 have been adopted and were reviewed at the meeting on 15/5/19. Amendments were made on 13/11/19 to number 21 – Relations with press/media and number 24 – Communication with third parties agreed.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations were reviewed at the meeting on 15/5/19 but these regulations are now out of date. Recommendation: To adopt the new Financial Regulations 2019 issued by NALC which incorporate or reference the requirements of new legislation that has been introduced.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It was confirmed at the meeting on 15/5/19 that the Clerk is the Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	The Financial Regulations have been tailored to the 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. The Council shows good practice by ensuring that all invoices are initialled as authorised by 2 signatories. Comment: It was noted that the Council is paying for the Church grass cutting. The Local Government Act 1894 prohibits Councils involvement in property relating to the

		affairs of the Church e.g. the maintenance or improvement of land or buildings or contributing to the costs.
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	Vat has been correctly identified and reclaimed in the time limits. £487.44 VAT was reclaimed for 19/20. Noted in minutes that £3014.06 was claimed for 18/19 - 17/4/19. Comment: In order to reclaim all items of VAT Council should ensure that all invoices are payable to Tostock Parish Council.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence was adopted on 15/5/19.
	S137 separately recorded, minuted and within statutory limits	The Council shows good practice by insuring Section 137 payments are noted separately in the cashbook and in the minutes. Payments of £2626.09 were made for the audit year and this is within guidelines.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council does not have any loans.
4. Risk Management	Is there evidence of risk assessment documentation?	Evidence seen of risk assessment forms for assets and for financial matters. These were reviewed at the meeting on 15/5/19.
	Evidence that risks are being identified and managed.	With reference to the Accounts and Audit Regulations, 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.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place including £50,000 of Fidelity Insurance cover which is just outside of the recommended guidelines of year end balances plus 50% of the precept/grants, which totals £52,040. Public Liability insurance and Employers Liability Insurance are both covered up to £10 million. Property insured for 'all risks' up to £50,000 which covers the assets total value of £35,400.

		Comment: Council may wish to increase their Fidelity Insurance.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Adequate insurance cover is in place and was reviewed at the meeting on 9/10/19.
	Evidence that internal controls are documented and regularly reviewed	The Internal Audit work undertaken confirmed that during the 2019/20 year the Council maintained effective governance arrangements including a framework of financial administration and internal control. Monthly internal control documents showing all receipts and payments and bank balances are in place.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No evidence seen that a review of the effectiveness of internal audit has been carried out during the year, or noted in their internal controls. <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> Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The budget was adopted by the Council on 12/12/18 and clearly minuted.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount was agreed by full Council and minuted 12/12/18.
	Regular reporting of expenditure and variances from budget	The Council shows good practice: A budget report showing period and year-to-date expenditure against budget is supplied on a quarterly basis to full Council in accordance with Council's Standing Orders. Minutes include that income and expenditure figures are circulated at each meeting.

	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £16,055 with earmarked reserves in the sum of £27,700. Clerk has noted that general reserves of £43,755 are held but this is the total of all funds held by the Council. The Responsible Financial Officer is aware that the External Auditors require an explanation where the carried forward (end of year) reserves are greater than twice the income from the Precept and the Clerk/RFO has addressed this matter within the Statement of Variances.
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. <i>Comment: 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.</i>
	Is income reported to full Council?	All income is reported to full Council and clearly minuted. A sample of credits were examined but a full audit trail was not evidenced. Council were unable to provide some copies of receipt information. Recommendation: To comply with the Council's financial Regulations Item 9.6. 'The origin of each receipt shall be entered on the paying-in slip', Council should ensure that paperwork is completed for all credits.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The Council Tax Authority's notification for the precept amount of £8285 agrees with the cashbook and the minutes.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010? <ul style="list-style-type: none"> • Is CIL income reported to Council? • Does unspent CIL income form part of Earmarked reserves? 	Council are following the correct reporting schedules in accordance with the CIL Regulations 2010 £10837.13 CIL funds received in this audit year which is noted in the cashbook and minutes. Evidence of receipt seen from Mid Suffolk Council confirming this amount.

	<ul style="list-style-type: none"> • Has an annual report been produced • Has it been published on the authority's website 	<p>Report seen for 19/20 which includes income carried over from previous year and total CIL received . There was no expenditure in this audit year. The Council shows good practice as a regular CIL report is noted each month in the minutes.</p> <p>The CIL report is published on the Council's website www.tostockpc.org.uk</p>
7. Petty Cash	Is a petty cash in operation?	The Council does not have a system of petty cash.
	If so, is there an adequate control system in place.	N/A
8. Payroll controls	Do all employees have contracts of employment?	Contracts of employment were not provided to the internal auditor.
	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.	PAYE is operated in accordance with HM Revenue and Customs guidelines.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	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.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	No evidence was provided to the audit to confirm that the Council is aware of its pension responsibilities. 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?	Expenses payments are reasonable and approved by the Council, with receipts being provided.
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 £35,400 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed on 9/10/19.
	Cross checking of Insurance cover	Insurance was in place for the year of account and the asset register was cross checked against insurance cover and this was minuted 9/10/19.
10.Bank reconciliation	Regularly completed and reconciled with cash book	Statements reconciling each of the authority's bank accounts with its accounting records are prepared on a quarterly basis, including at the financial year-end, and reviewed by members of the authority.
	Confirm bank balances agree with bank statements	The following bank balances agree with the year end bank reconciliation: Nat West current account £7028.85 Nat West business reserve £37,508.85 account
	Regular reporting of bank balances at council meetings	Bank balances are reported at every Council meeting and noted in the minutes.
11.Year-end procedures	Appropriate accounting procedures used	The Council used the Receipts and payments method of accounting.
	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?	Council has correctly completed Section 2 of the AGAR however the calculation is incorrect . Comment: the Council may wish to revisit the report due to rounding errors. If they wish to change the figures from 2018/19 'RESTATED' should be written at the top of the column for that year.

	<p>Council has not completed Section 1 of the AGAR – this needs to be completed and approved by the Council before the exercise of public rights.</p> <p>Box 4 Staff costs; this box should include total expenditure or payments made to and on behalf of all employees. Include: gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments. Refunding staff expenses has incorrectly been included in this box.</p> <p>Recommendation: Box 4 of the AGAR is amended to only include the items listed above.</p>
<p>Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?</p>	<p>The authority did not declare its exempt in 2018/19.</p>
<p>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>	<p>The Council demonstrated that it correctly provided for the exercise of public rights from 17/6/19 to 26/7/19, as required by the Accounts and Audit Regulations.</p>
<p>Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015</p>	<p>The Council has published the following documents on their website:</p> <ul style="list-style-type: none"> • Annual Internal Audit Report, page 4 • Section 1 – Annual Governance Statement, page 5 • Section 2 – Accounting Statements, page 6 • Analysis of variances • Bank reconciliation • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. <p>The Council has also published the Notice of Conclusion of Audit.</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 previous internal audit report was considered by the Council and minuted on 15/5/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following items were raised under the 18/19 audit: 1.As the Council currently holds balances at year end of £34,990 the Council may wish to increase their fidelity cover. This has been increased to £50,000.
	Confirmation of appointment of Internal Auditor	SALC was appointed as the internal auditor and this was noted in the minutes on 15/5/19.
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The Certificate and Report from the External Auditors PKF Littlejohn LLP for the previous year (2018/19) was not minuted as being accepted by the Council. Recommendation: in accordance with the Accounts and Audit Regulations 2015 (Regulation 20) , the Annual Audit Letter from the External Auditor including the Audit Certificate must be considered by the Council and must be published, (including publication on the parish council's website) not later than 30 September along with the Annual Governance Statement and the Statement of Accounts.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	No matters of concern had been raised in the Report.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Council's annual meeting was held on 5/5/19 with the first item on the agenda being the election of the Chairman.
	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 applied the applicable Transparency Code and publishes on its website the following documents: End of Year Accounts Annual Governance Statement List of Councillors and Responsibilities Minutes and Agendas of Meetings Asset Register Items of Expenditure Above £100

	Comment : Council should also publish a copy of their internal audit report.
Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA128874.
<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>The Council is aware of its responsibilities under the General Data Protection Regulation requirements and has published a Privacy Notice on the website.</p> <p>Recommendation: to be fully compliant with the General Data Protection Regulation requirements the Council should adopt and publish the following policies:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies

Signed.....*Linda Harley*.....

Date of Internal Audit Visit10/6/20.....

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On behalf of Suffolk Association of Local Councils