

Internal Audit Report Year ending: 31st March 2020

Name of Council:	Pettaugh Parish Council
Income:	£2,627 (rounded)
Expenditure:	£2,123 (rounded)
Precept Figure:	£2,625
General Reserve:	£4612
Earmarked Reserves:	NIL

The Internal Auditor has noted two Councillors are carrying out the role of Clerk and one Councillor has been appointed the Responsible Financial Officer on an interim basis until a Clerk/RFO is found. It has been further noted the meeting due to take place on 31 March 2020 was cancelled due to Covid-19.



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	Computerised spreadsheets 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 including legal powers. Recommend: Some powers are incorrectly stated for example subscriptions to local government associations the correct power should be Local Government Act 1972 s.143. To provide bins & emptying the correct power to use is the Litter Act 1983 ss 5,6. Council has not adopted the General Power of Competence to use the Localism Act 2011 s1-8. If unsure of the legal power, please contact SALC.
	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 and reviewed at a Council meeting of 17 March 2020. It is noted at the meeting of 17 March Council agreed to consider adoption of the NALC Model Standing Orders 2018 at the next meeting scheduled for 31 March 2020 which was cancelled due to Covid-19. Recommend: This is an outstanding recommendation from the previous internal audit report. The updated Standing Orders takes into account new legislation which has been introduced.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations have been adopted (2004) and reviewed at a Council meeting of 17 March 2020. It is noted at this meeting to defer adoption of the NALC Model Financial Regulations 2019 to the next meeting which was scheduled for 31 March 2020 and was cancelled due to Covid-19. Recommend: This is an outstanding recommendation from the previous internal audit report, as above.

	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 (financial administration), the Council has appointed a person (the Clerk) to be responsible for the financial affairs of the relevant authority at its meeting of 15 May 2019. It is noted the Clerk which held the position has subsequently ceased employment with the parish council and a Councillor was appointed to be responsible for the financial affairs at a meeting of 17 March 2020 on a temporary basis.
	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 found to be in order. Payments are noted in the Minutes. An authorisation of payments schedule was evidenced by the internal auditor which had been initialised by two Councillors.
	Internet Banking transactions properly recorded/approved	Internet banking not used by the Council.
	VAT correctly identified and reclaimed within time limits	VAT correctly identified and a reclaim made of £46.14 for the period 15 March 2019 – 30 September 2019.
	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 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 - £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. No S.137 payments had been made 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 risk register was evidenced by the Internal Auditor.
	Evidence that risks are being identified and managed.	Council reviewed its risk assessment at a Council meeting of 17 March 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 Fidelity Guarantee £25,000 this is within the recommended guidelines of year-end balance plus 1 st 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 3 December 2019. It was noted Council agreed a 3-year long term agreement.
	Evidence that internal controls are documented and regularly reviewed	Some evidence of internal controls within Council's risk assessment document. It is noted an Internal Control document was approved and adopted at a meeting of 10 June 2020 as the meeting scheduled for 31 March 2020 was cancelled due to Covid-19. Recommend: This is an outstanding recommendation from the previous internal audit report.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No review of the effectiveness of internal audit carried out in the year under review in accordance with the Accounts and Audit Regulations 2015. It is noted this was carried out at a meeting of 10 June 2020 as the meeting scheduled for 31 March 2020 was cancelled due to Covid-19. Recommend: This is an outstanding recommendation from the previous internal audit report. Council should carry out an annual review of the effectiveness of the internal audit and a minute reference made in accordance with the Accounts and Audit Regulations 2015.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Budget was agreed at a Council meeting of 10 January 2019 with the draft budget paper 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 £2,625 was agreed at a Council meeting of 10 January 2019 with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	Expenditure is included within the Minutes but no reference is made to variances from budget. However, it is noted on the website quarterly expenditure against budget papers. Comment: Council should include a Minute reference that the expenditure from budget has been reported to Councillors.
	Reserves held General and Earmarked.	General Reserves: £4612 Earmarked Reserves: NIL Comment: The General Reserves are higher than the annual precept. Authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked reserves. This is an outstanding comment from the previous audit report.
6. Income controls	Is income properly recorded and promptly banked?	Two instalments of Precept and interest on back account received for the year under review.
	Is income reported to full Council?	A minute reference was made to the first precept instalment only. Recommend: All income received is reported to Council and a Minute reference made.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Evidence was provided showing the Precept to be paid and receipt of same in the Council's Bank Account.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	Not applicable.
	<ul style="list-style-type: none"> • Is CIL income reported to Council? 	
	<ul style="list-style-type: none"> • Does unspent CIL income form part of Earmarked reserves? 	
	<ul style="list-style-type: none"> • Has an annual report been produced 	
	<ul style="list-style-type: none"> • Has it been published on the authority's website 	

7. Petty Cash	Is a petty cash in operation?	Council does not operate a petty cash system.
	If so, is there an adequate control system in place.	
8. Payroll controls	Do all employees have contracts of employment?	It is noted a Clerk was employed for a probationary period from 1.4.2019 - 6.9.2019 no contract of employment seen by the Internal Auditor. Two Councillors are currently covering the role of Clerk on a temporary basis until a new Clerk is found.
	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 was operated in accordance with HM Revenue and Customs guidelines. SALC was contracted to fulfil the function of payroll administrator. The payments of salary to the Clerk were approved by Council.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE was deducted and paid to HMRC.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	No evidence provided that Council is aware of pension responsibilities. No pension payments had been made in the year under review. Comment: When a Clerk is employed Council should ensure a Declaration of Compliance is made with the pension regulator.
	Are other payments to employees reasonable and approved by the Council?	Council approved all payments to the Clerk with a minute reference.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	An asset register is maintained in accordance with proper practices and covers the fixed assets owned by the Council and shows no movement in the year under review.
	Verifying that the Asset Register is reviewed annually	The asset register - 2018-19 was reviewed at a Council meeting of 19 June 2019. Comment: Council should ensure the asset register for each year for example 2019-20 is reviewed within that year (by 31 March 2020)

	Cross checking of Insurance cover	Council operates a Parish Protect policy which covers property up to £10,000.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are made.
	Confirm bank balances agree with bank statements	The overall year-end bank position is stated as £4612.55 Balances are confirmed at year end are: Barclays Community Account £3580.51 Barclays Business Premium Account £1053.64 O/S Cheque £21.60
	Regular reporting of bank balances at council meetings	Bank balances are reported at Council meetings; no Minute reference is made of the figures. Comment: Council may wish to make a minute reference of the bank balance figures for transparency.
11. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring that payments are listed in the Council's Minutes as part of the small authority's financial control.
	Has the appropriate end of year AGAR documents been completed?	The appropriate Part 2 document has been completed and signed by Council. It is noted Section 2 Accounting Statements Box 4 Staff Costs this should only be the total of the Clerks salary and HMRC payment and should not include the costs of the payroll administrator or expenses ie. Paper, ink etc these should all included in Box 6 of the AGAR all other payments. The Internal Auditor has completed the relevant page of this form. Recommend: Council amends Part 2 Accounting Statements Box 4 and 6
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	<i>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 15 May and 19 June 2019.</i>
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of	<i>The Internal Auditor was able to find the details of the arrangements for the exercise of public rights for the period</i>

	public right as required by the Accounts and Audit Regulations?	ending 31 st 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 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.
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 Audit report was considered at a Council meeting of 19 June 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The recommendations and comments raised in the internal audit report were noted at the above meeting a plan to agree actions was proposed but postponed and not carried out in the year under review. Standing Orders – Outstanding Financial Regulations – Outstanding Insurance – Actioned Internal Control – Outstanding Effectiveness of Internal Audit – Outstanding Variances from budget – Actioned Comment: The Internal Auditor has noted the meeting scheduled for 31 March 2020 was cancelled due to Covid-19 when Council was due to action: Standing Orders, Financial Regulations, Internal Control and Effectiveness of internal audit.
	Confirmation of appointment of Internal Auditor	Council considered SALC as the Internal Auditor at its meeting of 14 January 2020.

		Comment: Council considered the above, but no decision is Minuted. Council should Minute what was resolved for clarity.
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 auditor 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	Not applicable.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 15 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.
	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 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. Payment Minuted at meeting of 21 August 2019.
<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 	Council is compliant with the General Data Protection Regulations.

Signed: *S.J. Brown*

Date of Internal Audit Report: 6th August 2020

On behalf of Suffolk Association of Local Councils