

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

<b>Name of Council:</b>	LAXFIELD PARISH COUNCIL
<b>Income:</b>	£55,073.84
<b>Expenditure:</b>	£62,756.41
<b>Precept Figure:</b>	£41,880.00
<b>General Reserve:</b>	£18,000.00
<b>Earmarked Reserves:</b>	£30,000.00
<b>Restricted Reserves:</b>	£8,334.40



## 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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	The council uses an excel spreadsheet as the basis for the Council's accounting system.
	Cash book kept up to date and regularly verified against bank statement	Whilst the Cashbook is kept up to date it is not clearly referenced with dates as to when expenditure was incurred and income received. However, the RFO has advised that the layout of the cashbook has now been amended for 2020-2021 to ensure dates are insert for ease of reference and tracking which will provide clearer evidence to support the Council's underlying accounting statements.
	Correct arithmetic and balancing	Spot checks were made and following advice from the RFO, a late receipt for interest accrued was omitted from the bank balances and accounts for 2018/2019. As such an amendment to the carried forward position and allocation of receipts for 2018/2019 will be required to ensure that the brought forward position for 2019/20 is correct and allows the figures for 2019/20 to be correct and balanced.  <b>Note: the income figures for 2018-2019 will need to be restated - see Section 11 below.</b>
<b>2. Financial Regulations &amp; Standing Orders</b>	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 9 <sup>th</sup> March 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 seen on the website were also reviewed at the above meeting and are based on the 2019 model and were deemed to be fit for the Council's purposes..
	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	The financial regulations have been tailored to the parish council.
<b>3. Payment controls</b>	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

		recorded and evidence of such paperwork, as signed by the Chair, and as seen in the files submitted for internal audit. All transactions are dual authorised in accordance with FRs 6.9 and 6.10.
	Internet Banking transactions properly recorded/approved	Council, in using internet banking for the settlement of its accounts, is mindful that all payments should be made in accordance with Council's FR 6.9, and that evidence is retained showing which members approved the payment.
	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.
	Has Council adopted the General Power of Competence and is it being correctly applied?	Council does not use the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	<p>Payments made under this power for the year under review totalled £4,521.19. Upon review, the following should be noted: Section 142 of the Local Government Act 1972 allows the Parish Council to assist voluntary organisations who provide individuals with information and advice concerning their rights and obligations such as CAB. All other expenditure itemised under LGA 1972 s137 was within statutory guidelines and limits.</p> <p><i>Comment: Council might wish to record when agreeing to payments under this power, that the use of S137 of the LGA 1972 (as amended by the Local Government and Housing Act 1989 s36) is a power of last resort and should be used where no other power applies. It gives the Council the power to incur expenditure which in their opinion is in the interests of and will bring direct benefit to their area or any part of it or all or some of its inhabitants. The benefit obtained must be commensurate with the expenditure incurred and the annual expenditure must not exceed the total electorate multiplied by the annual statutory limit per elector.</i></p>
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	<p>The council had outstanding Public Works Board Loans as at 31<sup>st</sup> March 2020 of £108,179.86 (as per the notification from United Kingdom Debt Management Office and as declared on the Annual Governance and Accountability Return).</p> <p>Repayments of interest were made during the year in accordance with the schedule seen.</p>

<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	<p>The Risk Assessment Document for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 was seen for the year under review and adopted at the meeting of 9<sup>th</sup> March 2020.</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.	<p>Council has carried out detailed further risk assessments which have been reported to the Council throughout the year.</p> <p><i>Comment: 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.</i></p>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>General Insurance is under a Council Commercial Combined Protect Policy for the period from 1<sup>st</sup> October 2019 to 30<sup>th</sup> September 2020 shows core cover: Business Interruption; Public &amp; Products Liability; Employer's Liability; Office Contents; Libel &amp; Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £150,000, which given the current balances held by the Council is within recommended guidelines.</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis	<p>The minutes of 14<sup>th</sup> October 2019 record that a review of the insurance held was undertaken.</p> <p><i>Comment: in accordance with Proper Practices, whilst 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, it should also ensure that the review of the insurance cover as carried out by the RFO, is reported back to the Council and minuted to state that appropriate insurance is in place to help manage the potential consequences of a risk occurring.</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</p>

		<p>internal control in February 2020 which was formally signed off by the Council at its meeting of 9<sup>th</sup> March 2020.</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 covered in the review of Council's internal control statement and signed off at the above meeting.</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>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	<p>The budget for the year 2019/20 in the sum of £47,385 was approved by full Council at a meeting of 7 January 2019.</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"> <li>• <i>decide the form and level of detail of the budget;</i></li> <li>• <i>review the current year budget and spending;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>provide for contingencies and consider the need for reserves;</i></li> <li>• <i>approve the budget; and</i></li> <li>• <i>review progress against the budget regularly throughout the year.</i></li> </ul>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	<p>The precept was recommended to be set at £41,880.00 by the Finance Committee (meeting of 7<sup>th</sup> January 2019) and formally approved at a meeting of 7<sup>th</sup> January 2019 noting that this would be a 0.9% increase over 2018/19.</p>
	Regular reporting of expenditure and variances from budget	<p>Comparisons between budgeted and actual income and expenditure are reported to full Council and noted at each relevant meeting. Effective April 2020, Council has chosen to expand the minutes to show the level of overall detail discussed and to provide</p>

		evidence that Council has reviewed progress against the budget regularly throughout the year by publishing reports submitted to Council on its website.
	Reserves held  General and Earmarked.	The reserves allocated at year-end were £18,000 as General Reserves; £30,000 as Earmarked Reserves with £8,334.40 as Restricted Reserves (CIL).  <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. Given the balances being held, Council might wish to consider adopting a Reserves Policy which will ensure that Council regularly carries out reviews on the level of reserves held thereby ensuring that Council is able to finance its day to day operations and deal with unforeseen circumstances as well as focusing on projects / items identified.</i>
<b>6. Income controls</b>	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?	Council has ensured that in accordance with its own Standing Order 17c, all income received by the parish council is reported as part of the quarterly Financial Reports submitted by the RFO.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £41,880 during the year under review in April and September 2019.  <i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 8<sup>th</sup> 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?	Council received CIL funds in the year under review totalling £7,769.72. 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. It has complied with its duty to produce an annual report that details the amount of CIL funds received and spent and is aware that the annual report for the year ending 31 <sup>st</sup> March 2020 should be uploaded onto its website by 31 <sup>st</sup> December.
<b>7. Petty Cash</b>	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.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Council had 1 employee on its payroll at the period end of 31 <sup>st</sup> March 2020. 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.	All salary payments are authorised by full council with salary scales being set by the Finance Committee at its budget setting meeting with such recommendations being approved by full Council (meeting of 7 <sup>th</sup> January 2019).  <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 by SALC 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. At the meeting of 30 <sup>th</sup> January 2019, the minutes noted there was no automatic enrolment applicable for its employee.  <i>Comment: Council has shown awareness of its duties under the duties under employment legislation and has met its pension obligations.</i>
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register as approved by full Council at the meeting of 9 <sup>th</sup> March 2020 is stated at £74,057.



		<i>Comment: Council should be mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and should ensure 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 has been stated on the AGAR which was signed off by the Council at a meeting of 11 <sup>th</sup> May 2020.
	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. Separate insurance is in place for machinery owned and operated by Council agreed contractors.
<b>10.Bank reconciliation</b>	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 the Chair 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 <sup>st</sup> March 2020 stand at: £54,230.40 across all accounts held by the council.
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances within the reports submitted to Council. The RFO has ensured that the bank reconciliation is part of the key tools for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.
<b>11.Year-end procedures</b>	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?	<p>As Council is a smaller authority with gross income and expenditure exceeding £25,000 it has completed Part 3 of the AGAR which was signed at the time of internal audit.</p> <p><b>Recommendation A: it is suggested that the Accounting Statements are revisited prior to submission to the external auditors as currently it does not cast by £1.</b></p> <p><b>Recommendation B: as stated above for the year ending 31<sup>st</sup> March 2019, the AGAR was incorrectly stated as the cashbook receipt balances did not record a late receipt of interest on the reserve account held by the Council. This will affect the overall cash book balance and the balances carried forward. It is recommended that for the year 2018/19, the other income (Box 3) should be restated to 13923 and subsequently, balances carried forward (Box 7) and total value of cash (Box 8) should be restated to 61913. As this latter figure has been applied to the opening balance for 2019/20 (Box 1), the cashbook balances and total value of cash will reconcile with one another for the year ending 31.03.20. These amendments, for the year 2018-2019, must be reported back to full Council for formal approval as they are restated figures and the words "RESTATED" should appear at the top of the column for 31 March 2019.</b></p>
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Parish Council had gross income and expenditure exceeding £25,000 it was not able to 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?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> 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 exceeding £25,000 but not exceeding £6.5 million for the year ending 31 <sup>st</sup> March 2019 and published the following

		<p>on a public website:  Section 1 – Annual Governance Statement of the AGAR  Section 2 – Annual Accounting Statements of the AGAR  Section 3 – External Audit Report and Certificate.  Notice of the period for the exercise of public rights  The Annual Internal Audit Report</p>
<b>12. Internal audit for year ending 31 March 2019</b>	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the year ending 31 <sup>st</sup> March 2019 was received and noted at the meeting of 13 <sup>th</sup> May 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following recommendations were raised in the report from the internal audit for the year ending 31.03.20:</p> <ol style="list-style-type: none"> <li>1. Review Standing Orders with reference to the 2018 Model produced by NALC - completed</li> <li>2. Appoint, on an annual basis, an RFO - completed</li> <li>3. RFO to report back to Council movement between the Council's accounts - completed</li> <li>4. Confirmation of the review of Council's insurance - completed</li> <li>5. Verification of bank statements by a member - completed</li> <li>6. Publish items in accordance with the Audits and Accounts Regulations 2015 - completed</li> </ol>
	Confirmation of appointment of Internal Auditor	<p>The appointment of SALC to act as the Parish Council's Internal Auditors was discussed at a meeting of January 2020 but there is no record to confirm the appointment.</p> <p><i>Comment: It is assumed that the appointment of SALC as the Internal Auditor is to be retrospectively approved at the next available meeting of the council.</i></p>
<b>13. External audit for the year ending 31 March 2019</b>	Verifying that the external audit report has been considered by the Council	Council considered and accepted the External Audit Report and Certificate at its meeting of 13 <sup>th</sup> September 2019 following the limited assurance review undertaken by the External Auditors.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	<p>The following matters were brought to the attention of the Council: Annual Governance form was signed off after the Annual Accounting Statements on the AGAR.</p> <p><i>Comment: in accordance with the Accounts and Audit Regulations</i></p>

		2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, Council has published on a public website Sections 1, 2 and 3 from the 2018/19 AGAR as well as the Notice of the Conclusion of the Audit.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 13 <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 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	<p>Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000).</p> <p><i>Comment: To ensure compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), the following information should be:</i></p> <p><i>Publish quarterly:</i></p> <p><i>Individual items of expenditure that exceed £500</i></p> <p><i>Government Procurement Card transactions</i></p> <p><i>Invitations to tender for contracts over £5,000</i></p> <p><i>Details of contracts that exceed £5,000</i></p> <p><i>Publish annually:</i></p> <p><i>Details of all land and building assets</i></p> <p><i>Grants to Voluntary, Community and Social Enterprise Organisations</i></p>
	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. ZA185889 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Council will need to take further steps to ensure compliancy with the GDPR requirements.</p> <p><i>Comment: Council should consider the completion of the following documents which will be needed to evidence compliance with legislation:</i></p> <ul style="list-style-type: none"> <li>• <i>Uploading of a General Privacy Notice onto the website</i></li> </ul>

		<ul style="list-style-type: none"> <li>• <i>Uploading of a Cookie Policy onto the website.</i></li> <li>• <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></li> <li>• <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></li> <li>• <i>Subject Access Request Policy &amp; 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></li> </ul>
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Signed: *TS Waples*

Date of Internal Audit: 13.06.2020

Date of Internal Audit Report: 15.06.2020

On behalf of Suffolk Association of Local Councils