

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Poslingford Parish Council
Income:	£4421
Expenditure:	£4674
Precept Figure:	£3900
General Reserve:	£6266
Earmarked Reserves:	£0

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 hand written ledger. 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. Comment: For cheque number 448 the net amount for the grass cutting should read £405 and not £425.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	NALC Model 2018 Standing Orders have been adopted and were reviewed on 4/9/19.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Financial Regulations provided for audit are not the full NALC Model version and some details are missing (e.g. there is no footnote detailing the regulations relating to the contract finder website under item 11). The Financial Regulations on the website are a previous version and include a footnote of 'Risby Parish Council'. Recommendation: To adopt in full the NALC model Financial Regulations, which incorporate or reference the requirements of new legislation that has been introduced. Comment: Council may wish to update the Financial Regulations on their website.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It was minuted on 4/9/19 that the Clerk is the Responsible Financial Officer. This is also noted in the Council's Internal Control Document.
	Evidence that Financial Regulations have been tailored to the Council	Council have tailored Financial Regulations to the Council. Comment: To avoid ambiguity the Council may wish to remove the square bracket options.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A list of payments due is provided to the Council for approval and noted in the minutes, but the individual amounts paid are not noted.

		<p>Comment: For future reference and to ensure that Councillors and members of the public are aware of the amounts of payments made by the authority and the matters to which they relate, this information could be noted either in the minutes or the report containing the information appended to the minutes.</p> <p>There are no references to the Legal Powers being used to support payments in either the cashbook or the minutes. Recommendation: To ensure that all payments made are within its powers and that it is not acting outside of its legal power, the Council should consider adding a reference as to the power being used in either the minutes or the cashbook.</p> <p>The council shows good practice with 2 signatories authorising each invoice. This is also noted in the Internal Control Document.</p>
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	<p>VAT reclaim evidenced for £371.40. VAT is recorded in a separate column in the cashbook.</p> <p>Comment: The Council shows good practice by noting in the risk assessment documentation that VAT is reclaimed by the RFO.</p>
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	S137 payments are separately noted in the cashbook. There were no payments in this financial year.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council has no Public Works Loan and as such incurred no interest payments for the period under review.
4. Risk Management	Is there evidence of risk assessment documentation?	The audit review confirmed that the assessments provide an analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.
	Evidence that risks are being identified and managed.	Evidence seen that risks are identified and managed (e.g. adhoc inspections are taken of the burial ground). It is noted in

		the Internal Control Document that risk assessment documentation will be reviewed annually and that there are regular maintenance arrangements for physical assets.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	The Council has both £10 million of Public Liability and Employers Liability cover. Details of fidelity guarantee were not provided to the auditor. Comment: The guidelines for fidelity cover are balances held at 31/3/20 + 50% of precept. Council may wish to ensure their cover is adequate.
	Evidence that insurance is adequate and has been reviewed on an annual basis	It is noted in the Internal Control Document that an annual review of risk and adequacy of insurance policy is undertaken. Comment: It is good practice to note that this has been carried out in the minutes.
	Evidence that internal controls are documented and regularly reviewed	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting of 4 th September 2019.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	It is noted in the Internal Control Document that the Council undertakes a review of the effectiveness of Internal Audit annually. Comment : It is good practice to note that this review has taken place in the minutes.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The authority has prepared and approved a budget in a timely manner before setting a precept and prior to the commencement of the financial year. This is also noted in the Internal Control Document.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	In accordance with proper practises, the precept amount of £3900 was agreed in full and noted in the minutes of 29/11/18.
	Regular reporting of expenditure and variances from budget	It is noted in the minutes that Council receives a list of payments for approval at each meeting. There is no evidence that expenditure against budget is provided to the Council with details of any variances.

		Comment: In line with the current Financial Regulations 2019, Council may wish to minute that they have been provided with a quarterly summary of all receipts and payments and spending compared to budgets.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £6,266. No Earmarked reserves were held.
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 has been reported to 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 matters to which it relates, this information could be noted in the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded agrees with West Suffolk Council's notification.
	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? • Has an annual report been produced • Has it been published on the authority's website 	No funds have been received under the Community Infrastructure Levy.
7. Petty Cash	Is a petty cash in operation?	The Council does not use petty cash.
	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.	All salary payments are authorised by full council. Cross-checks were completed on two payments covering salary and PAYE and were found to be in order. 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.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	It was noted in the minutes of 4/9/19 that the clerk does not wish to join the scheme. A declaration was noted from 23/5/17.
	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 Asset Register was reviewed during the Internal Audit for year-end. The total value of £4587 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	The Council demonstrates good practice by maintaining and regularly reviewing the asset register.
	Cross checking of Insurance cover	The Council's risk assessment document confirms that they 'assess sum insured values are correct annually'.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Risk assessment advised that bank reconciliations are completed quarterly. Comment: To ensure good financial practice, Council may wish to implement a system whereby the bank reconciliations are independently verified by a Councillor and this is then noted in the minutes, which not only

		safeguards the Responsible Financial Officer but also fulfils an internal control objective.
	Confirm bank balances agree with bank statements	The bank balance of the Lloyds Bank Treasurers account of £6436.92 agree with the annual bank reconciliation.
	Regular reporting of bank balances at council meetings	Bank balances are not noted in the minutes. Comment: It is good practice to record the Council's bank balances in the minutes at each meeting, to ensure that Councillors are aware of the 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, Section 2 The Accounting Statement and the exemption certificate have been completed.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	The Council correctly certified itself exempt from a limited assurance review in 2018/19. The higher of gross income or gross expenditure did not exceed £25,000.
	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 Council provided for the exercise of public rights from 26/6/19 to 7/8/19. This information was published on the website.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Council has published on a public website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities: <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Annual Internal Audit Report, page 4 • Section 1 – Annual Governance Statement, page 5

		<ul style="list-style-type: none"> • Section 2 – Accounting Statements, page 6 • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. <p>Comment: To be fully compliant Council may wish to also publish their year end bank reconciliation.</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 noted in the minutes from their meeting of 4/9/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Council has taken appropriate action for most of the items raised in the internal audit report for 2018/19. Comment: Council is not providing a reference to Legal Powers for payments and the General Data Protection Regulation requirements have not been met – please see comments under these items on this report.
	Confirmation of appointment of Internal Auditor	It was noted in the minutes of 15/5/19 that SALC has been appointed as 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	The council has correct declared itself exempt from a limited assurance review.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	The annual meeting was held on 15/5/19 along with the Annual Parish Meeting. The minutes noted under Parish General Meeting the election of the Chair as the first item on the agenda. The Parish Council meeting then started. Comment: to avoid confusion the Council could just have an Annual General Parish Council Meeting, rather than a general meeting followed by a Parish Council meeting.
	Correct identification of trustee responsibilities	No trustee responsibilities are held.

<p>Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation</p>	<p>Under the Transparency code the Council has published the following information on their website: End of Year Accounts Annual Governance Statement List of Councillors and Responsibilities Minutes and Agendas of Meetings Comment: To be fully compliant Council may wish to also publish their full Internal Audit Report , Asset Register and items of expenditure above £100.</p>
<p>Verifying that the council is registered with the ICO</p>	<p>The Council is registered with the ICO under reference ZA332310</p>
<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 the procedure for dealing with Subject Access Requests. Comment: To be fully compliant the Council may wish to adopt and publish the following policies:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies

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

Date of Internal Audit Visit15/7/20.....

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On behalf of Suffolk Association of Local Councils