

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Little Waldringfield
Income:	£9183.62
Expenditure:	£11,170.13
Precept Figure:	£8415
General Reserve:	£8286.64
Earmarked Reserves:	£15163.41

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 very well referenced. 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	Spot checks were carried out and the cashbook was found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The Council reviewed their Standing Orders as part of the Council's good governance arrangements and found them to be in order. This action was noted in the minutes on 9/1/20. Up to date NALC Model Standing Orders have been adopted.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council reviewed their NALC Model Financial Regulations as part of the Council's good governance arrangements and found them to be in order. This action was noted in the minutes on 9/1/20. <i>Comment: It is good practice to adopt the NALC Model Financial Regulations and Standing Orders as they incorporate or reference the requirements of new legislation that has been introduced.</i>
	Evidence that a Responsible Financial Officer 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 authority. This was noted in the minutes on 14/11/19.
	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

		<p>shown in the minutes and evidence of such paperwork in the files submitted for internal audit.</p> <p>Comments: Council has noted in the cashbook against some payments the power to pay as The Localism Act 2011 ss1-8, which can only be used when the Council has adopted the General Power of Competence.</p> <p>Council has noted in the minutes the power to pay for a donation to the Citizen's Advice Bureau as S137. This has been correctly noted in the cashbook as The Local Government Act 1972 s142(2a) - 'payments to assist voluntary organisations to provide information and advice concerning individuals' rights and obligations'.</p>
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The Council reclaimed VAT to the value of £353.44 for 2018/19. £1073.56 noted in cashbook to be reclaimed for this audit year
	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	S137 payments are recorded in the cashbook and minutes. The total payments of £42 are within the guidelines for this capped power.
	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?	<p>Council has a comprehensive Financial Risk Assessment which identifies the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks. The annual review of risk assessment documentation is noted in the Internal Control document. Council minuted that the review was undertaken on 12/3/20.</p> <p><i>Comment: 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>

	Evidence that risks are being identified and managed.	In accordance with Proper Practices, Council has identified its key risks and taken steps to manage them. 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. <i>Comment: Specific examples of risk assessments viewed by the auditor include: Annual litter pick and the condition of trees and headstones in the closed churchyard.</i>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance is in place and shows core cover: Business Interruption; Public Liability; Employer’s Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £50,000 which is within the recommended guidelines. Assets are covered under the ‘all risks’ policy up to £20,000. Both public and employers liability are covered up to £10 million.
	Evidence that insurance is adequate and has been reviewed on an annual basis	There is evidence that a review of the insurance cover was completed and noted in the minutes on 12/9/19 and appropriate insurance is in place to help manage the potential consequences of a risk occurring.
	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 12/3/20. <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. Within the Internal Control Statement, as reviewed and adopted by Full Council, Council has reviewed its arrangements to protect public money.</i>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Council minuted a review of the effectiveness of their internal audit at the meeting on 12/3/20. This annual review is also Included within their Internal Control Document. <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</i>

		<i>function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.</i>
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. The budget was agreed at full Council and noted in the minutes of 8/11/18. <i>Comment: This item is also included in the Internal Control Document.</i>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was agreed in full Council and the precept decision and amount have been clearly minuted as £8415.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure is included within the documentation circulated to Councillors in accordance with Council's own Standing Orders. The minutes reflect that they have been received and noted
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £8287 with earmarked reserves of: asset replacement £1000, closed churchyard £3500, Street lighting £3000, Elections £1049, Clive Memorial £2475, Neighbourhood Plan £4140. <i>Comment: The Council shows good practice by allocating reserves to earmarked funds and listing these on the Statement of Account and Risk Assessment documentation includes 'considering reserves at budget setting and approval of accounts'.</i>
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. <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?	Income is included in the minutes from November 2019. All income received by the parish council is reported as part of the Financial Reports submitted by the RFO

	Does the Precept recorded agree to the Council Tax Authority's notification?	Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 8/11/18, served on the Charging Authority Babergh District Council to receipt of £8415 in the Council's Bank Account and cashbook. <i>Comment: The council shows good practice by checking that the precept has been received in their Internal Control Document.</i>
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	No income has been received under the Community Infrastructure Levy.
	<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 	
7. Petty Cash	Is a petty cash in operation? If so, is there an adequate control system in place.	No system of petty cash is in operation.
8. Payroll controls	Do all employees have contracts of employment?	Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council. Council notes in their internal control document that Clerk's contract was signed on 28/11/17.
	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.	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, through Ladywell Accountancy Services, 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.

	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>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, if applicable, on or before the dates prescribed.</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>There is no mention in the minutes for this audit year of the Council's responsibilities under the legislation for work and pensions but the internal audit from 2018/19 confirms that the Council have completed a declaration of compliance with the Pensions Regulator under the Pensions Act 2008 with no staff being automatically enrolled into a pension scheme. 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.</p>
	<p>Are other payments to employees reasonable and approved by the Council?</p>	<p>All other payments to employees are reasonable and approved by the Council.</p>
9. Asset control	<p>Verifying the Council maintains an Asset Register in accordance with proper practises</p>	<p>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 £3,243 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).</p>
	<p>Verifying that the Asset Register is reviewed annually</p>	<p>The Asset Register value has been stated on the Annual Governance and Accountability Return (AGAR). The Council also noted in the minutes of 13/6/19 the review of the asset register.</p>
	<p>Cross checking of Insurance cover</p>	<p>The Council reviewed and approved their insurance and noted this in the minutes of 12/9/19. This is a 3 year term agreed from 1/9/19.</p>
10. Bank reconciliation	<p>Regularly completed and reconciled with cash book</p>	<p>Bank reconciliations are completed on a regular basis and reconcile with the cash book.</p>

		<i>Comment: The RFO, as evidence of good financial practice, provides evidence of the bank reconciliations at meetings to be verified by the Parish Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i>
	Confirm bank balances agree with bank statements	The following bank statements agree with the bank reconciliation at 31/3/19: Lloyds Business Banking Instant Account £2523.64 Lloyds Treasurers Account £21828.97 Total bank balances £24,352.61
	Regular reporting of bank balances at council meetings	Bank balances are reported at Council meetings.
11. Year-end procedures	Appropriate accounting procedures used	The Receipts and Payments method of accounting was used.
	Financial trail from records to presented accounts	Evidence seen of an underlying financial trail from records to presented accounts.
	Has the appropriate end of year AGAR documents been completed?	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed. Comment: Council have answered 'no' to assertion 3 on the Annual Governance Statement – see notes under Item 14- Annual Meeting. Recommendation: Council may wish to review the Accounting Statement of the AGAR box 4 as they have included 'personal expenses' in 'Staff Costs'. To comply with NALC's Governance and Accountability Guide (Item 2.16) confirms that staff costs for the purpose of Line 4 include the following items: gross salary of employees, employers national insurance contributions, employers pension contributions, gratuities for employees or former employees and severance or termination payments to employees. The following are not staff costs for the purpose of Line 4; mileage and other travelling and subsistence allowances, "Homeworking allowance" that is, an allowance paid to cover the extra costs of working from home, the provision of work

	<p>related training, the reimbursement of childcare or other carers costs, the reimbursement of a staff members subscription to the Society of Local Council Clerks, the provision of office supplies such as laptop, scanner or stationery and consultants and agency staff. The definition of “staff costs” for the purposes of Line 4 may differ from what is, or is not, treated as taxable earnings by HMRC.</p>
<p>Where an authority certified itself exempt in 2018/19, did it meet the exemption criteria and correctly declared itself exempt?</p>	<p>As the Parish Council had gross income and expenditure not exceeding £25,000 it was able to declare itself exempt from a limited assurance review 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 Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31st March 2019 were on the public website used by the Council (1/7/19 – 9/8/19).</p>
<p>Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015</p>	<p>Council’s must publish 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.</p> <p>These include:</p> <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • 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>All these items were clearly published on the Council’s website www.littlewoldingfield.onesuffolk.net</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 following recommendations raised in the report from the internal audit were considered and approved by the parish council at their meeting on 13/6/19: <ol style="list-style-type: none"> 1. Note the 'power' to pay for payments (now noted in cashbook) 2. Insurance to be reviewed against the asset register - members approved insurance against asset register for 3 year term from 1/10/19; 3. Reviewing the effectiveness of the internal audit actioned Feb 2020; 4. Details of credits received not included in the minutes - details included from November 2020, when all unreported items were noted; 5. Bank balances not reported in the minutes – actioned; 6. Additional GDPR policies to be adopted and published – actioned; 7. Notice of appointment of RFO in minutes – actioned;
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	A report was presented to the Council on 12/3/20 when members approved the action taken by the Clerk/RFO following the issues reported in the internal report action plan for 2018/19.
	Confirmation of appointment of Internal Auditor	It was noted that SALC was appointed as the internal auditor on 14/11/19.
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	Council declared themselves exempt from the 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	Due to an insufficient number of Councillors being able to attend the Annual Meeting scheduled for 9/5/19 (insufficient to make a quorum) the meeting was not held in accordance with legislation. Council are aware of this non-compliance and

		<p>have answered 'no' to assertion 3 on the Annual Governance Statement. The Council's AGM was held on 13/6/19 where the first item on the agenda was the election of the Chair.</p> <p>Comment: In an election year the Council's AGM must take place on the day when the Councillors take office, or within 14 days thereafter. In any other year the meeting may be held on any day in May.</p>
	Correct identification of trustee responsibilities	No trustee responsibilities are held.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	<p>Council has published the following information on their website in-line with the applicable transparency code:</p> <p>End of Year Accounts Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities Minutes and Agendas of Meetings Asset Register Items of Expenditure Above £100</p>
	Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA124645.
	<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>Council has adopted the following Policies under the General Data Protection requirements:</p> <p>General Data Protection Regulation Policy (Data Protection and Information Management); Privacy Notice; Data breach; Subject Access Request and Subject Access Request form; Document retention;</p> <p><i>Comment : Council has addressed the risk of non-compliance by including the 'failure to comply' in their risk assessment documents. Recommendations were made and approved for adoption by full Council on 12/3/20.</i></p> <p>Comment: Council may wish to consider also adopting and publishing on their website the Audit/Impact Assessment.</p>

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

Date of Internal Audit Visit22/6/20.....

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On behalf of Suffolk Association of Local Councils