

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

<b>Name of Council:</b>	THEBERTON AND EASTBRIDGE PARISH COUNCIL
<b>Income:</b>	£15,468.44
<b>Expenditure:</b>	£20,978.04
<b>Precept Figure:</b>	£6,013.98
<b>General Reserve:</b>	£462.56 (as per balances carried forward)
<b>Earmarked Reserves:</b>	£0.00

## **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	Computerised cash sheets are used.  <i>Comment: Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.</i>
	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 made, and all were found to be in order.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	At the meeting of 12th February 2020, Council carried out an annual review of its own Standing Orders which 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 (FR) have been adopted and reviewed regularly	The Council's Financial Regulations were reviewed and adopted at a meeting of 12th February 2020.  <i>Comment: Council is advised, at its annual review of its Financial Regulations, to consider adopting the Model Financial Regulations 2019 produced by NALC which have been adapted to reflect recent changes in legislation concerning procurement.</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 relevant authority.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Parish Council although Council might wish to consider the removal of sections that are not applicable to the council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, invoices and bank statements and as such all were found to be in order.  <i>Comment: Council has ensured that, in order to have measures that safeguard public money, there is a straightforward and clear audit trail for each payment and</i>

		<i>that payment schedules are referred to in the minutes of the meeting at which they are authorised.</i>
	Internet Banking transactions properly recorded/approved	<p>Internet banking is not currently operated but in the report submitted to Council of 31<sup>st</sup> March 2020, it is noted that the Chairman and Vice-Chairman authorised the arrangement of internet banking with Barclays to enable online payments.</p> <p><i>Comment: it is noted that the Clerk and one Councillor are to be authorised as a signatory to operate the online payment system and Council will be mindful of the requirements of Financial Regulation 6.9 for payment for certain items to be made by BACS or CHAPS methods provided that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories, are retained and any payments are reported to council as made.</i></p> <p><b>Recommendation: in accordance with FR 5.1 Council should note that the council's banking arrangements, including the bank mandate, should be made by the RFO and approved by the council; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency. It is recommended that the above decision be brought to full Council for a resolution to be passed to allow for internet banking arrangements to be set-up.</b></p> <p>Council should also note that the approval of the use of BACS or CHAPS shall be renewed by resolution of the council at least every two years.</p>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The VAT claim of £381.71 for the period 1 <sup>st</sup> March 2019 to 31 <sup>st</sup> December 2019 was submitted to HM Revenue and Customs and settled during the year under review. The year-end period shows VAT due of £4,880.91.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Parish Council does not exercise the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	<p>Donations made under this power for the year under review totalled £112.00 and were in accordance with statutory limits.</p> <p><i>Comment: Council is aware 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</i></p>

		<i>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>
	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.
<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 considered at a meeting of the Parish Council on 10<sup>th</sup> April 2019 and covers the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><i>Comment: Overall within its Financial Risk Management Document, Council has identified a number of risks to finances; health and safety; business continuity and records management 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'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.</p> <p><i>Comment: it is noted that Council will be considering introducing specific control procedures for payments by bank transfer or other electronic means to ensure that the risks brought about by the ease and speed of such transactions and the difficulties faced in unravelling them should there be errors are mitigated. Such control procedures for any payments by bank transfer, or other electronic means, might include verification of expenditure incurred by the Chair of the Council and should be added to the quarterly internal reviews undertaken by a non-signatory to the parish council's accounts. The risk associated with online banking should be added to the Council's Annual Financial Risk Assessment.</i></p>
	Contingency Plan to deal with the impact of the Coronavirus on the Parish Council	In light of the current Coronavirus situation, a report was submitted to full Council (dated 31 <sup>st</sup> March 2020) which referenced a number of measures to ensure the safety of staff, councillors and members of the public. Specific measures undertaken as approved by email were: To postpone all Ordinary meetings until further advice is received from SALC; To postpone the Annual Meeting and the Annual Parish Meeting until further advice is received from SALC; To provide

		authority to the Clerk to respond to planning applications following an email consultation with members; To provide advance authority for all routine expenditure and authority for non-routine following an email consultation with members; To provide authority to the Chairman and Vice-Chairman to respond to all routine correspondence; To provide authority to the Chairman and Cllr. Paul Collins to approve the Council's response if EDF Energy submit their DCO application following an email consultation with members; To implement any other necessary arrangements arising from the coronavirus pandemic. The report identified the actions that had been undertaken between the period 11 <sup>th</sup> March to 31 <sup>st</sup> March 2020.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance cover is in place under a Parish Protect Policy and covers the period from 1 <sup>st</sup> July 2019 to 30 <sup>th</sup> June 2020. Core cover is shown as: Business Interruption; Public Liability; Employer's Liability; Public Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £25,000 which is within recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its current insurance cover at the meeting of 12 <sup>th</sup> June 2019.  <i>Comment: in accordance with Proper Practices, 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 buying in services from specialist external bodies and taking out insurance.</i>
	Evidence that internal controls are documented and regularly reviewed	Council reviewed its internal controls at a meeting of 11 <sup>th</sup> March 2020, with agreement that its existing controls were fit for purpose and adhered to.  <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 for the Financial Year 2019-2020, 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	The effectiveness of internal audit was covered within the financial risk documentation by full Council at its meeting of 2 <sup>nd</sup> March 2020.  <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</i>

		<i>its specific system of internal control is adequate and working satisfactorily.</i>
<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 £5,984 was approved by full Council at a meeting of 9<sup>th</sup> January 2019.</p> <p><i>Comment: Council shows 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>determine the cost of spending plans;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>bring together spending and income plans;</i></li> <li>• <i>provide for contingencies and consider the need for reserves;</i></li> <li>• <i>approve the budget;</i></li> <li>• <i>confirm the precept or rates and special levies; 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	The precept was set at £6,013.98 and formally approved at the above meeting with the amount being clearly referenced in the minutes.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure is circulated and discussed in accordance with Council's own Standing Orders. The minutes reflect that they have been received and noted with explanations given for variances from budgeted expenditure.
	Reserves held  General and Earmarked.	<p>Council's final accounts show general reserves in the sum of £465.56 as per the carried forward balances. with earmarked reserves in the sum of £37,330.</p> <p><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. At the current level, council's general reserves are considered to be below this level although it is noted that Council were expecting a grant for £15,900 from East Suffolk District Council (which was delayed due to the impact of coronavirus) and a refund of recoverable VAT from monies expended during the year in the sum of £4,863. Council, in authorising payments for the play equipment from its reserves, were aware that this would deplete them at year-end. Both grant and recoverable VAT were received in April 2020.</i></p>

<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 and that monies received are promptly banked.
	Is income reported to full Council?	All income received by the parish council is reported as having been received with no details submitted and the Council merely noting monies received.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £6,013.98 during the year under review in April and September 2019.  <i>Comment: Evidence was provided showing the Precept Form signed at the meeting of 9<sup>th</sup> January 2019 and 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?	There were no CIL funds received in the year under review.
<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, but all salary payments are authorised by full council.  <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>
	Are arrangements in place for authorising of the payroll and payments by the Council?	The payroll function is carried out by SALC and in operated in accordance with HM Revenue and Customs guidelines.
	Verifying the process for agreeing rates of pay to be applied.	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	In accordance with Proper Practices, PAYE taxes and employee and employer

	PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	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?	A re-declaration of compliance with regards to automatic enrolment duties was completed on 11th March 2020 with no staff being automatically enrolled.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register was reviewed during the Internal Audit Visit for year-end and accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end (31.03.2020) was £23,615. All assets have been stated as at the acquisition value and where assets have been gifted or where there is no known value have been given the proxy value of £1.  <i>Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and has ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been 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 as submitted for Internal Audit and as per the completed but unsigned Accounting Statements shows assets to the value of £67,137.51 which covers movement in the register of £24,473 with disposals to the value of £2.
	Cross checking of Insurance cover	Content Items (other property) are generic under the All Risks Category and have been given insurance value in accordance with the policy operated by the insurance company under its Local Council Policy.
<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: as evidence of good financial practice, Council has introduced a system whereby bank reconciliations are verified by a member of 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	Bank balances agree with period end statements and as at 31 <sup>st</sup> March 2020 stand at: £462.56  Broken down as follows:

		<p>Current Account: -£1054.71 Savings Account: £1517.27</p> <p>The report dated 30.04.20 as produced by the Clerk and dated 01.05.20 has provided an explanation as to the circumstances behind the overdraft on the Community Account which was due to the Council's bankers taking 10 days to process the Council's instruction to transfer £1,500 from the Premium Account. The bank has acknowledged their error and no overdraft charges were incurred.</p>
	Regular reporting of bank balances at council meetings	<p>Overall, there is regular reporting of bank balances within the financial reports submitted to the parish council. A quarterly summary of income and expenditure is submitted to full Council in accordance with its own Standing Orders.</p> <p><i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.</i></p>
<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. The end-of-year accounts and supporting documentation were well presented for the internal audit review.
	Has the appropriate end of year AGAR documents been completed?	<p>As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR.</p> <p>The RFO has completed Section 2 - Accounting Statements - of the AGAR which is unsigned at the time of Internal Audit.</p> <p><b>Recommendation: 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>
	Where an authority certified itself exempt in 2018/19, did it meet 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 17 <sup>th</sup> June to 26 <sup>th</sup> July 2019 and were accessible to view on the council's website.

	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 not exceeding £25,000 but not exceeding £6.5 million for the year ending 31 <sup>st</sup> March 2019 and published the following 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
<b>12. Internal audit for the 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 considered and accepted Meeting of the Parish Council on 10 <sup>th</sup> July 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	There were no recommendations raised in the report from the internal audit for the previous year.
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of the Finance Committee of 9 <sup>th</sup> October 2019 for the year ending 31 <sup>st</sup> March 2020.
<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 9 <sup>th</sup> October 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	There were no matters which necessitated the issuing of a separate report. In accordance with the Accounts and Audit Regulations 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 8 <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	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). <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> <i>Publish quarterly:</i>

		<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> <p><i>Details of number of employees whose remuneration is over £50K and job title</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. ZA180051 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Council has taken positive steps to ensure compliancy with the GDPR requirements and is monitoring matters to ensure the process is managed at all times. Privacy Notices were seen on the parish council's website. Also reviewed was Council's documentation which covers procedures for dealing with Subject Access Requests</p> <p><i>Comment: Council might wish to consider adoption of the following with both published on the Council's website</i></p> <ul style="list-style-type: none"> <li>• Procedure for dealing with Data Breaches</li> <li>• Data Retention &amp; Disposal Policies</li> </ul>

Signed: *Victoria S Waples*

Date Internal Audit Work Carried Out: 29.05.2020

Date of Internal Audit Report: 02.06.2020

On behalf of Suffolk Association of Local Councils