

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	HAWSTEAD PARISH COUNCIL
Income:	£10,695.29
Expenditure:	£12,777.63
Precept Figure:	£7,000.00
General Reserve:	£6,163.16
Earmarked Reserves:	£9,000.00

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
1. Proper Book-keeping	Type of cash book or ledger used	Computerised cash sheets are used. 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.
	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 were found to be correct. The Responsible Financial Officer ensures that the cash book is the focus for day-to-day accounting and balancing off and reconciliation to the bank statement and remains the most important control over the accounting system.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	At the meeting of 26th March 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 have been adopted and reviewed regularly	The Council's Financial Regulations, reviewed at the same meeting are based on the Model Financial Regulations produced by NALC and have been adapted to reflect recent changes in legislation concerning Procurement.
	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 as evidenced in its Internal Control Statement.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Parish 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 shown in the minutes and evidence of such paperwork in the

		<p>files submitted for internal audit.</p> <p><i>Comment: Council shows good practice of ensuring, in accordance with its own FR 5.6, that a schedule of due and retrospective payments which arise on a regular basis of a continuing contract, is submitted to full Council for approval at each meeting.</i></p>
	Internet Banking transactions properly recorded/approved	Internet banking is not used by the Council.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The claim for the period 1 st April 2018 to 31 st March 2019 in the sum of £827.05 was settled in July 2019. The year-end period shows VAT due of £1,182.65 as evidenced in the cashbook.
	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	Payments made under this power for the year under review totalled £365.51 and were within statutory limits.
	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>The Risk Assessment Document for the period 1st April 2019 to 31st March 2020 was considered at a meeting of the Parish Council on 26th March 2020 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><i>Comment: Overall within its Risk Management 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>
	<p>Evidence that risks are being identified and managed.</p> <p>Contingency Plan to deal with the impact of the Coronavirus on the Parish Council</p>	<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>In light of the current coronavirus situation, at the meeting on 26th March 2020 the Council approved a Council Coronavirus</p>

		Contingency Plan and agreed a number of measures to ensure the safety of staff, councillors and members of the public. Actions were taken covering an approved scheme of delegation to the Clerk to enable essential business of the Council; suspension of meetings in person during the outbreak; holding of meetings by video-conference for the duration of the Covid-19 pandemic; treatment of statements and questions from the public; deferment of the Annual Meeting and arrangements for payments to be made online.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance under a Parish Protect Policy for the period from 1 st October 2019 to 30 th September 2020 shows core cover: Business Interruption; Public Liability £10; Employer's Liability; Public Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £50,000 and is within recommended guidelines. Property Damage and Money are covered as per the schedule with contents items (other property) being generic under the All Risks Category.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its current insurance cover at the meeting of 12th September 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. The RFO, in accordance with Proper Practices has ensured that there is evidence that a review of the insurance cover was completed, and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
	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 26 th March 2020. <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</i>

		<p><i>Financial Year 2018-2019, as reviewed and adopted by Full Council in March 2020, Council has reviewed its arrangements to protect 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 discussed by full Council within the Internal Control Statement submitted and approved at a meeting of 26th March 2020.</p> <p><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 its specific system of internal control is adequate and working satisfactorily.</i></p> <p>Note: Within the Internal Control Statement there is a reference to External Audit: Internal Audit "The Council's external auditors submit an annual certificate of audit which is presented to the Council".</p> <p>Recommendation: at the annual review, Council might wish to revisit this section bearing in mind that as an exempt authority it is eligible to certify itself as exempt from a limited assurance review and as such there will be no External Auditor Report and Certificate issued. Clarity on this section is required to ensure Council fully understands the reports that it will receive in order for it to respond to Assertion 7 of the Annual Governance and Accountability Return.</p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The budget for the year 2019/20 in the sum of £8,800 was approved by full Council at a meeting of 15th December 2018.</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"> • <i>decide the form and level of detail of the budget;</i> • <i>review the current year budget and spending;</i> • <i>determine the cost of spending plans;</i> • <i>assess levels of income;</i> • <i>bring together spending and income plans;</i> • <i>provide for contingencies and consider the need for</i>

		<p><i>reserves;</i></p> <ul style="list-style-type: none"> • <i>approve the budget;</i> • <i>confirm the precept or rates and special levies; and</i> • <i>review progress against the budget regularly throughout the year.</i>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £7,000 and formally approved at the same meeting with Council evidencing that this would equate to a 1.27% increase for a Band D Property.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure is submitted to full Council in accordance with the Council's adopted Standing Orders.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £6,163.16 with earmarked reserves in the sum of £9,000.00. <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 (N R E). At £6,163.16 council's general reserves are considered to be within this level.</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. 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?	All income received by the parish council is reported as part of the Financial Reports submitted by the RFO. The RFO ensures that monies received are promptly banked.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £7,000 during the year under review in April 2019. <i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 15th December 2018, 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.

7. Petty Cash	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.
8. Payroll controls	Do all employees have contracts of employment?	Council had 1 employee on its payroll at the period end of 31 st 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? Verifying the process for agreeing rates of pay to be applied.	SALC is contracted to provide the payroll system in accordance with the RTI system. 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?	PAYE is operated in accordance with HM Revenue and Customs guidelines although it should be noted that for the year under review PAYE/NIC was not applicable. P60 End of Year Certificate 2019/20 was seen by the Internal Auditor.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Council is aware of its pension responsibilities and a Declaration of Compliance was signed in 2017. <i>Comment: Council should note that every three years, when they complete their re-enrolment duties, they will also need to submit a re-declaration of compliance to tell The Pensions Regulator what it has done at re-enrolment.</i>
9. Asset control	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. The declared value for all assets at year-end (31.03.2020) was £23,641. 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 value has been stated on the Annual Governance and Accountability Return (AGAR) and it is expected that this will be formally approved at the meeting to approve the AGAR.
	Cross checking of Insurance cover	Cover for Items (other property) under the ownership of the council is noted under All Risks Category and have been given an insurance value in accordance with the policy operated by the insurance company under its Local Council Policy.
10.Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets. <i>Comment: The RFO, as evidence of good financial practice, provides evidence of the bank reconciliations within the Financial Report at each meeting to be verified by the Parish Council. The report is signed off by the Chairman of the meeting. Council has also implemented a system whereby the Bank Balance Audit Log is signed off by the Chairman on a monthly basis. 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 st March 2020 stand at: £15,163.16 Broken down as follows: Treasurers Account: £17,025.73 Unpresented cheques: £1,862.57
	Regular reporting of bank balances at council meetings	Overall there is regular reporting of bank balances within the financial reports submitted on a bi-monthly basis to the parish council. <i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management</i>

		<i>as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.</i>
11. Year-end procedures	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?	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR. The smaller authority has completed Section 2 Accounting Statements of the AGAR which is unsigned at the time of Internal Audit.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Parish Council did not have gross income and expenditure exceeding £25,000 it was 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 Clerk to the Council provided the Internal Auditor with evidence showing the details of the arrangements for the exercise of public rights for the period ending 31 st March 2019 and confirmed that these were available to be viewed on the public website and noticeboards used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has partially 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 st March 2019 and published the following on a public website: <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Annual Internal Audit Report 2019/20, page 4 • Section 1 – Annual Governance Statement 2019/20, page 5 • Section 2 – Accounting Statements 2019/20, page 6 • Analysis of variances • Bank reconciliation

		Recommendation: Council is advised to ensure that the Notice of the period for the exercise of public rights and other information required by Regulation 15(2), is retained on the website to provide evidence to the internal auditor of compliance with Assertion L .
12.Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the year ending 31 st March 2019 was considered and accepted Meeting of the Parish Council on 16 th May 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 although Council's attention was drawn to the following: 1. <i>Council should ensure that it publishes the following information: Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</i>
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of full Council of 26 th March 2020 for the year ending 31 st March 2020.
13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	No external report was provided by the external auditors as the Council was able to certify itself as exempt from a Limited Assurance Review.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 16 th 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	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2019/20 not later than 1 July: <i>* see below</i> <ul style="list-style-type: none"> • Internal Audit Report • List of Councillors and Responsibilities • Items of Expenditure Above £100 including recoverable

		<p>and non-recoverable VAT</p> <ul style="list-style-type: none"> • End of Year Accounts • Annual Governance Statement • Asset Register <p>and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014.</p>
	The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020	<p>* Owing to the increasing impact of COVID19 MHCLG has made amended Regulations which extend the statutory audit deadlines for 2019-20 only for all Category 2 smaller authorities (town and parish councils, parish meetings, internal drainage boards and other authorities).</p> <ul style="list-style-type: none"> • The requirement for the public inspection period to include the first 10 working days of July has been removed • Instead, smaller authorities must commence the public inspection period on or before 1 September 2020. Authorities are urged to commence this period as soon as possible • The AGAR must be approved and published by 31 August 2020 at the latest or may be approved earlier, wherever possible. <p>This means that the period for the exercise of public rights can now be held at any time after the approval of the accounts and AGAR if it is commenced on 1 September at the latest.</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. Z2782780 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. The following documents were seen on the parish council's website:</p> <ul style="list-style-type: none"> • Privacy Notices • Procedure for dealing with Data Breaches

		<p><i>Comment: during the annual review of its policies, Council should consider adopting the following:</i></p> <ul style="list-style-type: none"> • <i>Data Retention & Disposal Policies - to allow Council to enforce its document retention policies, and regularly review the retention of all documents at appropriate periods, in order to allow for early deletion if it is no longer necessary to retain the data.</i> • <i>Subject Access Request Policy & Subject Access Procedure Policy –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>
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Signed: *Victoria J Waples*

Date of Internal Audit Review - 20.05.2020

Date of Internal Audit Report - 21.05.2020

On behalf of Suffolk Association of Local Councils