

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Glemsford Parish Council
Income:	£137,445
Expenditure:	£100,560
Precept Figure:	£95,694
General Reserve:	£55,974
Earmarked Reserves:	£167,086

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 monthly accounts are maintained on a spreadsheet.
	Cash book kept up to date and regularly verified against bank statement	The monthly spreadsheets are kept up to date. Each month is on a separate spreadsheet. A clear summary of receipts and payments for the year was provided. Comment: To allow Councillors to be fully aware of the annual payments and receipts for the Council, they could be listed on an excel spreadsheet. This would allow the straightforward verification of the figures on the AGAR Accounting Statement.
	Correct arithmetic and balancing	Arithmetic and balancing were in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The Council reviewed their up to date NALC Model Standing Orders as part of the Council's good governance arrangements and found them to be in order. This was minuted on 12/11/19.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council reviewed their up to date NALC Model Financial Regulations as part of the Council's good governance arrangements and found them to be in order. This was minuted on 12/11/19.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The clerk was formally re-appointed as the Council's Responsible Financial Officer on 14/5/19 and 12/11/19.
	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	A sample of payments were examined and found to be in order with a full audit trail evidenced. The Clerk ensures that Councillors are able to satisfy themselves that they have the appropriate legal power to incur expense by referring to the exact power being used to ensure that some financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires.

		Comment : 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.
	Internet Banking transactions properly recorded/approved	A majority of payments are affected by electronic bank payments in accordance with a resolution of the council and that a member has on-line banking access to verify such payments are made in accordance with Council's own Financial Regulations. Invoices are signed by 2 signatories and approved in the minutes. On-line payments are made under dual control. Recommendation: this item was raised in the 2018/19 report and has been partially acted on. The parish council should consider 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. As raised in the 2018/19 audit, such control measures should be added to the Council's Risk Assessment Documentation and should include establishing a credit card policy which explains the responsibility of the user employees, the expenses that can be incurred using the credit card and the necessary supporting documentation and/or approval with respect to each expense incurred.
	VAT correctly identified and reclaimed within time limits	The following amounts of VAT were reclaimed : 30/7/19 £2970.35 and 30/1/20 £2595.85
	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	Payments made under S137 are recorded as such in the minutes. These items are also recorded in a separate column in the monthly accounts. Payments made were within the capped limit.

	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	N/A
4. Risk Management	Is there evidence of risk assessment documentation?	The audit review confirmed that the assessments provide a good analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified. An annual review of the risk assessments in place was carried out 11/2/20 and noted in the minutes.
	Evidence that risks are being identified and managed.	Separate Risk Assessments are in place for the Village Hall (including stored equip, electricity, vehicle movements, slips, trips and falls). The Council is waiting a professional tree report. Separate assessments are in place for grit bins and the bus shelter. The Financial Risk Assessment is a separate document.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with £10 million for both Public and Employers Liability. The auditor was unable to confirm the amount of fidelity cover. A separate Village Hall policy includes cover for Public Liability, Employers Liability, Fidelity and buildings. Comment: It is good practice for the Council to review its insurance on an annual basis and ensure that the amount of fidelity insurance is in line with the recommended guidelines of year end balances plus 50% of the precept/grants.
	Evidence that insurance is adequate and has been reviewed on an annual basis	There is no evidence in the minutes that an annual review of the Council's insurance has taken place. Recommend: It is good practice for the Council to review their insurance policy against their asset register on an annual basis to ensure it is adequate and note that this has been carried out in the minutes.
	Evidence that internal controls are documented and regularly reviewed	The Internal Audit work undertaken confirmed that during the 2019/20 year the Council maintained effective governance arrangements including a framework of financial administration and internal control.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Following statutory guidance from Accounts and Audit Regulations 2015, regulation 5, the Council have included in their minutes of 14/5/19 that they have reviewed the effectiveness of the internal audit during the year of audit.

5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Detailed budget papers were prepared for the year of audit and agreed by full Council at their meeting on 10/11/19.
	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 of £95,694 have been clearly minuted.
	Regular reporting of expenditure and variances from budget	The Clerk/RFO provided the Council with a Quarterly summary of all receipts and payments and spending compared to budgets. The estimates were used effectively for financial control and budgetary control purposes.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £55,974 with earmarked reserves in the sum of £167,086. Clerk is aware that the External Auditors require an explanation where the carried forward (end of year) reserves are greater than twice the income from the Precept. The Clerk/RFO will address this matter within the Statement of Variances (Box 7).
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?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures. Credits are noted in the monthly accounts but are not noted in the minutes. Comment: -To ensure Councillors are aware of funds received and the authority is following Accountability and Governance item 5.14, it is good practice to either record all receipts in the minutes or append the monthly account to the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded of £95,694 agrees with the Council Tax Authority's notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010? • Is CIL income reported to Council?	 The Parish Council having received a proportion of CIL funds in 2019-20 and have included in this in their receipts and monthly

	<ul style="list-style-type: none"> Does unspent CIL income form part of Earmarked reserves? Has an annual report been produced Has it been published on the authority's website 	<p>accounts. Please see recommendation above for recording receipt information in the minutes.</p> <p>The Council produces an annual report that details the amount of CIL funds received and spent in a year.</p> <p>The report was viewed on the Parish Council's website.</p>
7. Petty Cash	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>No petty cash is held</p> <p>N/A</p>
8. Payroll controls	<p>Do all employees have contracts of employment?</p> <p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p> <p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p> <p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p> <p>Are other payments to employees reasonable and approved by the Council?</p>	<p>Contracts of employment not provided for the internal audit.</p> <p>PAYE is operated in accordance with HM Revenue and Customs guidelines.</p> <p>Deductions are made for PAYE and NICS which is paid promptly to HMRC.</p> <p>Council is aware of its responsibilities under the legislation for work place pensions. Auditor advised that all staff are enrolled in the LGPS scheme.</p> <p>Other payments to employees are reasonable and approved by the Council and noted in the minutes.</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</p>

		£274,948 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 reviewed their asset register annually and this was recorded in the minutes of 10/3/20
	Cross checking of Insurance cover	No evidence seen that the asset register was cross checked to the insurance cover held by the Council. Comment: The clerk may wish to minutes that this has been carried out when the insurance is due for review.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Statements reconciling each of the authority's bank accounts with its accounting records are regularly prepared including at the financial year-end, and reviewed by members of the authority. Details of bank transfers are included in the monthly accounts.
	Confirm bank balances agree with bank statements	Bank balances for the following accounts agree with the end of year bank reconciliation: Lloyds Bank for Village Hall £1668.59 Lloyds current account £70,463.93 Lloyds deposit to 23/3/20 £202,815.41
	Regular reporting of bank balances at council meetings	Bank balances are regularly reported at Council meetings.
11. Year-end procedures	Appropriate accounting procedures used	The Receipts and Payments accounting procedure is used.
	Financial trail from records to presented accounts	A financial trail from records to presented accounts was evidenced.
	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.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	The Council did not declare itself exempt from an external audit.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of	The authority provided for the exercise of public rights as required by the Accounts and Audit Regulations from 17/6/19 to 26/7/19.

	public right as required by the Accounts and Audit Regulations?	
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>Smaller authorities with either income or expenditure exceeding £25,000 must publish on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return:</p> <ul style="list-style-type: none"> • Section 1 – Annual Governance Statement 2017/18, page 4 • Section 2 – Accounting Statements 2017/18, page 5 • Section 3 – The External Auditor Report and Certificate 2017/18, page 6 <ul style="list-style-type: none"> • 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: Council may wish to leave the Notice of the period for the exercise of public rights on the website.</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 council noted the consideration of the internal audit report for 18/19 in the minutes of 14/5/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The Council has considered some of the recommendations from the internal audit 2018/19 including : reporting funds transfers to Council meetings in their monthly accounts and retaining evidence showing which members approved the on-line payments. Items not actioned are mentioned in this report.
	Confirmation of appointment of Internal Auditor	At their meeting on 10/12/19 the Council recorded that SALC was 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	There is no evidence that the external audit report was considered by the Council, however the report has been published on the website.

		Recommendation: Council should note that in accordance with the Accounts and Audit Regulations 2015 (Regulation 20), the Annual Audit Letter from the External Auditor including the Audit Certificate must be considered by the Council.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	No matters of concern had been raised in the report.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Council's annual meeting was held on 14/5/19 with the first item on the agenda being the election of chairman.
	Correct identification of trustee responsibilities	There are no trustee responsibilities.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council publishes the information required under the applicable Transparency Code on their website.
	Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA072956
	Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place: <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 	The Council are partially compliant with the General Data Protection Regulations and have published the following documents on their website: – Document Retention, Data Breaches, Privacy Notice and Data Protection policies. Comment: To be fully compliant the Council should consider adopting and publishing on their website: An Audit/Impact Assessment, Procedures for dealing with Subject Access Requests and Data Disposal policies.

Signed.....*Linda Harley*

Date of Internal Audit Visit **10 June 2020**..... Date of Internal Audit Report **10 June 2020**.....

On behalf of Suffolk Association of Local Councils