

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

<b>Name of Council:</b>	BATTISFORD PARISH COUNCIL
<b>Income:</b>	£14,422.22
<b>Expenditure:</b>	£16,001.41
<b>Precept Figure:</b>	£10,725.00
<b>General Reserve:</b>	£17,983.76.
<b>Earmarked Reserves:</b>	£NIL

## **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	The council uses an excel spreadsheet as the basis for the Council's accounting system.
	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 following amendments to the brought forward position and allocation of payments and receipts, were found to be correct and balanced.  <b>Note: the income figures for 2018-2019 will need to be restated - see Section 11 below.</b>
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	The Council's Standing Orders as seen on the website were reviewed in 2019 and 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 (FRs) have been adopted and reviewed regularly	The Council's Financial Regulations seen on the website are those dated 2017 and are based on the 2016 NALC Model.  <i>Comment: at its next review, Council might wish to consider and adopt the Model Financial Regulations produced by NALC in 2019 which have been adapted to reflect recent changes in legislation concerning procurement.</i>
	Evidence that a Responsible Financial Officer (RFO) 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	The financial regulations have been tailored to the parish council.
<b>3. Payment controls</b>	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 files submitted for internal audit.
	Internet Banking transactions properly recorded/approved	Internet banking is not operated by the Council.

	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and a separate column is shown on the cashbook for recoverable VAT. The year-end period shows VAT due of £1,219.47
	Has Council adopted the General Power of Competence and is it being correctly applied?	At the meeting of 14 <sup>th</sup> May 2019, Council confirmed that it fulfilled the criteria and resolved to adopt the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	There were no payments made under this power for the year under review.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Council has no such loans.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	The Risk Assessment Document for the period 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2020 was seen for the year under review.  <i>Comment: Overall within its Risk Assessment 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>
	Evidence that risks are being identified and managed.	Council has carried out detailed further risk assessments which have been reported to the Council throughout the year.  <i>Comment: 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.</i>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance is under a Council Parish Protect Policy for the period from 1 <sup>st</sup> October 2019 to 30 <sup>th</sup> September 2020 shows core cover: Business Interruption; Public & Products Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £25,000, which given the current balances held by the Council is within recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Whilst Council renewed its current insurance cover at the meeting in October 2019 there is no minute to show that a review of the

		<p>insurance held was undertaken.</p> <p><i>Comment: in accordance with Proper Practices, whilst 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 taking out insurance, it should also ensure that the review of the insurance cover as carried out by the RFO, is reported back to the Council and minuted to state that appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i></p>
	Evidence that internal controls are documented and regularly reviewed	<p>In accordance with the Accounts and Audit Regulations 2015, Council carried out a review of the effectiveness of the system of internal control in November 2019 and found the procedures in compliance with internal control measures adopted.</p> <p><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.</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 not discussed by full Council during the year under review although it is covered in a limited manner within the risk assessment documentation.</p> <p><i>Comment: in accordance with the Accounts and Audit Regulations 2015, Council should ensure that it carries out a review of the effectiveness of internal audit which includes the consideration that standards are being met and that the work of internal audit is effective. The assessment should cover the scope of internal audit, independence, competence, audit planning and reporting and relationships with the authority.</i></p>
<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 £19,360 was approved by full Council at a meeting of 8<sup>th</sup> January 2019. A revised budget in terms of precept set and monitoring of the budget was set in January 2020 at £10,725.00</p> <p><i>Comment: Council has shown good practice by following the recommended key stages as to the budgetary process to be</i></p>

		<p><i>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>assess levels of income;</i></li> <li>• <i>provide for contingencies and consider the need for reserves;</i></li> <li>• <i>approve the budget; 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 £10,725.00 and formally approved at a meeting of 8 <sup>th</sup> January 2019.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure are reported to full Council and noted at each relevant meeting. Council might wish to expand the minutes to show the level of overall detail discussed and to provide evidence that Council has reviewed progress against the budget regularly throughout the year.
	Reserves held  General and Earmarked.	<p>Whilst Council has a Reserve Policy in place (adopted at the meeting of 21<sup>st</sup> February 2020), the reserves held at year-end were £17,983.76 and were allocated as general reserves. It is noted that the adopted Reserve Policy will be applied for the year 2020-2021.</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. Council might wish to review this position at the annual review and consider allocating some of its earmarked reserves into general reserves to be able to finance its day to day operations and deal with unforeseen circumstances.</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.

	Is income reported to full Council?	Council should ensure that in accordance with its own Standing Order 17c, all income received by the parish council is reported as part of the quarterly Financial Reports submitted by the RFO.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £10,725 during the year under review in April and September 2019.  <i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 8<sup>th</sup> January 2019, 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.
	Are arrangements in place for authorising of the payroll and payments by the Council?  Verifying the process for agreeing rates of pay to be applied.	All salary payments are authorised by full council and Council was in agreement at its meeting of 2 <sup>nd</sup> April 2019 to follow NJC agreements and payscales.  <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>
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	The payroll function is operated by SALC in accordance with HM Revenue and Customs guidelines.  <i>Comment: 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.</i>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	During the year, there were no pension contributions due. At the meeting of 10 <sup>th</sup> December 2019, the Chair agreed to completed the

		<p>re-declaration of compliance for Battisford Parish Council with The Pensions Regulator under the Pensions Act 2008.</p> <p><i>Comment: Council has shown awareness of its duties under the duties under employment legislation and has met its pension obligations.</i></p>
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	<p>The Asset Register as approved by full Council at the meeting of 18<sup>th</sup> February 2020 is stated at £58,228.50.</p> <p><i>Comment: Council should be mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and should ensure that where the acquisition value of the asset at the time of first recording is used, that method of valuation is consistently applied and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets.</i></p>
	Verifying that the Asset Register is reviewed annually	The Asset Register value (£58,228.50) has been stated on the AGAR which is to be signed off by the Council at a meeting later in June 2020.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance and cover was deemed to be appropriate. Content Items (other property) are generic under the All Risks Category and have been given an insurance value in accordance with the policy operated by the insurance company.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	<p>Bank reconciliations are completed on a regular basis and reconcile with the cash sheets.</p> <p><i>Comment: the Council, as evidence of good financial practice, has appointed the Chair to verify the bank reconciliations as carried out by the RFO. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i></p>
	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: £17983.76 across all accounts held by the council.
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances but Council might wish to detail the balances held within the minutes as 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.
<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.
	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 which was unsigned at the time of internal audit.  <b>Recommendation: as identified in the Internal Audit Report for the year ending 31<sup>st</sup> March 2019, the AGAR was incorrectly stated as the cashbook balances (balances carried forward) and total value of cash and short term investments did not balance. Following the internal auditor's review for 2019/20, it is noted that the other income for the year 2018/19 was incorrectly stated. Subsequently, the AGAR for 2018/19 has been restated, the other income (Box 3) has been changed to 1837 and the balance carried forward (Box 8) has been changed to read 19563. As this latter figure has been applied to the opening balance for 2019/20 (Box 1), the cashbook balances and total value of cash now reconcile with one another for the year ending 31.03.20. These amendments, for the year 2018-2019, must be reported back to full Council for formal approval as they are restated figures.</b>
	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 not exceeding £25,000 and fulfilled the criteria, 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 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 on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council <b>only partially</b> complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 for the year

		<p>ending 31<sup>st</sup> March 2019 and published the following on a public website:</p> <p>Certificate of Exemption  Annual Internal Audit Report of the AGAR  Section 1 – Annual Governance Statement of the AGAR  Section 2 – Accounting Statements of the AGAR  Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</p> <p>The following were not seen on the parish council's website:  Bank Reconciliation for the period ending 31<sup>st</sup> March 2019  Analysis of variances</p>
<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	<p>The Internal Auditor's Report for the year ending 31<sup>st</sup> March 2019 was received and noted at the meeting of 25<sup>th</sup> June 2019. However, there is no evidence seen to show that the Council considered an audit plan to ensure that the recommendations made in the internal audit report for the year ending 31<sup>st</sup> March 2019 were considered and acted upon.</p> <p><i>Comment: to enable Council to positively answer assertion 7 in the AGAR, Council should have considered internal audit reports and if applicable decide what action it needs to take to prevent recurrence of the issues raised.</i></p>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following recommendations were raised in the report from the internal audit for the year ending 31.03.20:</p> <ol style="list-style-type: none"> <li>1. Copy of FRs not submitted for internal audit or published on website - completed as at 15.06.20</li> <li>2. Separate columns for VAT in cashbook - actioned</li> <li>3. Review of effectiveness of the internal audit during the year - <b>outstanding</b></li> <li>4. Completion of regular bank reconciliations and year end reconciliation - completed</li> <li>5. Amendment of AGAR figures to agree with year-end position in cashbook and bank reconciliation - completed</li> <li>6. Publication of items in accordance with the Transparency Code</li> </ol>

		for smaller authorities 2014 - <b>outstanding</b> 7. Compliancy with GDPR - <b>outstanding</b>
	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 19 <sup>th</sup> May 2020 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	As Council was a smaller authority with income and expenditure not exceeding £25,000 it was not subject to an intermediate review undertaken by the External Auditors.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 14 <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	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council should be aware that the following should be published on a public website for the year 2019/20 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register 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
	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. Z2858642 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council will need to take further steps to ensure compliancy with the GDPR requirements. A General Privacy Notice was seen on the parish council's website.

		<p><i>Comment: Council should note that the following are outstanding action points from the internal audit 2018/19:</i></p> <p><i>Completion of: Audit/impact assessment;</i></p> <p><i>Adoption of and publication of Subject Access Request Policy &amp; Subject Access Procedure Policy; Data Breach Policy and Data Retention and Disposal Policy.</i></p>
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Signed: *V S Waples*

**Date of Internal Audit: 13.06.2020**

**Date of Internal Audit Report: 15.06.2020**

**On behalf of Suffolk Association of Local Councils**