

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

<b>Name of Council:</b>	NEDGING WITH NAUGHTON PARISH COUNCIL
<b>Income:</b>	£5545 (rounded)
<b>Expenditure:</b>	£5263 (rounded)
<b>Precept Figure:</b>	£4965
<b>General Reserve:</b>	£4567.34
<b>Earmarked Reserves:</b>	£508.04

## **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 spreadsheet is used as the cash ledger.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is kept up to date with legal powers identified and regular reconciliations carried out.
	Correct arithmetic and balancing	Spot checks for year under review were made and found to be in order.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders have been adopted (NALC Model Standing Orders 2018) and were reviewed at a Council meeting of 9 July 2019.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations have been adopted (NALC Model Financial Regulations 2016) and were reviewed at a Council meeting of 9 July 2019. <i>Comment: Council may wish to consider at the next review to adopt NALC Model Financial Regulations 2019 available on the SALC website.</i>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Council, in accordance with Section 151 of the Local Government Act 1972 (d) (financial administration), the Council has appointed a person (the Clerk) to be responsible for the financial affairs of the relevant authority at its meeting of 14 May 2019.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against cash book, invoices, VAT and minutes and found to be in order. It was noted a list of expenditure was listed within the Minutes as part of the Councils financial control.

	Internet Banking transactions properly recorded/approved	A full list of payments authorising internet transactions signed by two Councillors.
	VAT correctly identified and reclaimed within time limits	VAT identified and £186.33 reclaimed for the period 19.9.18 - 31.10.19
	Has Council adopted the General Power of Competence and is it being correctly applied?	Council has not adopted the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	No S.137 payments were made in the year under review.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none applicable for the year under review.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	A risk assessment document for the Council seen by the Internal Auditor.
	Evidence that risks are being identified and managed.	Council reviewed its risk assessment at a Council meeting of 9 July 2019.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Insurance cover was in place during the year under review. Employers Liability £10million Public Liability £10million Fidelity Guarantee £25,000 this is within the recommended guideline of year-end balances plus 1 <sup>st</sup> instalment of precept received.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance was reviewed at a Council meeting of 12 November 2019 with a new Parish Protect Policy agreed.
	Evidence that internal controls are documented and regularly reviewed	The Internal Control Statement was considered and reviewed at a Council meeting of 9 July 2019 and 10 March 2020.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	In accordance with the Accounts and Audit Regulations 2015, at the review of the Internal Control Statement at its meeting of 9 July 2019, Council also carried out a review of the effectiveness of internal audit.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Budget paper seen by the Internal Auditor and agreed at a Council meeting of 8 January 2019.

	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept in the sum of £4965 was agreed at a Council meeting of 8 January 2019 with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	Regular reporting of expenditure noted in the Minutes with variances being completed at year-end.
	Reserves held  General and Earmarked.	General Reserves: £4,567.34 Earmarked Reserves: £508.04
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is properly recorded within the cashbook.
	Is income reported to full Council?	Income is reported to Council and noted in the Minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Evidence was provided showing the Precept to be paid and receipt of same in the Council's bank account.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	Not applicable.
	<ul style="list-style-type: none"> <li>• Is CIL income reported to Council?</li> </ul>	
	<ul style="list-style-type: none"> <li>• Does unspent CIL income form part of Earmarked reserves?</li> </ul>	
	<ul style="list-style-type: none"> <li>• Has an annual report been produced</li> </ul>	
<b>7. Petty Cash</b>	Is a petty cash in operation?	Council does not operate a petty cash system.
	If so, is there an adequate control system in place.	
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Contract of employment not seen by the Internal Auditor.

	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.	PAYE is operated in accordance with HM Revenue and Customs guidelines. SALC is contracted to fulfil the function of payroll administrator. The payments of salary to the Clerk are approved by full Council.
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	Salary payments show no sums due to HM Revenue and Customs during the year under review.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Council is aware of its pension obligations with a re-declaration of compliance being made and a Minute reference at a meeting of 10 September 2019 being made of no staff to re-enrol.
	Are other payments to employees reasonable and approved by the Council?	Council approves all expenses paid to the Clerk.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	An asset register is maintained in accordance with proper practices and covers the fixed assets owned by the Council. Council has assets recorded as £4366.01 showing no change from the previous year.
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed at a Council meeting of 12 November 2019.
	Cross checking of Insurance cover	It was noted Council has insurance cover of property up to the value of £20,000.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Regular banks reconciliations completed.
	Confirm bank balances agree with bank statements	The overall year-end bank position is stated as £4567.34 Bank balances confirmed at year end are: Barclays Community Account £16.97 Barclays Savings Account £4550.37
	Regular reporting of bank balances at council meetings	Bank balances are reported at every Council meeting and forms part of the Minutes.

<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Council operates on a Receipts and Payment basis.
	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring payments and receipts are listed in the Council's Minutes as part of the smaller authority's financial control.
	Has the appropriate end of year AGAR documents been completed?	Part 2 - Section 1 Annual Governance Statement, Section 2 Accounting Statements and the Certificate of Exemption had been completed awaiting signature by the Chair. The Internal Auditor completed the relevant page of this form
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Council was a smaller authority with gross income or expenditure not exceeding £25,000 during the year 2018/19, it was able to certify itself as an exempt authority which was confirmed, the Internal Auditor assumes, at a meeting of Council on 14 May 2019 as part of the approval of accounts for year ended 31 March 2019. <b>Recommend: If Council wishes to declare itself exempt from the requirement for a limited assurance review it must do so at a meeting of the authority with a minute reference made.</b>
	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 find the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2019 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 has complied with the requirements of the Account and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website: 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 of the exercise of public rights and other information required by Regulation 15(2), Accounts and Audit Regulations 2015.
<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 Audit report was considered at a Council meeting of 9 July 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The recommendations raised in the internal audit report were noted at a Council meeting of 9 July 2019: Annual review of insurance minute reference – Actioned Review of effectiveness of internal audit – Actioned AGAR amendment – Actioned Data retention & disposal - Actioned
	Confirmation of appointment of Internal Auditor	SALC was appointed as the Internal Auditor at a Council meeting of 14 May 2019.
<b>13. External audit for the year ending 31 March 2019</b>	Verifying that the external audit report has been considered by the Council	No external report was provided by the external authorities as the Council was able to certify itself as exempt from a Limited Assurance Review.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Not applicable.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 14 May 2019 with the first item on the agenda being the election of the Chairman in accordance with the Local Government Act of 972 15(1).
	Correct identification of trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	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: Internal Audit Report List of Councillors and Responsibilities

	<p>Items of Expenditure Above £100 including recoverable and no-recoverable VAT</p> <p>End of Year Accounts</p> <p>Annual Governance Statement</p> <p>Asset Register</p> <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>
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: ZA455855
<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p> <p>Are the following in place:</p> <ul style="list-style-type: none"> <li>• Audit / Impact Assessment</li> <li>• Privacy Notices</li> <li>• Procedures for dealing with Subject Access Requests</li> <li>• Procedure for dealing with Data Breaches</li> <li>• Data Retention &amp; Disposal Policies</li> </ul>	Council is compliant with the General Data Protection Regulations.

Signed: *S.J. Brown*

**Date of Internal Audit Report: 11<sup>th</sup> June 2020**

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