

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Denham Parish Council
Income:	£3669
Expenditure:	£2962
Precept Figure:	£3090
General Reserve:	£4700
Earmarked Reserves:	£0

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	An Excel spreadsheet is used as the cashbook with separate columns for VAT and payments made under S137.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is kept up to date and regularly verified against bank statements.
	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	Up to date NALC Standing Orders 2018 were reviewed on 17/7/19 and noted in the minutes.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were reviewed on 17/7/19 and noted in the minutes but the version on the website is out of date (2016). Recommendation: Council may wish to adopt the latest edition of the Financial Regulations issued by NALC which incorporate or reference the requirements of new legislation that has been introduced.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It is noted in the internal control document that the Clerk is the RFO and this has been confirmed in the minutes of 17/7/19.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	Evidence seen of supporting paperwork for payments with copies of invoices being initialled by 2 signatories and supplied to the auditor.
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	Vat reclaim form seen from 1/4/19 - 31/3/20 for £59.86 – which agrees with the figure in the cashbook.

	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 noted in a separate column in the cashbook. No payments were made under this capped power in this audit year.
	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.
	Legal Powers to pay noted in minutes	The Council notes the legal powers to pay in the minutes. Comment: Payments made for the maintenance of village halls comes under LGA 1972 S.133.
4. Risk Management	Is there evidence of risk assessment documentation?	Council has a comprehensive Risk Assessment document which identifies the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks.
	Evidence that risks are being identified and managed.	The audit review confirmed that the assessments provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified. The risk assessment document was reviewed on 17/7/19 and this was noted in the minutes.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place including £25,000 of Fidelity Insurance cover which is within guidelines. Assets are covered under an all risks policy up to £10,000 with both Public Liability and Employers Liability Insurance of £10 million being held.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Evidence seen of adequate insurance with the annual review being minuted on 17/7/19.
	Evidence that internal controls are documented and regularly reviewed	The Internal Control Document was evidenced and reviewed by the Council on 17/7/19, however the report, which forms part of the document, was blank and had not been signed. Comment: Council may wish to complete and sign the report section of their internal control document.

	Evidence that a review of the effectiveness of internal audit has been carried out during the year	A review of the effectiveness of the internal audit is noted in the Council's Internal Control Document. Comment: Council may wish to note that this review has been completed in their minutes.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Council confirmed the budget at their meeting of 30/1/19 and minuted the amount of £3090.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept amount of £3090 was agreed by full council at their January 2020 meeting.
	Regular reporting of expenditure and variances from budget	Details of items of expenditure are included in the minutes but no details of spending against budget. Recommendation: in accordance with their own Standing Orders, Council should receive and consider a report submitted by the Responsible Financial Officer as soon as practicable after 30 June, 30 September and 31 December which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £4700.
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. Comment: Council may wish to include details of receipts in the minutes, to ensure all Councillors are fully aware of income received.
	Is income reported to full Council?	Council receives regular copies of the bank reconciliation detailing total amounts of income received.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Mid Suffolk Council's notification agrees with the precept recorded of £3090.

	<p>If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?</p> <ul style="list-style-type: none"> • Is CIL income reported to Council? • 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>No funds have been received from the CIL.</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>There is no system of petty cash in operation.</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>Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council.</p> <p>The payroll function is operated within the RTI system. Cross-checks were completed on two payments covering salary and PAYE and were found to be in order. 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.</p>
	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>PAYE is operated in accordance with HM Revenue and Customs guidelines.</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>There is no evidence that the Council is aware of its pension responsibilities.</p> <p>Comment: Council may wish to note in the minutes, on an annual basis, its responsibilities under the legislation for work place pensions and note if they have completed a Declaration of Compliance under The Pensions Act 2008.</p>

	Are other payments to employees reasonable and approved by the Council?	There are no other payments to employees.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	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 £3565 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed and this was noted in the minutes of 17/7/19.
	Cross checking of Insurance cover	Insurance was in place for the year of account. At its meeting on 17/7/19 the Council reviewed the insurance renewal document and compared it to the Asset Register.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets.
	Confirm bank balances agree with bank statements	The following bank balances agree with the annual bank reconciliation: Barclays Current account : £1873.92 Barclays Savings account : £2955.18
	Regular reporting of bank balances at council meetings	Bank balances are reported to Council and noted in the minutes of each meeting.
11. Year-end procedures	Appropriate accounting procedures used	The Receipts and Payments method of accounting 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?	The Council has completed a certificate of exemption, Section 1 The Annual Governance Statement and Section 2 The Accounting Statement.

	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Parish Council had gross income and expenditure not exceeding £25,000 it was able to declare itself exempt from a limited assurance review.
	Was there the opportunity provided for the exercise of electors' rights?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 st 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	<p>Council must publish on a public website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities.</p> <p>These include:</p> <ul style="list-style-type: none"> • Certificate of Exemption • Annual Internal Audit Report • Section 1 – Annual Governance Statement, • Section 2 – Accounting Statements, page 6 • Bank reconciliation • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015 <p>Council has published these documents on their website www.denham.onesuffolk.net.</p> <p>Comment: to be fully compliant Council may wish to also publish their analysis of variances.</p>
12.Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	<p>It was noted in the minutes of 17/7/19 : ‘The Chair and Clerk will meet separately to go through any other items highlighted in the annual internal audit and will report back to the next regular meeting of the Council. ‘ There is not note in further minutes that this was actioned.</p> <p>Recommendation: to enable Council to positively answer assertion 7 in the AGAR, Council should consider internal audit reports and if applicable decide what action it needs to take to prevent recurrence of the issues raised</p>

	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following Items raised in the previous internal audit report have been actioned: Appt of RFO noted in minutes; powers not noted; no evidence of annual ins review ; analysis of variances not published on w/s-actioned for 2017/18 but not 2018/19. Comment – Council is only partially compliant with GDPR policies. See note under item 14.
	Confirmation of appointment of Internal Auditor	SALC were appointed as the internal auditor and this was minuted on 20/11/19.
13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The Council has declared itself exempt from a limited assurance review.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	The Council’s annual meeting was held on 15/5/19 with the first item on the agenda being the election of the chair.
	Correct identification of trustee responsibilities	No trustee responsibilities are held.
	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 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.

	Comment: Council may wish to replace the 'draft' minutes on the website with the agreed minutes for 15/1/20 and 12/9/19.
Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA045187
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 is aware of its responsibilities under the General Data Protection Regulations and has produced a privacy notice. Comment: To be fully compliant the Council may wish to adopt the following policies: <ul style="list-style-type: none"> • Audit / Impact Assessment • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies All GDPR policies should be published on the Council's website.

Signed.....*Linda Harley*

Date of Internal Audit Visit18/8/20.....

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On behalf of Suffolk Association of Local Councils