

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Eriswell
Income:	£13,780
Expenditure:	£5243
Precept Figure:	£13,560
General Reserve:	£0
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	The Cashbook is maintained on a Spreadsheet and is well referenced. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cashbook.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is up to date and is verified against bank reconciliations however, the cashbook includes an entry on 8/4/20 payment to N Gladding. Recommendation: To tie in with the bank reconciliation and bank statements, the cashbook should include all entries up to and including the last day of the audit year 31/3/20.
	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	Council have adopted the up to date NALC Model Standing Orders and noted this in the minutes of 25/2/20.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Council have adopted NALC model Financial Regulations and noted this in their minutes of 24/3/20, however they are now out of date. Recommendation: To adopt the new Financial Regulations 2019 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	The Council has not appointed a Responsible Financial Officer during the audit year. Comment: The appointment of a Financial Officer is included in the Financial Regulations so noting in the minutes that this has been completed annually is a good internal control.
	Evidence that Financial Regulations have been tailored to the Council	The Council has partially tailored the Financial Regulations to the Council. Comment: Council could remove the square brackets [] which show the options available, to avoid any ambiguity.
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.

		<p>The Council show good practice by including the following internal controls for payments: All payments are reported to the council for approval. Two members of the council must sign every cheque or order for payment. The signatories should consider each payment against the relevant invoice, sign the invoice and initial the cheque counterfoil. All authorised cheque signatories are members of the Council.</p> <p>Comments: (1) Sample payment invoices were signed by only 1 signatory. In-line with the Council's own internal controls, invoices should be signed by 2 signatories (2) Details of some payments in the minutes do not show the amounts – it is good practice to include these; (3) A church maintenance payment for £350 was made. The new Clerk is now aware of the powers in the Local Government Act 1894 which prohibit Council's involvement in property relating to the affairs of the Church, e.g. the maintenance or improvement of buildings or land or contributing to the costs (4) 4 payments noted in the minutes from 28/3/20 were not included in the cashbook – The clerk has confirmed this was due to the Covid 19 pandemic. The Council was unable to meet and the cheques were not signed - all cheques presented for payment in the financial year should be included in the cashbook for that year.</p>
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	VAT is recovered annually as detailed in the Council's Financial Regulations. £220.20 was reclaimed on 26/6/19 and noted in the cashbook and minutes.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The council has not adopted the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	The Council is aware of their responsibilities for payments made under S137, which would be listed in a separate column in the cashbook. No payments have been made under this power in this audit year.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council does not have any loans.

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.
	Evidence that risks are being identified and managed.	With reference to the Accounts and Audit Regulations, 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. Council is responsible for play equipment and noted in the minutes of 28/1/20 that the report & remedial actions from an independent play Inspection company were noted.
	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 £100,000. Public Liability and Employers Liability of £10 million each is also in place.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Risk Assessment documents state that an annual review of insurance is undertaken and this was minuted on 23/7/19.
	Evidence that internal controls are documented and regularly reviewed	The risk assessment documentation submitted for audit covers a number of internal controls. It is noted in the documentation provided that they were adopted on 12/11/19 and are reviewed annually on 28 March 2020.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	It is noted in the internal control document that a review of the effectiveness of internal audit should be carried out during the audit year. Comment: Council may wish to include this in their minutes to confirm that this control has been carried out.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Good budgetary procedures were in place during the year 2019/20 with a budget to support the precept of £13,560. Internal controls note that the Council regularly monitor budget information.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The budget of £13,560 to support the precept was agreed by full Council at their meeting on 28/11/18.

	Regular reporting of expenditure and variances from budget	The full council monitors progress against its aims and objectives at each meeting by receiving relevant reports from the parish clerk. This is also noted in the internal control document.
	Reserves held General and Earmarked.	No reserves are held by the Council. Comment: Council may wish to consider transferring funds into general and earmarked reserves. Information in Accounting and Governance Item 5.32 states that 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 (NRE). There is no upper limit for earmarked reserves only that they must be held for genuine and intended purposes.
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?	Comment: To ensure that Councillors are fully aware from day to day of all sums of money received by the authority and the matters to which it relates, it is good practice to record receipts in the minutes
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded of £13,560 agrees to West Suffolk Council's notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	No receipts were received under the Community Infrastructure Levy.
	<ul style="list-style-type: none"> • Is CIL income reported to Council? 	
	<ul style="list-style-type: none"> • Does unspent CIL income form part of Earmarked reserves? 	
	<ul style="list-style-type: none"> • Has an annual report been produced 	
<ul style="list-style-type: none"> • Has it been published on the authority's website 		

7. Petty Cash	Is a petty cash in operation?	A system of petty cash is not in operation.
	If so, is there an adequate control system in place.	N/A
8. Payroll controls	Do all employees have contracts of employment?	Contracts of employment were not provided for the 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.	PAYE is operated in accordance with HM Revenue and Customs guidelines. S.A.L.C. is contracted to carry out the payroll function on behalf of the council. Payslips are approved by the Council.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE is operated in accordance with HMRC regulations. Regular payments have been made to HMRC and detailed pay slips are produced.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	The Council is aware of its responsibilities under the legislation for workplace pensions. It was noted in the minutes of 3/12/19 that correspondence was undertaken with the Pension Regulator and also on 28/1/20 that acknowledgement of the Declaration of Compliance with the pensions regulator was noted.
	Are other payments to employees reasonable and approved by the Council?	Other payments to employees are reasonable, approved by the Council with invoices being signed by 2 members and receipts provided.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	Council have a basic asset register in place to the value of £58,152.84. The total value has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return). Comment: Council may wish to include further information in their asset register details are included in Accountability and governance item 5.59a.
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed on 28/3/20 and this was noted in the minutes.

	Cross checking of Insurance cover	The asset register was cross checked against insurance cover on 23/7/19. The risk assessment documentation notes that insurance is held at the appropriate level for all items.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Risk assessment documentation notes that bank reconciliations are prepared by the responsible Financial Officer and checked by the Chairman. It is noted in the minutes that bank reconciliations have been approved.
	Confirm bank balances agree with bank statements	The Council's annual bank reconciliation incorrectly includes the bank balance at 8/4/20 £24,179.72. The Lloyds Bank Treasurers Account balance at 31/3/20 is £24,525.78 The Council are unable to provide any paperwork/bank statements relating to their account with Santander and confirmation of this was included in their minutes of 31/3/20. The Council are aware of the need to provide full bank statements to support the annual bank reconciliation. Recommendation: To enable the internal auditor to make a positive assertion on the AGAR Internal Audit Report for item I – 'Periodic and year end bank account reconciliations were properly carried out' and item J – 'Accounting statements prepared during the year were prepared on the correct accounting basis, agree to the cashbook, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors properly recorded', the auditor needs to confirm details and balances from up to date bank statements and the annual bank reconciliation should be dated 31/3/20 and include payment/receipts and bank balances as of that date. Information required on the Annual Bank Reconciliation is included in Governance and Accountability for Smaller Authorities in England with an example document under appendix 1.
	Regular reporting of bank balances at council meetings	Bank balances are noted in the bank reconciliations provided to the Council but no evidence of bank reconciliations during the audit year has been seen.
11. Year-end procedures	Appropriate accounting procedures used	The Receipts and Payments method of accounting was used.

Financial trail from records to presented accounts	By examination of the 2019/20 records to presented accounts a financial trail was evidenced.
Has the appropriate end of year AGAR documents been completed?	<p>The council have correctly completed the certificate of exemption and Section 2 the Accounting Statement of the AGAR.</p> <p>Council have not completed Section 1 The Annual Governance Statement.</p> <p>Comment: Council should complete Sections 1 and 2 (along with the certificate of exemption if applicable) and provide them with the internal audit papers.</p> <p>AGAR box 4 staff costs has been incorrectly completed by the Council. Payments to HMRC have not been included.</p> <p>Recommendation: Council's figure for staff costs on the AGAR should include the following, which is detailed in Accountability and Governance Item 2.16 - Staff costs for the purpose of Line 4 include gross salary of employees, employers national insurance contributions, employers pension contributions, gratuities for employees or former employees and severance or termination payments to employees.</p>
Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	The Council correctly certified itself exempt from a limited assurance review in 2018/19. The higher of gross income or gross expenditure did not exceed £25,000.
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	In the summer of 2019 the Council correctly provided for the exercise of public right as required by the Accounts and Audit Regulation from 26/6/19 to 8/8/19 and this was evidenced from the website.
Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The Council must publish on a public website as required by the Accounts and Audit Regulations 2015 and the Local Audit (Smaller Authorities) Regulations 2015 certain items on a public website.</p> <p>These include:</p>

		<ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Annual Internal Audit Report 2017/18, page 4 • Section 1 – Annual Governance Statement 2017/18, page 5 • Section 2 – Accounting Statements 2017/18, page 6 • Analysis of variances (if applicable) • 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>Comment: The Council had published all the appropriate items on their 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	<p>The auditor has been advised that the internal auditor for 2018/19 only provided the 'Annual Internal Audit Report' from the AGAR and not a separate report.</p> <p>Comment: It should be noted in the minutes that the full internal audit report has been considered by the Council and an audit plan put in place to address any recommendations raised.</p>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	A full internal audit report was not received.
	Confirmation of appointment of Internal Auditor	<p>Confirmation was not seen in the minutes of the appointment of the internal auditor.</p> <p>Comment: Council should note annually in their minutes the appointment of their internal auditor.</p>
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The Council declared themselves 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 Annual Meeting of the Council was held on 25/6/19 with the 1st item on the agenda being to elect the chair. The

		<p>Council could not hold their AGM in May as they were not quorate.</p> <p>Comment: In an election year the Council's AGM must take place on the day when the Councillors take office, or within 14 days thereafter. In any other year the meeting may be held on any day in May.</p>
	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	<p>The applicable Transparency Code has been correctly applied and the following information is published in accordance with current legislation on the website eriswell.onesuffolk.net:</p> <p>End of Year Accounts Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities Minutes and Agendas of Meetings Asset Register Items of Expenditure Above £100</p>
	Verifying that the council is registered with the ICO	<p>The Council is aware of its responsibilities to register with the ICO and has included this on the agenda for May 2020.</p> <p>Comment: Following the introduction of GDPR and the new Data Protection Act 2018, the previous requirement of data controllers to 'notify' the ICO (register) has been replaced by the need for public organisations to pay a Data Protection Fee. Fees are based on a sliding scale and for public authorities (including local councils) this is based solely on the number of employees. For councils employing up to ten staff, the fee is £40. Recommend: Council should review the requirements for ICO registration.</p>
	<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"> • Audit / Impact Assessment • Privacy Notices 	<p>The Council is partially compliant with the General Data Protection Regulation requirements having published a Privacy Notice and a Data Protection Policy on their website.</p> <p>Comment: To be fully compliant the Council should adopt and publish the following information:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Procedures for dealing with Subject Access Requests

	<ul style="list-style-type: none"> • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<ul style="list-style-type: none"> • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies
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Signed.....*Linda Harley*.....

Date of Internal Audit Visit19/6/20.....

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On behalf of Suffolk Association of Local Councils