

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	TRIMLEY ST MARTIN
Income:	£55,795.41
Expenditure:	£48,309.41
Precept Figure:	£31,000.00
General Reserve:	£4,340.88
Earmarked Reserves:	£46,500.00
CIL Reserves (Restricted):	£12,308.97



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	Computerised (excel) cash sheets are used. Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.
	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 found to be in order
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	At the meeting of 7 th May 2019, Council carried out an annual review of its own Standing Orders which 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 have been adopted and reviewed regularly	The Council's Financial Regulations as seen on the Parish Council's website have a review date of May 2020 and are based on the 2019 Model Financial Regulations produced by NALC which have been adapted to reflect recent changes in legislation concerning procurement. <i>Comment: as Council did not meet in May it is assumed that these will be presented at the next available meeting for formal adoption.</i>
	Evidence that a Responsible Financial Officer 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	Financial Regulations have been tailored to the Parish Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, invoices, minutes and bank statements and all were found to be in order. <i>Comment: Council has ensured that, in order to have measures that safeguard public money, there is a straightforward and clear audit trail for each payment.</i>

	Internet Banking transactions properly recorded/approved	Internet banking is not used by the Council.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The VAT claim of £2,723.17 for the period 1 st March 2018 to 31 st March 2019 was repaid by HM Revenue and Customs on 3 rd May 2019. The year-end period shows VAT due of £5,039.95.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Parish Council does not exercise the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	<p>Payments made under this power for the year under review totalled £934.00.</p> <p>Upon review, the following should be noted: Section 142 of the Local Government Act 1972 allows the Parish Council to assist voluntary organisations who provide individuals with information and advice concerning their rights and obligations such as CAB. All other expenditure itemised under LGA 1972 s137 was within statutory guidelines and limits.</p> <p><i>Comment: Council is aware that the use of S137 of the LGA 1972 (as amended by the Local Government and Housing Act 1989 s36) is a power of last resort and should be used where no other power applies. It gives the Council the power to incur expenditure which in their opinion is in the interests of and will bring direct benefit to their area or any part of it or all or some of its inhabitants. The benefit obtained must be commensurate with the expenditure incurred and the annual expenditure must not exceed the total electorate multiplied by the annual statutory limit per elector.</i></p>
	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.
4. Risk Management	Is there evidence of risk assessment documentation?	<p>The Risk Assessment Document for the period 1st April 2019 to 31st March 2020 was considered at a meeting of the Parish Council on 3rd March 2020 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><i>Comment: Overall within its Financial Risk Management 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></p>
	Evidence that risks are being identified and managed.	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.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance and Memorial Hall Cover and Pavilion cover is in place and covers the period from 1 st October 2019 to 30 th September 2020. Core cover is shown as: Business Interruption; Public Liability; Employer's Liability; Public Liability; Office Contents; Libel & Slander; Officials and Officials Indemnity which is ; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £500,000 which is within recommended guidelines. Property Damage and Money are covered as per the schedule with contents items (other property) being generic under the All Risks Category.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its current insurance cover at the meeting of 3 rd September 2019 with agreement that Council would enter into a 3-year agreement until 1 st October 2020. <i>Comment: in accordance with Proper Practices, 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 buying in services from specialist external bodies and taking out insurance. The RFO, in accordance with Proper Practices has ensured that there is evidence that a review of the insurance cover was completed, and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
	Evidence that internal controls are documented and regularly reviewed	Council reviewed its internal controls at a meeting of 3 rd March 2020, with agreement that its controls were fit for purpose and adhered to. <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. Within the Internal Control Statement for the Financial Year 2019-2020, as reviewed and adopted by Full Council, Council has reviewed its arrangements to protect public money.</i>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The effectiveness of internal audit was discussed by full Council at the meeting approving the appointment of the internal auditor. <i>Comment: by reviewing the terms of reference for internal audit, Council has followed guidance with the Governance and Accountability Guide and recognises that the internal audit's function is to test and report to the authority on whether</i>

		<i>its specific system of internal control is adequate and working satisfactorily.</i>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The budget for the year 2019/20 in the sum of £29,200 was approved by full Council at a meeting of 4th December 2018.</p> <p><i>Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> • <i>decide the form and level of detail of the budget;</i> • <i>review the current year budget and spending;</i> • <i>determine the cost of spending plans;</i> • <i>assess levels of income;</i> • <i>bring together spending and income plans;</i> • <i>provide for contingencies and consider the need for reserves;</i> • <i>approve the budget;</i> • <i>confirm the precept or rates and special levies; and</i> • <i>review progress against the budget regularly throughout the year.</i>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £31,000 and formally approved at a meeting of 4 th December 2018.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure was presented along with the bank reconciliations within the meetings in April, July, October, November and December 2019 and February 2020. The minutes reflect that they have been received and noted with explanations given for variances from budgeted expenditure.
	Reserves held General and Earmarked.	<p>Council's final accounts show general reserves in the sum of £4,340.88 with earmarked reserves in the sum of £46,500 and CIL reserves (restricted) as £12,308.97.</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. At the current level, council's general reserves are considered to be just within this level.</i></p>
6. Income controls	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?	All income received by the parish council is reported as part of the Financial Reports submitted by the Clerk who also ensures that monies received are promptly banked.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £31,000 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 4th December 2018, 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?	CIL Funds received for the year under review show receipts of £8,270.15 as reported within the financial reports submitted at the meetings of full Council. In accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated. Council has understood the requirement to comply with its duty to produce an annual report that details the amount of CIL funds received and spent. The annual report for the year ending 31 st March 2019 showing income received and retained balances was seen on the Council's website. Council has understood that it should comply with its duty to upload the annual report onto its website by 31 st December 2020 for the year ending 31 st March 2020.
7. Petty Cash	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.
8. Payroll controls	Do all employees have contracts of employment?	Council had 1 employee on its payroll at the period end of 31 st March 2020. Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council. <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>
	Are arrangements in place for authorising of the payroll and payments by the Council?	The payroll function is operated in accordance with HM Revenue and Customs guidelines.

	Verifying the process for agreeing rates of pay to be applied.	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.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	<p>It is noted that the internal audit report for the previous year confirmed that a declaration of compliance with regards to automatic enrolment duties had been completed on 3rd April 2017 with no staff being automatically enrolled.</p> <p><i>Comment: Council should note that every three years, when they complete their re-enrolment duties, they will also need to submit a re-declaration of compliance to tell The Pensions Regulator what it has done at re-enrolment.</i></p> <p>Recommendation: Council should review its staging date and ensure that it has submitted its re-declaration by the due date. For further information: https://help.thepensionsregulator.gov.uk/faq/declaration_of_compliance/once-deadline-every-3-years</p>
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	<p>The Asset Register was reviewed during the Internal Audit Visit for year-end and accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end (31.03.2020) was £11,176.37. All assets have been stated as at the acquisition value and where assets have been gifted or where there is no known value have been given the proxy value of £1.</p> <p><i>Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and has ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been 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 was reviewed and confirmed as accurate at a meeting of Council on 4 th February 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 insurance value in accordance with the policy operated by the insurance company under its Local Council Policy.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets. <i>Comment: The RFO, as evidence of good financial practice, provides evidence of the bank reconciliations at each meeting which is verified by a member of the Parish Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i>
	Confirm bank balances agree with bank statements	Bank balances agree with period end statements and as at 31 st March 2020 stand at: £63,149.89 and can be broken down as follows: Current Account: £24,563.87 Deposit Account: £38,586.02
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances within the financial reports submitted on a monthly basis to the parish council. Bank statements are made available for inspection at each meeting. <i>Comment: Council is aware that, in accordance with Proper Practices, 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.</i>
11. Year-end procedures	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. The end-of-year accounts and supporting documentation were well presented for the internal audit review.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it has completed Part 3 of the AGAR. The smaller authority has completed Section 2 - Accounting Statements - of the AGAR which is unsigned at the time of Internal Audit.
	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 exceeding £25,000 it was not 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 st March 2019 were 1 July to 9 August 2019.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 st March 2019 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Section 3 – External Audit Report and Certificate. Notice of the period for the exercise of public rights The Annual Internal Audit Report
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the year ending 31 st March 2019 was considered and accepted Meeting of the Parish Council on 12 th June 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following recommendations raised in the report from the internal audit were considered and approved by the parish council: 1. Reporting of banking transfers in accordance with FRs 2. Verification of bank reconciliation by members or nominated members
	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 5 th November 2019 for the year ending 31 st March 2020.
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	Council considered and accepted the External Audit Report and Certificate at its meeting of 1 st October 2019 following the limited assurance review undertaken by the External Auditors.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	There were no matters which necessitated the issuing of a separate report. In accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, Council has published on a public website Sections 1, 2 and 3 from the 2018/19 AGAR as well as the Notice of the Conclusion of the Audit.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 7 th 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 Parish Council acts as Corporate Trustee of the Trimley St. Martin Hall.
	Verification that the applicable Transparency Code has been correctly applied and information	Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code

	is published in accordance with current legislation	<p>2015 (turnover exceeding £200,000. <i>Comment: To ensure compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), the following information should be:</i></p> <p><i>Publish quarterly:</i></p> <p><i>Individual items of expenditure that exceed £500</i> <i>Government Procurement Card transactions</i> <i>Invitations to tender for contracts over £5,000</i> <i>Details of contracts that exceed £5,000</i></p> <p><i>Publish annually:</i></p> <p><i>Details of all land and building assets</i> <i>Grants to Voluntary, Community and Social Enterprise Organisations</i> <i>Details of number of employees whose remuneration is over £50K and job title</i></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. ZA130355 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council has taken positive steps to ensure compliancy with the GDPR requirements and is monitoring matters to ensure the process is managed at all times. A General Privacy Statement was seen on the parish council's website. Also reviewed was Council's document entitled Data Protection Policy which covers: Data Definitions; Data Protection Principles; Processing Data; Data Security Procedures for dealing with Subject Access Requests and Procedure for dealing with Data Breaches. Council also has in place policies for: Retention of Documents Policy; Social Media and Electronic Communications Policy and Freedom of Information Request Policies

Signed: *Victoria S Waples*

Date of Internal Audit: 02.06.2020

Date of Internal Audit Report: 04.06.2020

On behalf of Suffolk Association of Local Councils