

Internal Audit Report
Year ending: 31st March 2020

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| Name of Council: | KELSEALE CUM CARLTON PARISH COUNCIL |
| Income: | £28,884.45 |
| Expenditure: | £25,312.97 |
| Precept Figure: | £19,782.61 |
| General Reserve: | £19,842.15 |
| Earmarked Reserves: | £10,632.00 |

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 |
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| 1. Proper Book-keeping | Type of cash book or ledger used | <p>The council uses the Scribe Accounting Package which provides full accounting details to allow the production of the Statement of Accounts. This in turn allows the Responsible Financial Officer (RFO) to produce clear financial management information to the Council.</p> <p><i>Comment: 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.</i></p> |
| | 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 all were found to be in order. |
| 2. Financial Regulations & Standing Orders | Evidence that standing orders have been adopted and reviewed regularly | At the meeting of 26 th February 2020, 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 were reviewed and adopted at a meeting of 26 th February 2020 and are based on the 2019 Model Financial Regulations produced by NALC. |
| | 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 although Council might wish to consider the removal of sections that are not applicable to the 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 and bank statements and as such all were found to be in order. However, whilst the minutes show that Council is in agreement to authorise payment of the schedules submitted, none were appended to the minutes. The minutes state that the payment schedule documents are kept on file). |

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| | | <i>Comment: Council should ensure that, in order to have measures that safeguard public money, there is a straightforward and clear audit trail for each payment and that payment schedules referred to in the minutes are not merely retained on file but appended to the minutes to show items authorised for payment.</i> |
| | Internet Banking transactions properly recorded/approved | Internet banking, is operated in accordance with the Council's own FRs with controls covered in the Internal Control Report and evidence being retained showing which authorised members approved the payment. |
| | VAT correctly identified and reclaimed within time limits | VAT is identified in the cash book. The year-end period shows VAT due of £1,816.25 which is still to be settled by HM Revenue and Customs. |
| | Has Council adopted the General Power of Competence and is it being correctly applied? | The Parish Council adopted the General Power of Competence at its meeting of 26 th February 2020. <i>Comment: in accordance with the Localism Act 2011, Ch 1 Part1, Sections 1-8, Council should be mindful that it should resolve at a meeting that it meets the criteria relating to the electoral mandate and relevant training of the Clerk and that having confirmed that it meets the criteria, it can then resolve to adopt the General Power of Competence.</i> |
| | S137 separately recorded, minuted and within statutory limits | Donations made under this power for the year under review totalled £300.00. 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. <i>Comment: 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> |
| | 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? | The Risk Assessment Document for the period 1 st April 2019 to 31 st March 2020 was considered at a meeting of the Parish Council on 11 th December 2019 and covers in general terms the matters which could possibly prevent a smaller |

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| | | <p>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> |
| | Contingency Plan to deal with the impact of the Coronavirus on the Parish Council | <p>In light of the current coronavirus situation, at the meeting on 25th March 2020 the Council agreed a number of measures to ensure the safety of staff, councillors and members of the public. The Council approved the following temporary resolutions: 1. All documentation requiring a decision will be circulated to all Councillors, with a return date for a response. All responses made will be collated and decisions taken on those responses with such correspondence being retained for reference.</p> <p><i>Comment: To allow proper scrutiny of records of payments and the accounts, in accordance with section 5 of the Financial Regulations, Council should ensure that any payments made away from a meeting should be reported to the Council at the next convenient meeting.</i></p> |
| | Evidence that risks are being identified and managed. | <p>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.</p> |
| | Appropriate Insurance cover in place for employment, public liability and fidelity guarantee. | <p>General Insurance cover is in place and covers the period from 4th June 2019 to 3rd June 2020.</p> <p>Core cover is shown as: Business Interruption; Public Liability; Employer's Liability; Public Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £500,000 which is within recommended guidelines.</p> |
| | Evidence that insurance is adequate and has been reviewed on an annual basis | <p>Council reviewed its current insurance cover at the meeting of 22nd May 2019 with further reviews carried out and included within the Council's Financial Risk Management Document.</p> <p><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</i></p> |

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| | | <p>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.</p> |
| | Evidence that internal controls are documented and regularly reviewed | <p>Council reviewed its internal controls at a meeting of 25th March 2020, with agreement that its e controls were fit for purpose and adhered to.</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. 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></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 covered at the meeting of 29th January 2020 with the appointment of a new internal auditor.</p> <p><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 its specific system of internal control is adequate and working satisfactorily.</i></p> |
| 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 £31,526 was approved by full Council at a meeting of 12th December 2018. Although there is no formal documenting of the budget set, budget papers were seen on the Council's website.</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> |

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| | Verifying that the Precept amount has been agreed in full Council and clearly minuted | The precept was set at £19,782.61 and formally approved at the above meeting but there is no minute to show the level approved. <i>Comment: Council might wish to consider, for clarity, recording the amount of precept set in the minutes.</i> |
| | Regular reporting of expenditure and variances from budget | Comparisons between budgeted and actual income and expenditure is circulated and discussed in accordance with Council's own Standing Orders. The minutes reflect that they have been received and noted with explanations given for variances from budgeted expenditure. |
| | Reserves held General and Earmarked. | Council's final accounts show general reserves in the sum of £19,842.15 with earmarked reserves in the sum of £10,632.. <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 within this level.</i> |
| 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 and that monies received are promptly banked. |
| | Is income reported to full Council? | Latterly, income received by the parish council is reported as having been received with no details submitted and Council merely noting monies received as per the Financial Statements and Financial Report submitted. <i>Comment: Council should ensured that, in order to have measures that safeguard public money, there is a straightforward and clear audit trail for receipts and that Financial Statements and Financial Reports schedules referred to in the minutes are not merely retained on file but appended to the minutes.</i> |
| | Does the Precept recorded agree to the Council Tax Authority's notification? | The council received precept of £19,782.61 during the year under review in April and September 2019. <i>Comment: Evidence was provided showing the Precept Form signed at the meeting of 12th December 2018 and served on the Charging Authority to receipt of same in the Council's Bank Account.</i> |

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| | 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. In accordance with the 2010 Regulations, the Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated. Council has understood that it should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent. Council is aware that the annual report for the year ending 31 st March 2020 should be uploaded onto its website by 31 st December 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? Verifying the process for agreeing rates of pay to be applied. | The payroll function is carried out by SALC and in operated in accordance with HM Revenue and Customs guidelines. 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? | The Clerk is a member of the NEST Pension Scheme. Council has complied with its duties under employment legislation and has met its pension obligations. |
| 9. Asset control | Verifying the Council maintains an Asset Register in accordance with proper practises | 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 |

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| | | <p>value for all assets at year-end (31.03.2020) was £66,240.43. 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 was reviewed by Council at its meeting of 30 th October 2019 with agreement the register covers the assets within the ownership or responsibility of the Council. |
| | Cross checking of Insurance cover | Content Items (other property) are generic under heading within the All Risks Category: gates and fences; general contents; mowers and machinery; playground equipment and street furniture. |
| 10. Bank reconciliation | 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: as evidence of good financial practice, Council has implemented a system whereby bank reconciliations are verified by the Chair of the Parish Council. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i></p> |
| | Confirm bank balances agree with bank statements | <p>Bank balances agree with period end statements and as at 31st March 2020 stand at: £30,474.15</p> <p>Broken down as follows: Current Account: £2,007.14 Unallocated receipts £29.44 Savings Account: £28,437.57</p> |
| | Regular reporting of bank balances at council meetings | <p>Overall, there is regular reporting of bank balances within the financial reports submitted to the parish council. A quarterly summary of income and expenditure is submitted to full Council in accordance with its own Standing Orders.</p> <p><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.</i></p> |

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| 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 was approved on 29th April 2020 but is still to be signed by the Chair of the Council. <i>Comment: Council has noted the comments made by the external auditor with regards to the Audit of 2017/18. 18 As a result, the smaller authority has answered 'No' to Assertion 4 of the Annual Governance Statement for 2019/20.</i> |
| | Where an authority certified itself exempt in 2018/19, did it meet the exemption criteria and correctly declare 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 21 st June to 26 th July 2019 and were accessible to view on the council's website. |
| | 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 30 th October 2019. |
| | Verifying that appropriate action has been taken regarding recommendations raised in reports | The following recommendations raised in the report from the internal audit were considered and agreed by the parish council: |

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| | from Internal Audit | <ol style="list-style-type: none"> 1. Reference to the risks associated with the incorrect applications for GDPR within risk assessment documentation - COMPLETED 2. Copies of P60s to be maintained in the Audit File - COMPLETED 3. Bank balances as at 31st March 2020 to be reconciled - 4. Review of external audit report along with actions to be taken to be recorded in the minutes - COMPLETED |
| | Confirmation of appointment of Internal Auditor | SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of the Council of 29 th January 2020 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 meetings of 30 th October and 27 th November 2019 following the limited assurance review undertaken by the External Auditors and has taken steps to carry out the instruction from the external auditor for the year 19/20. |
| | Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit | Council formally considered and adopted the Report which stated that the smaller authority the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2019/20 for the exercise of public rights, since the approval date was after the start of the period for the exercise of public rights and the period for the exercise of public rights was not correctly disclosed in that it referred to 26 July 2018. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2019/20 and ensure that it makes proper provision for the exercise of public rights |
| 14. Additional Comments | Annual meeting - held in accordance with legislation | The Annual Meeting of the Parish Council was held on 22 nd 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 | <p>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 2015 (turnover exceeding £200,000).</p> <p><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></p> <p><i>Government Procurement Card transactions</i></p> <p><i>Invitations to tender for contracts over £5,000</i></p> |

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| | | <p><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></p> <p><i>Grants to Voluntary, Community and Social Enterprise Organisations</i></p> <p><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. ZA426312 refers. |
| | Verifying that the Council is compliant with the General Data Protection Regulation requirements | <p>Council is taking steps to ensure compliancy with the GDPR requirements and has carried out an audit/impact assessment. Privacy Notices were seen on the parish council's website.</p> <p><i>Comment: Council will need to monitor matters to ensure the process is managed at all times and should review the Council's documentation to ensure that it fully understands its obligations under the Regulations. To ensure compliance with GDPR requirements, Council should consider having the following in place:</i></p> <p><i>Subject Access Request Policy & Subject Access Procedure Policy</i></p> <p><i>Procedure for dealing with Data Breaches</i></p> <p><i>Data Retention & Disposal Policies</i></p> |

Signed: *Victoria S Waples*

Date of Internal Audit Visit: 23.05.2020

Date of Internal Audit Report: 27.05.2020

On behalf of Suffolk Association of Local Councils