

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

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| <b>Name of Council:</b>    | Hasketon Parish Council |
| <b>Income:</b>             | £11,675.52              |
| <b>Expenditure:</b>        | £7,804.88               |
| <b>Precept Figure:</b>     | £8,475.15               |
| <b>General Reserve:</b>    | £10,603 (rounded)       |
| <b>Earmarked Reserves:</b> | £19,600 (rounded)       |

## **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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| <b>1. Proper Book-keeping</b>                         | Type of cash book or ledger used  | Computerised cash sheets are used.   |
|   | 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 were found to be correct.  |
| <b>2. Financial Regulations &amp; Standing Orders</b> | Evidence that standing orders have been adopted and reviewed regularly                | The Council's Standing Orders, as seen on the website, were those reviewed at the meeting of 9 <sup>th</sup> May 2019 and 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 (FR), were reviewed at a meeting of 12 <sup>th</sup> September 2019 and are based on the Model Financial Regulations produced by NALC in 2019.<br><br><i>Comment: Council might wish to consider removing the previous version of FRs as seen on the website as these have been replaced by FRs 2019 also seen on the website.</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 2019 are in part tailored to the Parish Council.<br><br><i>Comment: to ensure that its Financial Regulations are tailored to the Parish Council, Council might want to consider removal of the alternative options for a council and in particular removing the square brackets, thereby eliminating ambiguity.</i>                              |
| <b>3. Payment controls</b>                            | Supporting paperwork for payments, and appropriate authorisation                      | At each full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being shown in the minutes and evidence of such paperwork in the  |

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|                           |   | <p>files submitted for internal audit.</p> <p><i>Comment: Council continues to show good practice of ensuring, in accordance with its own FR 5.6, that a schedule of due and retrospective payments which arise on a regular basis of a continuing contract, is submitted to full Council for approval at each meeting.</i></p>  |
|                           | 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 claim for the period 1 <sup>st</sup> April 2018 to 31 <sup>st</sup> March 2019 in the sum of £497.40 was settled during the year under review. The year-end period shows VAT due of £420.85.   |
|                           | Has Council adopted the General Power of Competence and is it being correctly applied?              | Council does not used the General Power of Competence.   |
|                           | S137 separately recorded, minuted and within statutory limits                                       | <p>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.</p> <p>All other expenditure itemised under LGA 1972 s137 was within statutory guidelines and limits.</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.  |
| <b>4. Risk Management</b> | Is there evidence of risk assessment documentation?   | <p>The Risk Assessment Document for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2019 was considered at a meeting of the Parish Council on 18<sup>th</sup> July 2019 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><i>Comment: within its 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> |

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|  | Evidence that risks are being identified and managed.   | <p>Council has a comprehensive Financial Risk Assessment which identifies the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks.</p> <p><i>Comment: 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.</i></p>  |
|  | Contingency Plan to deal with the impact of the Coronavirus                                   | <p>In light of the current coronavirus situation, at the meeting on 21<sup>st</sup> March 2020 the Council agreed a number of measures to ensure the safety of staff, councillors and members of the public. Actions were taken covering governance arrangements for meetings of the Council and a scheme of delegation to the Proper Officer, where no statutory prohibition applies, was approved, which would allow decisions to be made on behalf of the Council following email responses from councillors. This authority was restricted to ensure the council kept functioning whilst current emergency measures were in place.</p> |
|  | Appropriate Insurance cover in place for employment, public liability and fidelity guarantee. | <p>General Insurance is in place under a Local Councils Policy Schedule for the period from 1<sup>st</sup> June 2019 to 31<sup>st</sup> May 2020 shows core cover: Business Interruption; Public Liability; Employer's Liability; Office Contents; Libel &amp; Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £250,000 which is within the 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 18<sup>th</sup> July 2019.</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 bodies and taking out insurance. 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></p>  |

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|                              | Evidence that internal controls are documented and regularly reviewed                              | In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting of 12 <sup>th</sup> September 2019 following an internal control review as carried out on 28 <sup>th</sup> August 2019.<br><br><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, as reviewed and adopted by Full Council in April 2019, 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 within the Internal Control Statement submitted and approved at a meeting of 12 <sup>th</sup> September 2019.<br><br><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>   |
| <b>5. Budgetary controls</b> | Verifying that the budget has been properly prepared, and agreed                                   | The budget for the year 2019/20 in the sum of £10,528 was approved by full Council at a meeting of 10 <sup>th</sup> January 2019.   |
|                              | Verifying that the Precept amount has been agreed in full Council and clearly minuted              | The precept was set at £8,475.15 at the same meeting with the Council noting that this would be a nil increase on a Band D Dwelling in the Parish.  |
|                              | Regular reporting of expenditure and variances from budget   | Comparisons between budgeted and actual income and expenditure is included within the documentation circulated to Councillors in accordance with Council's own Standing Orders. The minutes reflect that they have been received and noted.   |
|                              | Reserves held<br><br>General and Earmarked.  | Council's final accounts show general reserves in the sum of £10,603 with earmarked reserves in the sum of £19,600.00.<br><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</i>   |

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|                            |  | <i>the current level, council's general reserves are considered to be within this level.</i>  |
| <b>6. Income controls</b>  | 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.<br><br><i>Comment: 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.</i>  |
|                            | Is income reported to full Council?  | All income received by the parish council is reported as part of the Financial Reports submitted by the RFO. The RFO ensures that monies received are promptly banked.  |
|                            | Does the Precept recorded agree to the Council Tax Authority's notification?                             | The council received precept of £8,475.15 during the year under review in April and September 2019.<br><br><i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 10<sup>th</sup> January 2019, served on the Charging Authority to receipt of same in the Council's Bank Account</i>                                       |
|                            | Are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations (CIL) 2010? | There were no receipts received under the CIL Regulations 2010.   |
| <b>7. Petty Cash</b>       | 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.   |
| <b>8. Payroll controls</b> | Do all employees have contracts of employment?   | Council had 1 employee on its payroll at the period end of 31 <sup>st</sup> March 2020. Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council.<br><br><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?                    | SALC is contracted to carry out the payroll function which is operated within the RTI system. Cross-checks were completed on two payments covering salary and PAYE and were found to  |

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|                         | Verifying the process for agreeing rates of pay to be applied.  | 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.  |
|                         | Do salary payments include deductions for PAYE/NIC?<br><br>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? | A declaration of compliance with regards to automatic enrolment duties was completed in October 2018.   |
| <b>9. Asset control</b> | 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 value for all assets at year-end (31.03.2020) was £31,534.97. 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.<br><br><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> |
|                         | Verifying that the Asset Register is reviewed annually  | The Asset Register value has been stated on the Annual Governance and Accountability Return (AGAR) and it is expected that this will be formally approved at the meeting to approve the AGAR.   |
|                         | 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.  |

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| <b>10. Bank reconciliation</b> | Regularly completed and reconciled with cash book              | Bank reconciliations are completed on a regular basis in reconcile with the cash sheets.<br><br><i>Comment: The RFO, as evidence of good financial practice, provides evidence of the bank reconciliations at each meeting to be verified by 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 <sup>st</sup> March 2020 stand at: £30,202.36<br>Broken down as follows:<br>Current Account: £4,482.95<br>Reserve Account: £26,653.74<br>Unpresented Cheques: £934.33   |
|                                | Regular reporting of bank balances at council meetings         | Overall, there is regular reporting of bank balances within the financial reports submitted on a quarterly basis to the parish council.<br><br><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> |
| <b>11. Year-end procedures</b> | 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 not exceeding £25,000 it has completed Part 2 of the AGAR.<br>The smaller authority has completed the following pages which are still to be presented to and signed by full Council prior to submission to the External Auditor: Exemption Certificate; Governance Statement and Accounting Statements  |

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|   | 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.  |
|   | 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 <sup>st</sup> 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  | The Council has complied with the requirements of the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities and has published the following on a public website:<br>Certificate of Exemption<br>Annual Internal Audit Report of the AGAR<br>Section 1 – Annual Governance Statement of the AGAR<br>Section 2 – Accounting Statements of the AGAR<br>Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.<br>Bank Reconciliation for the period ending 31 <sup>st</sup> March 2019<br>Analysis of variances |
| <b>12. Internal audit for the year ending 31 March 2019</b> | Verifying that the previous internal audit reports have been considered by the Council  | The Internal Auditor's Report for the year ending 31 <sup>st</sup> March 2019 was considered and accepted at the meeting of the Parish Council on 9 <sup>th</sup> May 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 was considered and approved by the parish council and have been completed during the year under review: <ol style="list-style-type: none"> <li>1. Recognition of duty to appoint a Section 151 Officer</li> <li>2. Evidence of Review of Internal Controls</li> <li>3. Publication of information in accordance with the Transparency Code for Smaller Authorities</li> </ol>  |
|   | Confirmation of appointment of Internal Auditor   | SALC was appointed the Council's Internal Auditor at a meeting of full Council on 10th January 2019.  |

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| <b>13.External audit for the year ending 31 March 2019</b> | Verifying that the external audit report has been considered by the Council   | No external report was provided by the external auditors as the Council was able to certify itself as exempt from a Limited Assurance Review.   |
| <b>14. Additional Comments</b>                             | Annual meeting - held in accordance with legislation  | The Annual Meeting of the Parish Council was held on 9 <sup>th</sup> May 2018 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 | 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:<br>Internal Audit Report<br>List of Councillors and Responsibilities<br>Items of Expenditure Above £100 including recoverable and non-recoverable VAT<br>End of Year Accounts<br>Annual Governance Statement<br>Asset Register<br>and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014. |
|  | Verifying that the council is registered with the ICO   | The Council is not registered with the Information Commissioner’s Office (ICO) as a Data Controller.<br>In the notes submitted for Internal Audit it was stated that the Parish Council had completed the online assessment tool on the ICO website and as a result of subsequent telephone conversation with the ICO were advised that it was not necessary for the PC to register with the ICO.<br><br><b>Recommendation - As Council has carried out a Data Protection Impact Assessment which demonstrates that the Council is holding personal data and provides evidence that it processes personal data, (this includes any information</b>  |

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|  |  | <p>(including opinions and intentions) which relates to an identified or identifiable natural (living) person, e.g. name, e-mail address, photographs; N.I. numbers i.e. anything by which identification can be by the personal data alone or in conjunction with any other personal data) the Council is considered to be a Data Controller and as such should seek to register with the ICO as such.</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"> <li>• Audit / Impact Assessment</li> <li>• Privacy Notices</li> <li>• Procedures for dealing with Subject Access Requests</li> <li>• Procedure for dealing with Data Breaches</li> <li>• Data Retention &amp; Disposal Policies</li> </ul> | <p>Council is taking steps to ensure compliancy with the GDPR requirements and is aware that this should be monitored at all times to ensure compliancy. The Council's Privacy Notices were seen on the parish council's website. Council has completed the following documents which are also available to view on the Council's website: Data Protection Impact Assessment and Data Protection &amp; Information Management Policy</p> <p><i>Comment: Council might wish to consider the following to evidence further compliance with legislation:</i></p> <ul style="list-style-type: none"> <li>• <i>Uploading of a Cookie Policy onto the website.</i></li> <li>• <i>Subject Access Request Policy &amp; Subject Access Procedure Policy – both of which will provide the framework for dealing with requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party.</i></li> </ul> |

Signed: *VS Waples*

Date of Internal Audit Visit: 04.06.2020

Date of Internal Audit Report: 08.06.2020

On behalf of Suffolk Association of Local Councils