

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Cavendish Parish Council
Income:	£43,131
Expenditure:	£48,464
Precept Figure:	£24,100
General Reserve:	£18,275
Earmarked Reserves:	£13,187

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 kept up to date and referenced which provides evidence to support the Council's underlying accounting statements
	Correct arithmetic and balancing	Spot checks were carried out and the cashbook was found to be in order. Comment: The auditor noted an adjustment of 7p which was explained as saving amending all the accounts prior to the amendment. This was approved by the Council.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The Council reviewed their Standing Orders as part of the Council's good governance arrangements and found them to be in order. NALC Model up to date Standing Orders were reviewed on 13/11/19 and this was noted in the minutes.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council reviewed their Financial Regulations as part of the Council's good governance arrangements and found them to be in order, however an updated version, from those published on the website, is now available. The review was noted in the minutes of 13/11/19. Recommendation: Council may wish to adopt the latest NALC Model Financial Regulations from August 2019 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 minutes from 11/3/20 confirm that the Clerk is the Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	The Financial Regulations have been tailored to the Council.

3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A full audit trail was evidenced with appropriate authorisation. No reference is made to the Power to make payments in either the minutes or the cashbook. This was raised under the internal audit 2018/19. Comment : It is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense and that the Council is not undertaking any decisions or payments that are ultra vires. Recording the 'power to pay' either in the cashbook or the minutes meets this requirement and is a good internal control.
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	VAT for reclaim is noted in a separate column in the cashbook as £4218.96 for the audit year. A note to reclaim VAT is also included in the Financial Risk Assessment documents.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	Payments made under the Local Government Act Section 137 are noted in a separate column in the cashbook and recorded in the minutes. Only 1 payment of £25 was made in this audit year which is within the limit of this capped power. Comment: Council may wish to amend the cashbook as this power is noted as S127.
	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?
Evidence that risks are being identified and managed.		Council has a comprehensive Financial Risk Assessment which identifies the risks associated with ensuring that public finances are adequately protected and managed. This was reviewed by the Council and noted in their minutes of 11/3/20.
Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.		Appropriate insurance cover is in place including £250,000 of Fidelity Insurance cover which is within guidelines. Public

		Liability insurance held up to £12 million and Employers Liability held of up to £10 million.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council carried out a review of their insurance to confirm it is adequate and entered into the 1st year of a 5 year term. This was minuted on 11/3/19.
	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 11/3/20.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	There is no indication in the minutes that a review of the effectiveness of internal audit has been carried out. Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5. <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>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The authority has prepared and approved a budget in a timely manner before setting a precept prior to the commencement of the financial year. This was noted in the minutes of 9/1/19.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount of £24,100 was agreed in full and noted in the minutes of 9/1/20. Comment: Council have shown good practice by noting that a budget should be prepared to underlie the precept in their risk assessments documents.
	Regular reporting of expenditure and variances from budget	The Council receives a financial report from the RFO. Expenditure and variances from budget are not noted in the minutes.

		Comment: For future reference and to ensure that Councillors and members of the public are aware of the expenditure incurred and any variances from the budget set, this information could be noted either in the minutes or the report containing the information appended to the minutes.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £18,275 with earmarked reserves in the sum of £13,187.
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?	The Council receives a financial report from the RFO but amounts of income are not recorded in the minutes. Comment: For future reference and to ensure that Councillors and members of the public are aware of the income received by the authority and the matters to which they relate, this information could be noted either in the minutes or the report containing the information appended to the minutes
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept of £24,100 agrees to West Suffolk Council's tax notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010? <ul style="list-style-type: none"> • Is CIL income reported to Council? • Does unspent CIL income form part of Earmarked reserves? • Has an annual report been produced • Has it been published on the authority's website 	No payments have been received under the Community Infrastructure Levy.

7. Petty Cash	Is a petty cash in operation?	There is no system of petty cash in operation.
	If so, is there an adequate control system in place.	N/A
8. Payroll controls	Do all employees have contracts of employment?	Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council. Evidence seen of the appointment letter for the Clerk.
	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.	Cross-checks were completed on two payments covering salary and PAYE and were found to be in order. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
	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. Ladywell Accountancy Services are contracted to carry out the pay role function on behalf of the Council.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	It was noted in the Clerk's appointment letter that the clerk had chosen not to join a pension scheme. Comment: Council may wish to note in the minutes, on an annual basis, its responsibilities under the legislation for work place pensions and note if they have completed a Declaration of Compliance under The Pensions Act 2008.
	Are other payments to employees reasonable and approved by the Council?	Other payments to employees are reasonable and approved by full Council.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Council keeps a register of all material assets owned to the value of £1,015653 which agrees with box 9 of the AGAR.
	Verifying that the Asset Register is reviewed annually	The asset register was checked by the Council at their meeting of 11/3/20 and this was noted in the minutes.

	Cross checking of Insurance cover	The Council reviewed their insurance against their asset register and this was noted in the minutes of 11/3/20.
10. Bank reconciliation	Regularly completed and reconciled with cash book	An annual bank reconciliation was evidenced. It is noted in the Financial Risk Assessment documents that bank reconciliations are reported at Council meetings but there is no evidence of this in the minutes. Comment : 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. It is good practise to record in the minutes when bank reconciliations are undertaken.
	Confirm bank balances agree with bank statements	The following bank balances from the end of year bank reconciliation agree with the bank statements: Santander current: £23,104.51 Santander deposit: £9,412.50 - bank statement dated 12/10/19. Council confirmed that statement issued annually. Recommendation: Council may wish to arrange with Santander Bank a statement dated 31st March annually to allow the Council to confirm the bank balances on the annual bank reconciliation.
	Regular reporting of bank balances at council meetings	Bank balances are not noted in the minutes as having been reported to Council. Comment: For future reference and to ensure that Councillors and members of the public are aware of the funds held by the authority, this information could be noted either in the minutes or the report containing the information appended to the minutes
11. Year-end procedures	Appropriate accounting procedures used	The receipts and payments method of accounting is used.
	Financial trail from records to presented accounts	A financial trail from records to presented accounts was evidenced.
	Has the appropriate end of year AGAR documents been completed?	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed.

	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	The council did not declare itself exempt from a limited assurance review in 2018/19.
	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 authority provided for the exercise of public rights as required by the Accounts and Audit Regulations from 26/6/19 to 7/8/19.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Smaller authorities with either income or expenditure exceeding £25,000 must publish on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return: <ul style="list-style-type: none"> • Section 1 – Annual Governance Statement, page 4 • Section 2 – Accounting Statements, page 5 • Section 3 – The External Auditor Report and Certificate, page 6 • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015 This information is available on the Council’s website www.cavendishvillage.uk
12.Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The previous year’s internal audit report was reviewed by the Finance Committee on 10/10/19. Minutes of the Finance Committee were accepted by full council 13/11/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Action plan in place. The following items have been actioned: minuting review of insurance cover; Annual Internal Audit Report, page 3 AGAR not published; election of chair 1 st item on agenda; Comment: The Council may wish to action the following items: Powers to pay recorded in minutes; Bank reconciliations

		independently verified by Council and noted in minutes (unable to verify if this is now being carried out);
	Confirmation of appointment of Internal Auditor	It was noted in the minutes of 11/3/20 that SALC were appointed as the internal auditor.
13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The external audit report was considered by the Council and noted in the minutes of 18/9/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	No items were raised under this report.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Council's Annual meeting was held on 19/5/19 with the 1 st item on the agenda being the election of the Chair.
	Correct identification of trustee responsibilities	The Parish Council acts as sole trustee for the Finbow-Ambrose Cavendish Village Sports and Recreational Trust. At the meeting of 11/3/20 it was noted in the minutes the request to release income, with the Annual Trustee meeting being held and a financial report for the year end.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The council has published the following information on their website: End of Year Accounts Annual Governance Statement List of Councillors and Responsibilities Minutes and Agendas of Meetings Asset Register Comment: Council may wish to consider also publishing their Internal Audit report and a list of items of expenditure over £100.
	Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA192194
	Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place:	The council is aware of its responsibilities under the General Data Protection Regulation requirements and has published procedures for dealing with Subject Access Requests and a Privacy Statement.

	<ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>Comment: To be fully compliant with the General Data Protection Regulation requirements Council may wish to adopt and publish the following policies:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies
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Signed.....*Linda Harley*.....

Date of Internal Audit Visit15/7/20.....

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On behalf of Suffolk Association of Local Councils