

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

<b>Name of Council:</b>	RUSHBROOKE WITH ROUGHAM PARISH COUNCIL
<b>Income:</b>	£18,711.13
<b>Expenditure:</b>	£17,707.92
<b>Precept Figure:</b>	£18,000.00
<b>General Reserve:</b>	£19,182.15
<b>Earmarked Reserves:</b>	£nil

## **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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	The council uses an excel spreadsheet as the basis for the Council's accounting system.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and referenced with dates as to when expenditure was incurred, and income received.
	Correct arithmetic and balancing	Spot checks were made and found to be in order.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	The Council's Standing Orders as produced for internal audit were reviewed at the meetings of 16 <sup>th</sup> March 2020 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 (FRs) have been adopted and reviewed regularly	The Council's Financial Regulations were reviewed at the same meetings and are based on the Model Financial Regulations produced by NALC in 2019.
	Evidence that a Responsible Financial Officer (RFO) 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 Treasurer to be the person responsible for the administration of the financial affairs of the relevant authority.
	Evidence that Financial Regulations have been tailored to the Council	The financial regulations have been tailored to the parish council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	<p>Spot checks on the payment file were cross checked against cash book, bank statement, invoice and minutes.</p> <p>The following comment should be noted: as was raised in the Internal Audit Report for the year ending 31<sup>st</sup> March 2019, Council should note that, in order to have measures that safeguard public money, there should be a straightforward and clear audit trail for every payment from the authorising of each expenditure through minute, invoice, cashbook, payment authorisation and bank statements.</p> <p>In particular, the Standing Orders for St Nicholas Church (01.10.18 - £150); St Mary's Church (01.10.18 - £500) and Rougham Playing Field Management Committee (01.10.18 - £1,000), have not been made in accordance with Model Financial Regulation 6.8, which states that all payments should be evidenced by an instruction, which should be signed by two members, retained and reported to</p>

		<p>council once made.</p> <p><i>Comment: the Local Government Act 1894, expressly prohibits councils from spending any money on maintaining or improving church property. In practice this includes the church building itself, the churchyard and the church hall. Legislation within the 1972 Act such as s.214(6) of the Local Government Act 1972 only permits a parish council to contribute towards the expenses incurred by any person in providing or maintaining a cemetery and s.215 of the Local Government Act 1972 permits a parish council to maintain a closed churchyard.</i></p> <p><b>Recommendation 1: Council should ensure that payments are carried out in accordance with FR 6.5 “ To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil, signatures obtained for invoices other than at a council meeting should be reported to the council at the next convenient meeting and retrospectively approved”.</b></p> <p><b>Recommendation 2: Council should note that it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense and as such should refer to the exact power being used to ensure that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. It is recommended that any councils considering giving financial assistance to a church should contact SALC for specific legal advice.</b></p>
	Internet Banking transactions properly recorded/approved	Internet banking is not used for the settlement of accounts.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and a separate column is shown on the cashbook for recoverable VAT. VAT recoverable at year-end is stated as £1,770.94 and is still to be submitted to HM Revenue and Customs.

	Has Council adopted the General Power of Competence and is it being correctly applied?	The Parish Council has not adopted the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	There were no payments identified as having been made under this power in the cashbook. It is suggested that payments to the Community Heartbeat Trust for the defibrillator could have been allocated against this power.  <i>Comment: Council might wish to minute the use of S137 of the LGA 1972 (as amended by the Local Government and Housing Act 1989 s36) in granting donations noting that it is a capped expenditure and one which 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 had no such loans.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	The Risk Assessment Document for the period 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2020 was seen for the year under review and adopted at the meeting of 16 <sup>th</sup> March 2020.  <i>Comment: Overall within its Risk Assessment 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>
	Evidence that risks are being identified and managed.	Council has carried out detailed further risk assessments which have been reported to the Council throughout the year.  <i>Comment: 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.</i>

	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance is in place for the period from 1 <sup>st</sup> October 2019 to 30 <sup>th</sup> September 2020 and shows core cover: Business Interruption; Public & Products Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £25,000, which given the current balances held by the Council is within recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	There is no minute to record that a review of the insurance held was undertaken.  <i>Comment: in accordance with Proper Practices, Council should evidence that it 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 taking out insurance. It should also ensure that the review of the insurance cover is reported back to the Council and minuted to show that 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	In accordance with the Accounts and Audit Regulations 2015, Council carried out a review of the effectiveness of the system of internal control within the Internal Control Document which was formally signed off by the Council at its meeting of 16 <sup>th</sup> March 2020.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Council considered the effectiveness of internal audit within the review of its Internal Controls.  <i>Comment: in accordance with the Accounts and Audit Regulations 2015, Council has ensured that it carried out a review of the effectiveness of internal audit which included the consideration that standards are being met and that the work of internal audit is effective and that such a review is evidence by means of a minute reference.</i>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2019-2020 in the sum of £17,707 was adopted by Council at the meeting of 21 <sup>st</sup> January 2019.  <i>Council has shown good practice by following the recommended</i>

		<p>key stages as to the budgetary process for the year:</p> <ul style="list-style-type: none"> <li>• decide the form and level of detail of the budget;</li> <li>• review the current year budget and spending;</li> <li>• assess levels of income;</li> <li>• provide for contingencies and consider the need for reserves;</li> <li>• approve the budget.</li> </ul>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept in the sum of £18,000 was also agreed at the same meeting.
	Regular reporting of expenditure and variances from budget	<p>Whilst the minutes show that the updated expenditure and income spreadsheet is circulated there is no minute to evidence that budget monitoring and/or discussion of variances from budget took place during the year under review.</p> <p><b>Recommendation: Council should be mindful of its own Standing Order 17c which requires the RFO to supply, on a quarterly basis a statement which summarizes: the receipts and payment for each quarter; the aggregate receipts and payments for year to date; balance held at the end of each quarter being reported and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.</b></p>
	Reserves held  General and Earmarked.	<p>There is no breakdown of the reserves allocated at year-end between General and Earmarked Reserves. As such it is assumed that all reserves are held as General - £19,182.15</p> <p><i>Comment: Council should be mindful of guidance submitted within Proper Practices which states that whilst it is essential that authorities have sufficient Reserves (General and Earmarked (EMR)) to finance both its day to day operations and future plans, it is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive. 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 above 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?	Council has ensured that in accordance with its own Standing Order 17c, all income received by the parish council is reported as part of the updated expenditure/income spreadsheets submitted by the RFO.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £18,000 during the year.  <i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 21<sup>st</sup> January 2019, 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?	Whilst Council did not receive CIL funds in the year under review it should note the requirements to comply with the CIL Regulations 2010.  <b>Recommendation: in accordance with the 2010 Regulations, the Council, having received a proportion of CIL funds in a previous year, should ensure that this sum is added to the retained balances and transferred into the Earmarked Reserve specifically allocated. Council should also be aware of its duty to produce an annual report that details the amount of CIL funds received and spent and should ensure that the report is uploaded onto its website by 31<sup>st</sup> December.</b>
7. Petty Cash	Is a petty cash in operation?  If so, is there an adequate control system in place.	A petty cash system is not operated by the parish council.  Whilst expense claims are approved with supporting paperwork in place it should be noted that the Council is reimbursing travel expenses at the rate of £0.47 pence per mile.  <i>Comment: Council should be aware that the HMRC Mileage Allowable Payments rate is currently £0.45 pence per mile.</i>
8. Payroll controls	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.
	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.	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>
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	The payroll function is outsourced and operated in accordance with HM Revenue and Customs guidelines.  <i>Comment: 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.</i>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	The Clerk has confirmed that a redeclaration of compliance was completed over the telephone with a Pensions Regulator Staff Member. Confirmation was given but there is no paperwork on file.  <i>Comment: Council has shown awareness of its duties under the duties under employment legislation and has met its pension obligations.</i>
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register as submitted for Internal Audit shows assets to the value of £33,633 but this is stated as gross cost before grants are taken off which has reduced the asset register to £17,651.  <i>Comment: as recommended in the internal audit for 2018/19, Council should also be mindful that Proper Practices also states that "The value of the cell at Line 9 is taken from the authority's asset register which is up to date at 31 March and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. Authorities need to apply a reasonable approach to asset valuation which is consistent from year to year. Where an authority changes its method of asset valuation during a financial year, it will need to restate the prior year's figure in Line 9 of the Annual Governance and Accountability Return."</i>

	Verifying that the Asset Register is reviewed annually	Box 9 of the AGAR with reference to the value of the Council's total assets has not been completed for both years.  <b>Recommendation: the correctly completed Accounting Statements should be returned to full Council with Box 9 filled out with the value of Council's assets for both years.</b>
	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 an insurance value in accordance with the policy operated by the insurance company.
<b>10.Bank reconciliation</b>	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets.  <i>Comment: the Council, as evidence of good financial practice, has appointed a Councillor to verify the bank reconciliations as carried out by the RFO. 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: £19,182.15 across all accounts held by the council.
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances within the reports submitted to Council. The RFO has ensured that the bank reconciliation is part of the key tools for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.
<b>11.Year-end procedures</b>	Appropriate accounting procedures used	Accounts are produced on a receipts and payments basis. All were found to be in order.
	Financial trail from records to presented accounts	There is an error in the production of the Accounting Statements which results in the underlying financial trail from financial records to the accounts being inaccurate.  <b>Recommendation: Council revisits the figures stated on the Accounting Statements.</b>
	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 2 of the

		<p>AGAR which was signed at the time of internal audit (20<sup>th</sup> July 2020).</p> <p><b>Recommendation: it is suggested that the Accounting Statements are revisited as the figures for 2019/20 do not cast and Box 6 has been incorrectly stated. Council should also be aware that the figures for expenditure as stated on the Certificate of Exemption do not balance with the figures for expenditure on the Accounting Statements. Council should be aware that its total expenditure for the year equals £17,708 (as per the cashbook and Certificate of Exemption) and not £17658 (as per the Accounting Statements). The figures in Box 6 will need to be amended. This amendment, for the year 2019-2020, must be reported back to full Council for formal approval and resigned prior to the commencement of the Exercise of Public Rights.</b></p>
	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?	<p>The internal auditor is unable to verify the exercise of public rights for the period ending 31<sup>st</sup> March 2019 as these were not seen on the public website used by the Council.</p> <p><i>Comment: to have been able to answer in the affirmative to Assertion 4 of the Annual Governance Statement Council should ensure that it follows the instructions on Page 1 of the AGAR which states that information relating to the Notice of the Period for the exercise of public rights must be published on a publicly accessible website (Accounts and Audit Regulations 2015).</i></p> <p><b>Recommendation: Council should reconsider its response to Assertion 4 of the Annual Governance Statement for 2019/20.</b></p>
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has not fully complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 for the year ending 31 <sup>st</sup> March 2019 as the following have not been published on a public website:

		<ul style="list-style-type: none"> <li>• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</li> <li>• Analysis of variances</li> </ul> <p><i>It is confirmed that the following were published:</i></p> <ul style="list-style-type: none"> <li>• <i>Certificate of Exemption was published.</i></li> <li>• <i>Annual Internal Audit Report of the AGAR</i></li> <li>• <i>Section 1 – Annual Governance Statement of the AGAR</i></li> <li>• <i>Section 2 – Accounting Statements of the AGAR</i></li> <li>• <i>Bank Reconciliation for the period ending 31<sup>st</sup> March 2019</i></li> </ul> <p><b>Recommendation: Council should be aware that the following information should be published on the Council's website for the year 2019/20 by 31<sup>st</sup> August 2020:</b></p> <ul style="list-style-type: none"> <li>• <b>Certificate of Exemption was published.</b></li> <li>• <b>Annual Internal Audit Report of the AGAR</b></li> <li>• <b>Section 1 – Signed Annual Governance Statement of the AGAR</b></li> <li>• <b>Section 2 – Signed Annual Accounting Statements of the AGAR</b></li> <li>• <b>Bank Reconciliation for the period ending 31<sup>st</sup> March 2019</b></li> <li>• <b>Analysis of variances</b></li> <li>• Notice of the period for the exercise of public rights along with a declaration that the accounting statements are as yet unaudited.</li> </ul>
<p><b>12. Internal audit for year ending 31 March 2019</b></p>	<p>Verifying that the previous internal audit reports have been considered by the Council</p>	<p>There is no evidence to show that the Council considered the Internal Auditor's Report for the year ending 31<sup>st</sup> March 2019.</p> <p><b>Recommendation: As a result of failing to consider the Internal Audit Report, the Council should answer 'No' to Assertion 7 of the Annual Governance Statement for 2019/20 and provide an explanation describing how the weaknesses identified have been/will be addressed.</b></p>
	<p>Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit</p>	<p>The following recommendations were raised in the report from the internal audit for the year ending 31.03.19:</p> <ol style="list-style-type: none"> <li>1. Identification of powers to incur expenditure</li> <li>2. Evidence of budget monitoring</li> <li>3. Maintenance of asset register in accordance with proper</li> </ol>

		practices 4. Review of the asset register to ascertain value of assets held.
	Confirmation of appointment of Internal Auditor	The appointment of SALC to act as the Parish Council's Internal Auditors was agreed at a meeting of 20 <sup>th</sup> January 2020.
<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 13 <sup>th</sup> 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).
	Minutes - treatment thereof	It is noted on the website that some of the minutes are still in Draft form.  <i>Comment: Council might wish to review its own SO12f which states that "following a resolution which confirms the accuracy of the minutes of a meeting, the draft minutes or recordings of the meeting for which approved minutes exist shall be destroyed." Council would be advised to replace the Draft Documents with Approved Documents so as to avoid confusion.</i>
	Correct identification of trustee responsibilities	The Parish Council does not act as sole trustee.
	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: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register 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 correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council has taken steps to ensure compliancy with the GDPR requirements and has produced a Data Protection Policy along with a number of documents, which provides comprehensive guidance on the management of data held by the Council.

Signed: *V S Waples*

Date of receipt of Information: 14.08.20

Date of Internal Audit Review: 19.08.20

Date of Internal Audit Report: 24.08.2020

On behalf of Suffolk Association of Local Councils