

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	West Row Parish Council
Income:	£257,269.11
Expenditure:	£34,062.57
Precept Figure:	£51,314.00
General Reserve:	£23,206.54
Earmarked Reserves:	£200,000.00

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
1. Proper Book-keeping	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 which provides evidence to support the underlying accounting statements.
	Correct arithmetic and balancing	<p>Spot checks were made and the following should be noted: whilst the cashsheet used for receipts balances overall, there are anomalies within the columns across the spreadsheets. Council might wish to implement a system within excel which allows it to create a running balance which will allow columns across the spreadsheet to add up as new items are entered.</p> <p>Recommendation: whilst the Responsible Financial Officer ensures that the cash book is the focus for day-to-day accounting, and the cash book is updated to record all of these transactions, it should ensure that there is a full reconciliation across the spreadsheet being used.</p>
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	<p>Model Standing Orders (SO) with particular reference to West Row Council as seen on the Council's website were those adopted by the Council on 18th March 2020</p> <p><i>Comment: Council might wish to consider, at its next annual review of SOs, adopting the Model SOs produced by NALC in 2018 which takes into account recent changes in legislation, provision for the management of information; rules of debate; handling staff matters; responsibility to provide information and responsibility under data legislation.</i></p>
	Evidence that Financial Regulations (FR) have been adopted and reviewed regularly	<p>Model Financial Regulations (FR) seen on the Council's website were those adopted by the Council on 15th May 2019 and reviewed on 23rd March 2020.</p> <p><i>Comment: at the next annual review of its FRs, Council might wish to adopt the Model Financial Regulations produced by NALC in 2019 and reference that it has complied with Proper Practices and ensured that its FRs are regularly reviewed, fit for purpose, and adhered to.</i></p>

	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Financial Regulations of the Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, confirm that the Clerk is the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.
	Evidence that Financial Regulations have been tailored to the Council	Council should be aware of the requirement to ensure that the SO and FR are fully tailored to the smaller authority by removing the alternative options for a council and in particular removing the square brackets [] as this creates ambiguity.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	<p>At each full Council Meeting a list of all payments is presented to the meeting for authorisation for payment.</p> <p>Spot checks on the payment file were cross checked against cash book, bank statement, invoice and the following comment is made.</p> <p><i>Comment: whilst there was evidence that the invoices were authorised correctly, Council should ensure that payments in settlement of the invoices are made in accordance with its own Financial Regulations (Banking Arrangements and Authorisation of Payments) 6.9 and 6.10.</i></p>
	Internet Banking transactions properly recorded/approved	<p>Internet banking is operated by the parish council.</p> <p>Recommendation: as the Council uses internet banking transfer, it should be mindful that all payments should be made in accordance with Council's FRs (6.9 and 6.10). Council should consider implementing a procedure whereby an on-line payment slip is signed to ensure that there is an effective system in place to reduce the risks of error. This will not only protect the RFO but will fulfil an internal control objective to ensure the safeguarding of public money. Council should also consider introducing specific control procedures for payments by bank transfer or other electronic means to ensure that the risks brought about by the ease and speed of such transactions and the difficulties faced in unravelling them should there be errors are mitigated. Such control procedures for any payments by bank transfer, or other electronic means, might include verification of expenditure</p>

		incurred by the Chair and should be added to the quarterly internal reviews undertaken by a non-signatory to the town council's accounts. The risk associated with online banking should be added to the Council's Annual Financial Risk Assessment.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and stands at £2,200.33 at year-end.
	Has Council adopted the General Power of Competence and is it being correctly applied?	At its meeting of 15 th January 2020, Council confirmed that it fulfils the criteria under the Localism Act 2011 Section 1-8 to adopt the power and it was resolved to adopt the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	There were no payments made under this power for the year under review.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There are no public works loans in place.
4. Risk Management	Is there evidence of risk assessment documentation?	At the meeting of 21 st August 2019, Council reviewed and approved its Annual Risk Assessment which covers in general terms the matters which could possibly prevent a smaller relevant body from functioning. <i>Comment: Overall within its Risk Assessment Register, 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 a Risk Management Strategy which was reviewed and adopted by the Parish Council on 19 th February 2020. However, Council's documents need to identify the risks associated with ensuring that public finances are adequately protected and managed should take into account Council's own FRs. The documentation of specific control procedures that will be adopted by the council for payments not only protects the RFO but also fulfils an internal control objective.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance from AXA for the period from 1 st May 2019 to 31 st March 2020 was reviewed during the Internal Auditor's visit. Core cover shows the following: Public Liability £15,000,000; Products Liability £10,000,000; Hirers Liability £2,000,000 &

		<p>Employers Liability for the period was also seen with cover being stated at £10,000,000. Fidelity Guarantee Cover is £150,000 which given the current balances held by the Council is below recommended guidelines.</p> <p>Recommendation: given the current levels of finances, Council should review the appropriate level of fidelity guarantee insurance being held. Council should be aware that all cover should be risk based and should be kept under constant review to make sure it adequately reflects changes in circumstances.</p>
Evidence that insurance is adequate and has been reviewed on an annual basis		<p>At its meeting of 18th March 2020, Council approved the insurance renewal premium noting that adjustment were required with regards to the value of assets held - see Assets below.</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.</i></p>
Evidence that internal controls are documented and regularly reviewed		<p>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 controls of the Financial Risk Management Strategy, full Council, at its meeting of 19th February 2020, reviewed its arrangements for internal control to achieve this.</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.</i></p>
Evidence that a review of the effectiveness of internal audit has been carried out during the year		<p>There was no minute to show that the Council had carried out a review of the effectiveness of internal audit.</p> <p>Recommendation: in accordance with the Accounts and Audit Regulations 2015, Council should take steps to ensure that it reviews the scope of Internal Audit within its risk assessment on an annual basis.</p>

5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The budget in the sum of £54,864 was approved at the meeting of 20th November 2019.</p> <p><i>Comment: Council has shown good practice by following proper practices which state that the recommended key stages as to the budgetary process to be followed for the year are:</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> • <i>approve the budget;</i> • <i>confirm the precept or rates and special levies; and</i> • <i>review progress against the budget regularly throughout the year.</i>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept in the sum of £51,314 was set by the Monitoring Officer at Forest Heath for the newly established parish council.
	Regular reporting of expenditure and variances from budget	<p>In accordance with Council's own FRs, there are regular reviews detailing comparisons between the detailed budget heads and income / expenditure for the year showing variances, together with detailed bank reconciliation reports submitted to full Council.</p> <p>Virements between budgets are approved in accordance with Council's own Financial Regulations and Council is aware that a virement from reserves into the revenue budget may only be made following a resolution of the Council, or duly delegated committee.</p> <p><i>Comment: in accordance with guidance stated within section 5 of the Governance and Accountability Guide for Smaller Authorities In England, Council has understood that by reviewing the budget</i></p>

		<p>against actual expenditure regularly, members are given early warning about the likelihood of a shortfall (or surplus) which will them to decide what responsive action to take. Council has followed guidance by ensuring that its members understand how the budget is put together and how it should be used in the running of the authority.</p>
	<p>Reserves held</p> <p>General and Earmarked.</p>	<p>For the year ending 31st March 2020 Council had General Reserves of £23,206.54 and Earmarked Reserves of £200,000 of which £20,000 is allocated as a Contingency Reserve.</p> <p><i>Comment: Council has reviewed the level of general reserves during the year under review ensuring that it has sufficient reserves and contingency sums in order to meet, within reason, any unforeseen items of expense that may occur.</i></p> <p>Although Council has a Reserves Policy in place, Council might wish to consider ensuring that it is completed with the date of adoption and review date, thereby ensuring that the policy is regularly reviewed, fit for purpose and adhered to.</p>
6. Income controls	Is income properly recorded and promptly banked?	<p>A number of items of income were cross checked against cash book, paying-in book, bank statement and invoices. All were found to be in order and in accordance with Proper Practices, the RFO ensures that the accounting records contain entries from day to day of all sums of money received. Spot checks on further items paid under BACS / Direct Credit into the Council's Accounts were cross checked against cashbook, bank statements and invoices raised by the Parish Council. All were found to be in order with an underlying audit trail.</p>
	Is income reported to full Council?	<p>Income is reported in accordance with the Council's own Standing Orders and forms part of the Financial Reports submitted to Council.</p> <p><i>Comment: the RFO, in the reporting of income received ensures that Council not only adheres to FR 9.1 with the collection of all sums due to the Council, but also fulfills an internal control objective requiring that cash and cheques should be entered into</i></p>

		<i>the cash book on the date of receipt and banked promptly and intact (i.e. without any of the cash being kept back for spending).</i>
	Does the Precept recorded agree to the Council Tax Authority's notification?	The Council received precept of £51,314 in April 2019 as per the remittance advice received from West Suffolk District Council.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	There were no CIL Funds received for the year under review.
7. Petty Cash	Is a petty cash in operation?	Petty cash is not operated by the smaller authority.
	If so, is there an adequate control system in place.	There is a satisfactory expense system in place.
8. Payroll controls	Do all employees have contracts of employment?	All members of staff have employment contracts in place. The new Clerk / RFO appointment was confirmed at the meeting of 18 th December 2019.
	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 system is administered in house in accordance with the RTI system. Salaries are paid in accordance with contracted hours worked with agreement for variations by relevant committee and/or 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?	Spot checks were carried out on a number of items of salary, PAYE and National Insurance contributions and these were all found to be in order. 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. <i>Comment: There are robust 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 and has met its pension obligations.</i>
	Is there evidence that the Council is aware of its pension	As a newly established parish council, Council should ensure that it

	responsibilities? Are pension payments in operation?	records evidence that it has complied with its duties as an employer with regards to automatic enrolment and that it has completed and submitted a declaration of compliance to the Pension Regulator.
	Are other payments to employees reasonable and approved by the Council?	There is a satisfactory expense system in place and Council ensures that all expense claims are submitted in accordance with its Travel Expenses Policy.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	<p>It is noted that the declared value for all assets at year-end (31.03.2020) was £28,925.15. All assets have been stated as at cost value (fixed as at 2010 in accordance with the basis as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA)) and where assets have been gifted or where there is no known value have been given the proxy value of £1. It is noted that a number of items were revalued in 2019 for insurance purposes only.</p> <p><i>Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2018 on the valuation of its assets and has ensured that where the insurance 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	A review of the asset register was considered by the Council at its meeting of 18 th March 2020 at which Council agreed that the insurance schedule needed to be adjusted to ensure that the asset register accurately included all capital acquisitions as recorded in the council's register.
10. Bank reconciliation	Regularly completed and reconciled with cash book	<p>Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets.</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, particularly when there are competing priorities.</i></p>

	Confirm bank balances agree with bank statements	<p>Bank balances as at 31st March 2020 stand at overall: £223,206.54 broken down as follows: Current Bank Account: £2,863.28 Deposit Bank Account: £200,343.26</p> <p>At a meeting of 18th December 2019, with the objective of prudently investing some of its balance, Council agreed to invest £200,000 into a savings account.</p> <p><i>Comment: Council has taken into account the guidance as per Proper Practices on the treatment of investments which states that it is unusual for an authority to hold its reserves other than in the form of easily accessible bank deposits or other short-term investments.</i></p> <p>Recommendation: Council should adopt an Investment Strategy ensuring that it covers Section 15(1) of the Local Government Act 2013 and has regard to such Guidance as the Secretary of State may issue. In accordance with guidance, the authority's investment strategy should set out management arrangements for the investments held and procedures for determining the maximum periods for which funds may prudently be committed.</p>
	Regular reporting of bank balances at council meetings	<p>Overall there is regular reporting of bank balances within the financial reports submitted on a quarterly basis to the Property and Finance Committee and at each relevant meeting of full Council.</p> <p><i>Comment: Council has followed good practice by ensuring that the reconciliation of the cash book to bank statements is reported to members. Approval of the bank reconciliation by the Chair of the Parish Council is not only good practice but it is also a safeguard for the RFO and may fulfil one of the authority's internal control objectives.</i></p>
11. Year-end procedures	Appropriate accounting procedures used	Accounts are produced on a receipt and payment 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.

	Has the appropriate end of year Annual Governance and Accountability Return (AGAR) documents been completed?	As the Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5million it has completed Part 3 of the AGAR.
	Where an authority certified itself exempt in 2018/19, did it meet the exemption criteria and correctly declared itself exempt?	The Parish Council was established on 1 st April 2019 as a new parish separate from Mildenhall parish of which it was formally a part of.
	During 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 Parish Council was established on 1 st April 2019 as a new parish separate from Mildenhall parish of which it was formally a part of.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>Under the Accounts and Audit Regulations 2015, authorities must publish the following information on a publicly accessible website:</p> <p>Before 1 July authorities must publish:</p> <ul style="list-style-type: none"> • Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited; • Section 1 - Annual Governance Statement, approved and signed, page 4 • Section 2 - Accounting Statements, approved and signed, page 5 <p>Not later than 30 September authorities must publish:</p> <ul style="list-style-type: none"> • Notice of conclusion of audit • Section 3 - External Auditor Report and Certificate • Sections 1 & 2 of AGAR including any amendments as a result of the limited assurance review <p><i>Comment: in accordance with the Accounts and Audit Regulations, Council must ensure that it publishes the above information on its website. It is also recommended as best practice, to avoid any potential confusion by local electors and interested parties, that the Annual Internal Audit Report, page 3 of the AGAR is also published.</i></p>
	The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020	Owing to the increasing impact of COVID19 MHCLG has made amended Regulations which extend the statutory audit deadlines for 2019-20 only for all Category 2 smaller authorities (town and parish councils, parish meetings, internal drainage boards and

		<p>other authorities).</p> <ul style="list-style-type: none"> • The requirement for the public inspection period to include the first 10 working days of July has been removed • Instead, smaller authorities must commence the public inspection period on or before 1 September 2020. Authorities are urged to commence this period as soon as possible • The AGAR must be approved and published by 31 August 2020 at the latest or may be approved earlier, wherever possible. <p>This means that for 2019-2020, the period for the exercise of public rights can now be held at any time after the approval of the accounts and AGAR provided it is commenced by 1 September at the latest.</p>
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Parish Council was established on 1 st April 2019 as a new parish separate from Mildenhall parish of which it was formally a part of.
	Confirmation of appointment of Internal Auditor	<p>There was no minute to show that SALC had been appointed to act as the Parish Council's Internal Auditor.</p> <p>Recommendation: whilst it is for Council to determine how best to meet the statutory requirement for internal audit, having regard to its business needs and circumstances, such an appointment should be made by Council and should be subject to an engagement letter on first appointment by the authority, setting out the terms of the appointment.</p>
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The Parish Council was established on 1 st April 2019 as a new parish separate from Mildenhall parish of which it was formally a part of.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Council was held on 15 th May 2019 with the first item on the agenda being the election of the town mayor in accordance with the Local Government Act of 1972 15(1).
	Correct identification of trustee responsibilities	The Council is not a sole trustee.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	Council is taking steps to demonstrate that it is working towards ensuring compliancy with the minimum datasets that should be published as per the requirements as set out in the Local

		Government Transparency Code (2015). These include: the quarterly reporting of spending transactions valued over £500; quarterly publication of transactions carried out using a government procurement card; quarterly publication of details of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000; quarterly publication of details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000; annual reporting of organisational charts, annual reporting of all grants made to voluntary, community and social enterprise organisations and the location of public land and assets.
	Verifying that the council is registered with the ICO	The Council will be considering the proposal to register with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation at its meeting scheduled for May 2020.
	<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"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>Whilst Council has considered the main concepts and principles of the General Data Protection Regulations (GDPR) which came into force in May 2018, further input will be required from Council to ensure full compliance with GDPR.</p> <p><i>Comment: Council is taking steps to ensure compliancy with the GDPR requirements and will produce further policies that provides clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR. Policies that should be considered are: Procedures for dealing with Subject Access Request; Procedure for dealing with Data Breaches; Data Retention & Disposal Policies and BYOD Policies.</i></p>

Signed: *Victoria S Waples*

Date of Internal Audit : 06.06.20

Date of Internal Audit Report: 08.06.2020

On behalf of Suffolk Association of Local Councils