

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	RED LODGE PARISH COUNCIL
Income:	£229,602
Expenditure:	£293,199
Precept Figure:	£131,800
General Reserve:	£34,154
Earmarked Reserves:	£280,752

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 the Rialtas Financial Accounting/Booking Package which produces reports on an Income and Expenditure basis.
	Cash book kept up to date and regularly verified against bank statement	Spot checks were made and found to be correct. <i>Comment: The RFO ensures that the cash book is the focus for day-to-day accounting and is aware that the balancing off and reconciliation to the bank statement remains the most important control over the accounting system.</i>
	Correct arithmetic and balancing	Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance. <i>Comment: the smaller authority follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.</i>
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Model Standing Orders (SO) with particular reference to Red Lodge Council were verified during the internal audit and can be viewed on the Council's website. These were formally re-adopted by the Council on 14 th May 2019. <i>Comment: the SOs have been reviewed and amended to reflect the provisions in the Model SOs produced by NALC in 2018 which takes into account recent changes in legislation, with amendments made to reflect the manner in which the smaller authority operates. Council has also ensured, in accordance with Proper Practices, that its financial regulations incorporate provisions for securing competition and regulating the manner in which tenders are invited.</i>

	Evidence that Financial Regulations have been adopted and reviewed regularly	<p>Financial Regulations (FRs) as adopted at a meeting of 14th May 2019 were reviewed, amended and readopted at a meeting of full Council of 25th February 2020 to take into account the provisions of the Model FRs as produced by NALC in 2019.</p> <p><i>Comment: In accordance with Proper Practices, Council has ensured that its financial regulations incorporate provisions for securing competition and regulating the manner in which tenders are invited. Agreement is in place that there will be regularly reviewed, fit for purpose, and adhered to.</i></p>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Parish Council, at a meeting of 14 th May 2019, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, confirmed 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 is aware of the requirement to ensure that the Financial Regulations are fully tailored to the Town Council by removing the alternative options for a council and in particular removing the square brackets [] as this creates ambiguity. The current Financial Regulations seen are annually reviewed and have been adapted to the Parish Council to reflect the financial regulations governing how it operates.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	<p>A selection of random payments were cross checked against cheque book, cash book, bank statement, invoice and list of cheque payments for approval. All cheque stubs and invoices were initialled. All were found to be recorded/ authorised in accordance with Proper Practices. A further spot check of items paid via the BACS/Direct Debit system from the Council's Accounts were cross checked against cash-book, bank statements and invoices. All were found to be in order.</p> <p><i>Comment: The Parish Council continues with its practise of ensuring that Standing Order payments and Direct Debits incurred for the month are submitted to Full Council in accordance with Council's Own Standing Orders and Financial Regulations.</i></p>

	Internet Banking transactions properly recorded/approved	<p>Council, in using internet banking for the settlement of its accounts, is mindful that all payments should be made in accordance with Council's FR 6.9, and that evidence is retained showing which members approved the payment.</p> <p><i>Comment: Council has shown good practice by ensuring that the implemented 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 is evident for all such payments. This not only protects the RFO but will fulfil an internal control objective to ensure the safeguarding of public money.</i></p>
		<p>VAT is identified in the purchase ledger cash book and is reclaimed on a quarterly basis. An analysis of the file showed that claims up to and including January 2020 had been submitted and settled during the year under review.</p> <p>The year-end position for VAT was verified as being in accordance with the year-end position on the Council's cash-sheets.</p>
	Has Council adopted the General Power of Competence and is it being correctly applied?	<p>Full Council, having confirmed that it meets the criteria to adopt the General Power of Competence, previously resolved at a meeting of 14th May 2019 that the General Power of Competence be adopted.</p>
	S137 separately recorded, minuted and within statutory limits	<p>S137 payments are clearly identified within the cashbook and within statutory limits.</p> <p><i>Comment: Council is aware that the use of S137 of the LGA 1972 (as amended by the Local Government and Housing Act 1989 s36) is a capped expenditure 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></p>
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	<p>There were none applicable for the year under review.</p>

4. Risk Management	Is there evidence of risk assessment documentation?	The Risk Assessment Document for the period 1 st April 2019 to 31 st March 2020 was approved by the Council at a meeting of 25 th February 2020 and comprehensively covers the matters which could possibly prevent a smaller relevant body from functioning. It is noted that the risk associated with online banking has been added to the Council's Annual Financial Risk Assessment.
	Evidence that risks are being identified and managed.	Council, within its Internal Controls and Risk Management Document has identified and introduced 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. <i>Comment: Council has shown good practice by ensuring that any payment by bank transfer, or other electronic means, includes verification of expenditure incurred by two authorised signatories with evidence being retained and reported to Council as made. internal reviews undertaken by a non-signatory to the town council's accounts.</i>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance from Zurich for the period from 1 st October 2019 to 30 th September 2020 was reviewed during the Internal Auditor's visit. Core cover shows the following: Public Liability £10,000,000; Products Liability £10,000,000; Employers Liability £10,000,000; Business Interruption. Fidelity Guarantee Cover is £750,000. Buildings under Insurance with Material Damage cover is Red Lodge Pavilion.
	Evidence that insurance is adequate and has been reviewed on an annual basis	The annual review of insurance cover and rates for the year 2019-2020 was considered by full Council at its meeting on 24 th September 2019 with at renewal agreed on a premium based on a 3-year long term undertaking. It is noted that the broker used by the Town Council had changed its insurance policy and cover would be in place for any assets owned by the Council up to the value of £150,000 regardless of whether it was on the Asset Register.

	Evidence that internal controls are documented and regularly reviewed	<p>With reference to the Accounts and Audit Regulations 2015, Council carried out a review of its internal controls by reviewing the manner in which it identified and prioritised the risks to achieving the Council's aims, policies and objectives. The Internal Control Statement was considered and adopted by Council at its meeting of 25th February 2020.</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 and its Internal Control Statement details the manner in which it aims to achieve this.</i></p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	<p>In accordance with the Accounts and Audit Regulations 2015, within the Internal Control Statement, the Parish Council reviewed the effectiveness of internal audit and accepted the internal audit plan as proposed by Suffolk Association of Local Councils as being comprehensive and that it would evaluate the effectiveness of its risk management, control and governance processes taking into account internal audit processes for smaller authorities.</p> <p><i>Comment: In accordance with the Accounts and Audit Regulations 2015, Council is aware that it should formally review the scope and effectiveness of its internal audit arrangements and that in accordance with the Accounts and Audit Regulations 2015, this document should be reviewed from time to time and/or at least once every three years and also in the year of any change/or appointment of the internal audit provider or responsible finance officer.</i></p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Parish Council at its meeting on 11 th December 2018 resolved to set a budget of £131,800 which was to be funded by the Precept.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	It was resolved at a meeting of full Council on 11 th December 2018 that the precept in the sum of £131,800 for the period April 2019 – March 2020 be approved.

	Regular reporting of expenditure and variances from budget	In accordance with Council's own Standing Orders and Terms of Reference, a quarterly statement summarising the Council's receipts and payments for the quarter, the Council's aggregate receipts and payment for the year to date and balances held is submitted to Full Council. This includes a comparison with the budget for the financial year. Particular issues of concern are reported to full Council for deliberation.
	Reserves held General and Earmarked.	For the year ending 31 st March 2020 Council had General Reserves of £34,154 (rounded) and Earmarked Reserves of £280,752. <i>Comment: during the year 2019 /20 Council complied with FR 4.2 and ensured that where expenditure was to exceed the amount provided in the revenue budget for that class of expenditure, a virement from reserves into the revenue budget would be made following a resolution of the council, or duly delegated committee.</i>
6. Income controls	Is income properly recorded and promptly banked?	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. Full Council at its meeting of 26 th November 2019 reviewed the current fees and charges and resolved to freeze them at the current rate. There were no outstanding sales ledger invoices for the period ending 31 st March 2020. <i>Comment: in accordance with guidance, and essential as part of proper financial management, the Town Council maintains an effective debt collection by ensuring that invoices raised are</i>

		<i>paid promptly or that appropriate recovery action has been taken.</i>
	Is income reported to full Council?	Income is reported within the financial reports submitted to full council at each meeting.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council received precept of £131,800 in April 2019 as per the remittance advice received from West Suffolk District Council. <i>Comment: Evidence was provided showing a full audit trail from Precept being discussed, approved and served on the Charging Authority to remittance advices showing the Precept to be paid and 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?	CIL is not operated within the West Suffolk District.
7. Petty Cash	Is a petty cash in operation?	All petty cash payments are supported by receipts and are entered into the petty cash book.
	If so, is there an adequate control system in place.	Petty cash reconciliations are carried out on a monthly basis and a summary is reported to the Council.
8. Payroll controls	Do all employees have contracts of employment?	All members of staff have employment contracts in place with new contracts issued for 2019 -2022 as confirmed at the meeting of 25 th February 2020.
	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.	Suffolk Association of Local Councils is contracted to provide the payroll system in accordance with the RTI system. At year-end Council had nine employees on the payroll. In accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Finance and Personnel Committee. <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>
	Do salary payments include deductions for PAYE/NIC?	Cross-checks were completed on a selection of salary, PAYE and pension contributions and those made during the year

	Is PAYE/NIC paid promptly to HMRC?	2019 - 2020 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 were paid to HM Revenue and Customs and LGPS and Nest on or before the dates prescribed.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	<p>Agreement was forthcoming at the meeting of the 11th December 2019 to enrol all staff into a pension scheme. During the year, Council completed its Re-declaration of compliance with regards to automatic enrolment duties on 14th April 2019 confirming that two members of staff were being automatically re-enrolled.</p> <p><i>Comment: Council has complied with its duties under employment legislation and has met its pension obligations.</i></p>
	Are other payments to employees reasonable and approved by the Council?	All other payments / expenses paid are against itemised invoices submitted to and approved by the Council.
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) is £303,942 which shows movement through the register incorporating additional equipment purchased in the year ending 31st March 2020 to the value of £30,505.</p> <p>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.</p> <p><i>Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and has ensured that where the 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	Whilst the Asset Register will be formally signed off with the finalisation of the Annual Accounts to ensure the figure in Section 2, Box 9 of the AGAR accurately reflects the Council's assets, a review of the asset register along with movement was considered and approved by the Council at the meeting of 11 th December 2019.
	Cross checking of Insurance cover	It is noted that the cover for under the Policy held by the Parish Council is for an All Risks cover up to the value of £1,500,000 for items held within the parish council's ownership. Cover is also in place for The Pavilion at Hundred Acre Way.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets. <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>
	Confirm bank balances agree with bank statements	Bank balances as at 31 st March 2020 agree with the year-end bank statements: £320,352.27 which are broken down as follows: Parish Bank Account: £120,343.18 Petty Cash: £39.36 Pavilion Bank Account: 92,935.10 Pavilion Petty Cash: £42.18 Deposit Account: £106,842.15 Bar Float: £150.00 Credit Card: £0
	Regular reporting of bank balances at council meetings	Overall there is regular reporting of bank balances within the detailed financial reports submitted to the Parish Council. <i>Comment: in accordance with Proper Practices, the Council has implemented a system whereby the Chair of the Council formally signs off the bank reconciliation which is not only good practice but is also a safeguard for the RFO and may fulfil one of the authority's internal control objectives.</i>

11. Year-end procedures	Appropriate accounting procedures used	Accounts are produced on an income and expenditure basis. All were found to be in order. Where appropriate debtors and creditors have been properly recorded.
	Financial trail from records to presented accounts	<p>There is an underlying financial trail from financial records to the accounts produced.</p> <p>Year-end balance sheets shows position as at 31st March 2020 as: £314,906 Total Assets: £324,850 Total Liabilities: £9,944</p> <p>Year-end balances agree with cash book and bank reconciliations: £320,352.27 Total Debtors: £4,497.76 Total Creditors: £9,943.57 Total Reserves: £314,906.46 Funded by: Parish Bank Account: £120,343.18 Petty Cash: £39.36 Pavilion Bank Account: 92,935.10 Pavilion Petty Cash: £42.18 Deposit Account: £106,842.15 Bar Float: £150.00</p>
	Has the appropriate end of year AGAR documents been completed?	<p>As 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.</p> <p>Section 2 - Accounting Statements of the AGAR was completed at the time of Internal Audit but is unsigned and is to be presented to full Council for approval.</p>
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Council was a smaller authority with gross income and expenditure exceeding £25,000 during the year 2018/19, it was not able to certify itself as an exempt authority.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 st March 2019 were on the public website used by the Council.

	<p>Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015</p>	<p>The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million and published the following on a public website:</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 of the AGAR – signed and approved • Section 2 – Annual Accounting Statements of the AGAR – signed and approved • Section 3 – External Auditor Report and Certificate • Notice detailing the Conclusion of the Limited Assurance Review • The Annual Internal Audit Report
	<p>The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020</p>	<p>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 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 internal audit report for the period ending 31 st March 2019 was reviewed and accepted by full Council at its meeting of 21 st May 2020. <i>Comment: in accordance with Proper Practices, the Responsible Financial Officer has produced an Internal Audit Action Plan for the Financial Year 2018/2019 which allows Council to review the areas identified for development or change and implement relevant actions where necessary.</i>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The report was presented to Council at the above meeting following the receipt of the internal audit report and set out the four areas for amendments / discussion: <ol style="list-style-type: none"> 1. Add internet payments to fin risk along with mitigation measures - completed 2. Earmarked funds for staff costs – in-hand 3. Adoption of Investment Policy - completed 4. Consideration of Investments for funds held - ongoing
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council’s Internal Auditor at a meeting of full Council of 14 th May 2019 with confirmation of booked date reported to full Council at its meeting of 28 th January 2020
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The external auditor Report and Certificate, for the period ending 31 st March 2019, was considered by full Council at its meeting on 24 th September 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	There were no matters which necessitated the issuing of a separate report. The Notice of Conclusion of the Audit was seen on the Council’s website. <i>Comment: in accordance with Regulation 20 of the Accounts and Audit Regulations 2015, Council has ensured that, following the completion of an audit, the Parish Council considered and received the audit letter from the local auditor and that this was done as soon as reasonably practicable.</i>
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Council was held on 14 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	<p>Council has taken steps to ensure continual compliancy with the minimum datasets that should be published on a publicly available website as per the requirements as set out in the Local Government Transparency Code (2015). This Code applies to local authorities, including parish councils with annual income or expenditure (whichever is the higher) over £200,000.</p> <p><i>Comment: Publication requirements include the quarterly reporting of spending transactions valued over £500; procurement information - quarterly publication of details of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000 and 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 publication of details of all land and building assets owned by the council; the annual reporting of organisational charts; annual reporting of all grants made to voluntary, community and social enterprise organisations; the location of public land and assets; publication of constitution.</i></p>
	Verifying that the council is registered with the ICO	The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation – Registration No. ZA322497.
	<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 	Council has taken steps to ensure compliancy with the GDPR requirements and has produced an action plan and carried out a personal data audit to ascertain the data the council is processing, what it is used for, where it is located and who has access to it. During 2018, Council appointed an external body to act as the Council's Advisory Protection Officer which was reconfirmed at the Council's Annual Meeting on 14 th May

	<ul style="list-style-type: none"> • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>2019. Council is continuing to monitor matters to ensure the process is managed at all times.</p> <p><i>Comment: The Privacy Policy on the Town Council's website covers the framework that the public can expect 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></p>
		<p>The Internal Auditor offers her appreciation for the assistance given by the Parish Clerk in completing this audit.</p> <p>The internal audit review, undertaken on the documentation provided to the internal auditor and that published on the Council's website, has provided evidence of the overall adequacy of the financial arrangements in place within the Council. Council is to be commended for ensuring that the robust systems in place are adhered to and operates to a high standard.</p> <p>For further information and for the year effective 1st April 2020 please refer to Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements - March 2020.</p>

Signed: *Victoria J Waples*

Date of Internal Audit Visit: 14.05.2020

Date of Internal Audit Report: 14.05.2020

On behalf of Suffolk Association of Local Councils