



FRM(20)05.03

**Interim Internal Audit Report  
For the Period Ending 31<sup>st</sup> December 2019**

<b>Name of Council:</b>	Melton Parish Council
<b>Income to date:</b>	£362,647 (rounded)
<b>Expenditure to date:</b>	£116,601 (rounded)
<b>Precept figure:</b>	£77,998
<b>General Reserve:</b>	£79,770 (rounded)
<b>Restricted Reserve:</b> <b>Earmarked Reserve:</b>	£321,398 (rounded) £2,067 (rounded)

**These figures are taken from the report to Full Council on 15 January 2020 and are agreed**



### 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 particular 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 2019/2020 of the Annual Governance and Accountability Return 2019/2020 - Part 3
- 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 is in compliance
- 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
<p><b>1. Proper book-keeping</b></p>	<p>Cash book updated regularly.</p> <p>Correct arithmetic and balancing.</p>	<p>The Council uses the Rialtas accounting package which produces reports on an Income and Expenditure basis. 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.</p> <p>Spot checks were made and found to be correct. 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.</p> <p><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></p>
<p><b>2. Financial regulations &amp; standing orders</b></p>	<p>Evidence that standing orders and financial regulations have been adopted.</p>	<p>Model Standing Orders with particular reference to Melton Council, were reviewed and adopted by full Council at a meeting of 13<sup>th</sup> March 2019. Model Financial Regulations (FR) were on the agenda for adoption by the Council on 15<sup>th</sup> January 2020.</p> <p>It is noted that both the Standing Orders and Financial Regulations have been reviewed and amended to reflect the provisions in the Model Standing Orders produced by NALC in 2018 and Model Financial Regulations produced by NALC in 2019, both of which take into account recent changes in legislation, with amendments made to reflect the manner in which the smaller authority operates.</p> <p><i>Comment: in accordance with Proper Practices, the smaller authority has ensured that its financial regulations incorporate provisions for securing competition and regulating the manner in which tenders are invited. The Council is aware of Proper Practices which state that both Standing Orders and FRs should be in place, regularly reviewed, fit for purpose, and adhered to.</i></p> <p><i>Council is also aware of the requirement to ensure that the Standing Orders and Financial Regulations 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.</i></p>



	<p>Bank Mandates</p>	<p><b>Suggestion:</b> council should consider amending FR 6.16 to reflect the current position and establish a usage policy which ensures that any specific control procedures for the use of a credit or debit card explains the responsibility of the user employees, the expenses they can incur using the credit or debit card and the necessary supporting documentation and/or approval they need to provide with respect to each expense, are accurately reflected within the Council's own Financial Regulations. Council should also consider expanding FR 6.16 to allow for the automatic payment of full balances at the end of the month. MPC will not be using credit cards so the issue of repaying balances will not arise. The issuing of a debit card on the Barclays account to the Asst Clerk has not yet happened, given the fact that all expenditure on the Barclays account incurs charges. A discussion about enabling this needs to take place at FERM committee. An alternative approach would be to issue her with a debit card on the Lloyds account. FR 6.16 can be expanded to set out in simple terms the usage of such cards. Control procedures are that there is a form to record usage to which the invoice / voucher is attached and the use is identified clearly in the cashbook by the use of the term DEBIT CARD in the left hand column of the cashbook</p> <p>Whilst the terms of reference for the FERM Committee state that its purpose under D (x) is "To make whatever banking and investment arrangements are appropriate", Council should be aware that FR. 5.1 states that the council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the council; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency. This is a correct interpretation of Reg 4 of the Accounts &amp; Audit Regs 2015 which place responsibility on the RFO for determining the form of accounting records and financial control systems. I consider it important however for councillors on FERM to be involved in this and there is no reason why the T of R and FR 5.1 cannot be made compatible by perhaps changing T of R (x) to read something like "to consider or review the banking arrangements in conjunction with the RFO and advise the council. This can be discussed.</p> <p><b>Suggestion:</b> Council might wish to review FR 5.1 to ensure this reflects the delegated powers of the FERM Committee.</p> <p>At the same meeting of the FERM of 10<sup>th</sup> July 2019, it was agreed to make a number of amendments and appointments to the signatories on the parish council's bank accounts.</p>
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	<p>VAT is identified and reclaimed.</p> <p>Regular payments.</p> <p>Legal Powers identified within the cashbook and/or financial statements</p>	<p><b>Suggestion:</b> the smaller authority reviews FR 5.1 which states that “The council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the council; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency. The council may seek credit references in respect of members or employees who act as signatories” and makes necessary amendments to ensure that the terms of reference for the FERM Committee reflect the Council’s own FR. <i>Further to the comments above the role of FERM could be made advisory. Full council will need to confirm any decision (recommendation) not to seek references.</i></p> <p>VAT is identified in the cash book and reclaimed on a quarterly basis. The VAT reclaim for the period ending 30<sup>th</sup> June 2019 was submitted in July 2019 with the amount of £1,827.47 settled by HM Revenue and Customs (HMRC) on 7<sup>th</sup> August 2019, whilst the reclaim for the period ending 30<sup>th</sup> September 2019 of £4,148.28 was submitted in December 2019 with settlement by HMRC on 24<sup>th</sup> December 2019. <b>Explanatory note:</b> Normally VAT reclaims are made in the month following the end of the quarter, but because of IT changes we lost the link to HMRC and re-establishing it took a very long time, because we did not have the original VAT registration certificate or date of registration and HMRC would not send a replacement without other procedural requirements – all of which had to be done by post</p> <p>Evidence of the claims submitted was seen as produced by the accounting package operated by the RFO.</p> <p>A 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>There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137.</p> <p><b>Suggestion:</b> It is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense, thereby it is a requirement that the council ensures that all financial decision or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. The RFO might wish to investigate the possibility of expanding the financial</p>
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	<p>S137 Expenditure identified and within limits</p> <p>Public Works Loan Board</p> <p>Payments of interest and principal sums in respect of loans.</p>	<p>report to reflect the powers used to incur expenditure. <b>This suggestion is something that this auditor always raises. The idea is that against every item of expenditure e.g. on postage stamps, we would put the legal power that allows it – in that case s111(1) Local Government Act 1972. There is no legal requirement to do this – only that the councillors are responsible for ensuring the financial health of the council with the RFO being responsible for the design and implementing of the accounting arrangements (see Governance and Accountability for Smaller Authorities in England – Practitioner’s Guide – March 2019). For obvious reasons stating the legal power for all payments tends to be done by small councils with relatively few transactions and Melton has never done this. Payments of grants under s137 are required to be identified and therefore are shown as such</b></p> <p>Payments made under this power for the period under review totalled £500 and were in accordance with legislation and limits. S137 payments are clearly identified within the cashbook.</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. The Clerk ensures that members are aware of the limitations of this power.</i></p> <p>During the year ending 31<sup>st</sup> March 2019, the Council received a loan approval from the Ministry of Housing, Communities and Local Government for the sum of £400,000 which was transferred to the parish council in December 2018. The council drew down the loan in the sum period.</p> <p>Repayment of interest on the above loan in the sums £8,665.08 was paid on 24<sup>th</sup> June 2019 with a further repayment of £9,819.62 on 1<sup>st</sup> November 2019, both via Direct Debit in accordance with the schedules seen.</p>
<p><b>4. Budgetary controls</b></p>	<p>Verifying that the budget has been properly prepared, and agreed.</p>	<p>Full Council, at a meeting of 9<sup>th</sup> January 2019, approved the recommendation from the FERM Committee that a budget in the sum of £106,634 be set. At the same meeting it was agreed to set a precept of £77,998.27 being an increase of £0.96 on a Band D property.</p>

	Regular reporting of expenditure and variances from budget.	<p>In accordance with Council’s own FR 4.8, monthly detailed reports, incorporating cashbooks for the council’s various accounts showing the cumulative detailed income and expenditure for the year to date; comparison between the detailed budget heads and income / expenditure for the year showing variances, together with detailed bank reconciliation reports are made to all meetings of both Council and the FERM Committee.</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: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> <li>• <i>decide the form and level of detail of the budget;</i></li> <li>• <i>review the current year budget and spending;</i></li> <li>• <i>determine the cost of spending plans;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>bring together spending and income plans;</i></li> <li>• <i>provide for contingencies and consider the need for reserves;</i></li> <li>• <i>approve the budget;</i></li> <li>• <i>confirm the precept or rates and special levies; and</i></li> <li>• <i>review progress against the budget regularly throughout the year.</i></li> </ul>
<b>5. Risk Management</b>	<p>Evidence that risks are being identified and managed.</p> <p>Terms of Reference</p> <p>Policies</p>	<p>The FERM Committee receives updated reports on ‘live’ risks being managed by the Council which covers action taken or actions required to be undertaken to ensure that the risk is managed by the Council. At the meeting of 11<sup>th</sup> December 2019, agreement was given that that the risk assessment template produced for compliance with Data Protection Legislation, will be considered by FERM Committee at its February and October meetings each year.</p> <p>The Council’s Terms of Reference for its standing committees and working groups was reviewed and updated in September 2019 which ensures that decisions taken at meetings adhere to the Council’s policies and procedures.</p> <p>Whilst Council has a number of policies by which it abides, it might be advantageous to create a Policy File which, in accordance with best practice, should provide details of the policies adopted by the Council, the date the policy was last reviewed and the next</p>

	<p>Evidence that a Responsible Financial Officer has been appointed with specific duties.</p> <p>Evidence that internal controls are documented and reviewed.</p> <p>Evidence that a review of the effectiveness of internal audit has been carried out during the year</p>	<p>review date/period thereby ensuring that each policy is regularly reviewed and fit for purpose. <i>We provide a cover sheet on the front of each policy showing updates. Some key policies are already reviewed annually at the council's AGM. We could include a report at the AGM which shows the position on each policy. The problem here is that policies often only need updating when there is a change in legislation or government policy, so the fact that a particular policy has not been reviewed for x years does not necessarily mean it needs to be changed</i></p> <p>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.</p> <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 Internal Control Policy, Council has reviewed its arrangements to protect public money. Prior to the end of the financial year, members will be required to review and consider the Statement of Internal Control Policy for the year ending 31<sup>st</sup> March 2020. This will inform Council's consideration of Statement 2 of the Annual Governance Statement on the Annual Governance and Accountability Return (AGAR) for the year ending 31<sup>st</sup> March 2020.</p> <p><i>Comment: as the Council is proposing to make some payments by bank transfer, it should consider specific control procedures for payments by bank transfer or other electronic means thereby ensuring 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 measures should be identified within the Internal Control Policy Document. <i>The council now makes nearly all its payments by bank transfer. It is considered that the arrangements set out in the updated Financial Regulations provide adequate safeguards. A reference to the arrangements will be made in the March 2020 Internal control review document</i></i></p> <p>In accordance with the Accounts and Audit Regulations 2015, Council is aware that prior to the end of the financial year it should formally review the scope and effectiveness of its internal audit arrangements and that in accordance with the Accounts and Audit Regulations 2015, Council should formally review this document from time to time and/or at least once every three years and also in the year of any</p>
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	<p>Evidence that insurance is adequate and has been reviewed on an annual basis</p> <p>Appropriate Insurance cover in place for employment, public liability and Fidelity Guarantee.</p>	<p>change/or appointment of the internal audit provider or responsible finance officer.</p> <p><i>Comment: by reviewing the terms of reference for internal audit, Council would have followed guidance with the Governance and Accountability Guide and would recognised 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. FERM Committee will be invited to review these at its next meeting and the findings will be incorporated in the annual governance report</i></p> <p>At the meeting of 9<sup>th</sup> October 2019, members of the FERM Committee reviewed the Schedule of Insurances relating to the renewal proposal which had been approved at the full Council meeting of 11<sup>th</sup> September 2019, to ensure that it met all the Council's current requirements. It was considered that no changes were considered necessary and the Schedule was noted. At a further meeting of the full Council of 13<sup>th</sup> November 2019, in light of the 1<sup>st</sup> floor tenancy of 17 Riduna Park starting after that date, it was noted that a revised quotation had been received to include cover for loss of rent receivable was provided. This had been recommended for acceptance by members of the FERM Committee and duly paid, and full Council was asked to ratify the increase in the premium paid.</p> <p>General Insurance from Axa for the period from 1<sup>st</sup> October 2019 to 30<sup>th</sup> 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; Hirers Liability £5,000,000 &amp; Fidelity Guarantee Cover is £500,000. Employers Liability for the period was also seen with cover being stated at £10,000,000.</p> <p>Buildings are covered under Insurance with Material Damage cover for two buildings and premises with Business Interruption on all buildings and premises under insurance. All Risks cover is in place as non-location specific assets.</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> <p>In accordance with current recommended guidelines, at period-end of 31<sup>st</sup> December 2019, the Fidelity Guarantee which provides that the cover should be at least the sum</p>
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		of the year-end balances plus 50% of the precept/grants, stood at £500,000.
<b>6. Income controls</b>	Monitoring of Precept.	<p>The Council received precept of £38,999.14 in April 2019 and a further £38,999.13 in September 2019 as per the remittance advices received from East Suffolk District Council. This was reported within the financial management reports submitted to full Council in May and October 2019.</p> <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.</p>
	Monitoring of any other Income.	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.
	Reporting of income.	<p>Income is reported in accordance with the Council's own Standing Orders and forms part of the Financial Report in the minutes approved by 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 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></p>
	CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.	<p>CIL Funds received for the year under review show receipts of £ £245,651 as reported within the financial reports submitted at the meetings of full Council.</p> <p><i>Comment: in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated. Council has complied with its duty to produce an annual report that details the amount of CIL funds received and spent.</i></p>
Reserves General and Earmarked.	At the meeting of 15 <sup>th</sup> January 2020, it was reported that Council's liquid assets stood at £403,235. £321,398 of that sum relates to the restricted reserve as balance of CIL monies held, with £2,067 as earmarked reserves (WWI Heritage Event, Behind the Names, Melton Heritage Group and Good Neighbour scheme), resulting in a general reserve totalling £79,770.	

		<p><i>Comment: Council regularly reviews its 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. It is however noted that there are no earmarked reserves for staff costs.</i></p> <p><b>Suggestion:</b> to ensure that current staffing levels are able to be maintained, Council should consider earmarking funds for staff costs which would include cover for redundancy, long term sickness, maternity cover etc. It would be prudent for the Council to ensure that it had sufficient reserves to meet any unforeseen expenditure in this area. <i>Ideally that makes sense but the funds in the general reserve over the last few years, whilst perfectly adequate in accounting terms, have not been sufficient to earmark monies for staff costs, which have themselves risen significantly in recent years. This is a matter for discussion. If MPC wants to do that then it will certainly need to optimise CIL where appropriate in support of revenue funding to improve year end balances to enable the earmarking of funds in this way.</i></p>
<b>7. Petty cash/expenses procedure</b>	Established system in place with supporting documents	<p>No petty cash is operated by the smaller authority.</p> <p>There is a satisfactory expense system in place and Council ensures that all expense claim forms are standardised; accompanied by receipts and that all forms are signed by the claimant and authorised by the Parish Clerk.</p>
<b>8. Payroll controls</b>	PAYE/ NIC system in place.	<p>SALC is contracted to provide the payroll system in accordance with the RTI system.</p> <p>Council had three employees on its payroll at the period end of 31<sup>st</sup> March 2019, one of which is a member of the Local Government Pensions Scheme as operated by Suffolk County Council.</p> <p>Spot checks were carried out on a number of items of salary, PAYE and pension 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 and Suffolk County Council on or before the dates prescribed.</p> <p><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. There are robust payroll arrangements in place which ensures the accuracy and</i></p>

		<p><i>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></p> <p>At the FERM Committee meeting of 10<sup>th</sup> July 2019 - the Clerk reported that Melton PC, in compliance with its duties required by the Pensions Regulator, will be required by law to re-assess and re-enrol any eligible staff who have left the pension scheme and complete a new declaration of compliance by 2<sup>nd</sup> March 2020. It was confirmed to the internal auditor that such a declaration of compliance has already been completed and submitted by the due date.</p>
<b>9. Asset control</b>	Inspection of Asset register.	<p>It is noted that the declared value for all assets at year-end (31.03.2019) was £769,520.59 which includes the Freehold Office Building at 17 Riduna Park, Station Road, Melton, and land with Pavilion Building at Melton Road, Melton.</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 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> <p>A review of the asset register along with movement will be considered by the Council prior to the finalisation of the Annual Accounts to ensure the figure in Section 2, Box 9 of the AGAR accurately reflects the Council's assets.</p>
<b>10. Bank reconciliation</b>	Regularly completed, reconcile with cash book.	<p>Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets. Overall there is regular reporting of bank balances within the financial reports submitted at each meeting of full Council and the FERM Committee.</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</i></p>

	<p>Confirm bank balances agree with bank statements.</p> <p>Investments</p>	<p><i>priorities.</i></p> <p>Bank balances as at the period end of 31<sup>st</sup> December 2019 stand at £402,695.01 which are broken down as follows:</p> <ul style="list-style-type: none"> <li>• Barclays Bank Mixed Payments Account £ 223,476.55</li> <li>• Barclays Bank Deposit Account £ 62,637.80</li> <li>• Ipswich Building Society Deposit Account £ 100,686.91</li> <li>• Lloyds Bank Treasurer’s Account £ 15,893.75</li> </ul> <p>To minimise the Council’s exposure to risk, it has sought to diversify its reserves between highly rated UK banks and building societies with the objective of prudently investing some of its balances. Council has ensured that it uses only specified investments as defined by DCLG guidance and is aware that such investments should have regard to security of reserves and liquidity of investments.</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><b><i>Suggestion: the Council should consider adopting 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. It is arguable that effectively MPC has done that by de facto spreading its investments. This could be formalised and more funds moved into the Ipswich B/S account which yields interest.</i></b></p>
<b>11. Reporting of Previous Internal Audit Reports</b>	Review of Internal Audit Report for year ending 31 <sup>st</sup> March 2018	<p>The Internal Auditor’s Report for the year ending 31<sup>st</sup> March 2019 was considered and accepted by full Council at its meeting of 19<sup>th</sup> June 2019.</p> <p><i>Comment: in accordance with Proper Practices, the Council has considered the report submitted by the Internal Auditor and that such a consideration will allow it to be able to make informed decisions when considering the authority’s approval of the annual governance statement for the year 2019/2020.</i></p>
	Action plan following recommendations from previous internal audit visit	There were no recommendations from the previous internal report for the period ending 31 <sup>st</sup> March 2019.
	Appointment of Internal	SALC was appointed to act as the Parish Council’s Internal Auditor for an Interim Audit

	Auditor	at a meeting of the FERM Committee of 9 <sup>th</sup> October 2019.
<b>12. Reporting of External Audit Report</b>	Review of External Audit Report	The FERM Committee, at its meeting of 9 <sup>th</sup> October 2019 noted that the Limited Assurance Review had been completed on 17 <sup>th</sup> September 2019, and that there were no matters which necessitated the issuing of a separate report.
	Verifying that the external audit report has been considered by the Council	<p>The above report was submitted to full Council at a meeting of 13<sup>th</sup> November 2019, at which the report and conclusion of the audit was accepted and approved.</p> <p><i>Comment: in accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, Council has published on a public website Sections 1, 2 and 3 from the 2018/19 AGAR as well as the Notice of the Conclusion of the Audit.</i></p> <p><b><i>Suggestion: Council might wish to follow recommended best practice, to avoid any potential confusion by local electors and interested parties, and also publish the Annual Internal Audit Report, page 3. This was published on the old website but was omitted by oversight on the new one. This omission has been rectified</i></b></p>
	Opportunity provided for the exercise of electors' rights	<p>The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31<sup>st</sup> March 2019 were on the public website used by the Council.</p> <p>Council has ensured that the fully completed Notice of Public Rights and Publication of Unaudited Annual Governance and Accountability Return contains the following details:</p> <ul style="list-style-type: none"> <li>• Date of announcement</li> <li>• Details of person to contact to view the accounts</li> <li>• Details of person making the announcement</li> </ul> <p><i>Comment: the Internal Auditor will be in a position to answer Assertion L on the Annual Internal Audit Report for the period ending 31<sup>st</sup> March 2020 as, during the Summer of 2019, the smaller authority correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.</i></p>
<b>13. Period-end procedures</b>	Appropriate accounting procedures used	Accounts are produced on an income and expenditure basis. All were found to be in order. There is an underlying financial trail from financial records to the accounts produced.
	Completion of appropriate	As the Council is a smaller authority with gross income and expenditure exceeding

	end of year AGAR documents	£25,000 but not exceeding £6.5million it will be required to complete Part 3 of the AGAR.
	Where an authority certified itself exempt in 2017/18, 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 2017/18, it will not be able to certify itself as an exempt authority.
	Publication requirements 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 2019 authorities must publish:</p> <ul style="list-style-type: none"> <li>• Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;</li> <li>• Section 1 - Annual Governance Statement 2018/19, approved and signed, page 4</li> <li>• Section 2 - Accounting Statements 2018/19, approved and signed, page 5</li> </ul> <p>Not later than 30 September 2019 authorities must publish:</p> <ul style="list-style-type: none"> <li>• Notice of conclusion of audit</li> <li>• Section 3 - External Auditor Report and Certificate</li> <li>• Sections 1 &amp; 2 of AGAR including any amendments as a result of the limited assurance review</li> </ul> <p><i>Comment: the Internal Auditor was able to confirm that the above documents were readily accessible on the Council's website.</i></p> <p><b>Suggestion:</b> <i>It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3 <a href="#">See above</a></i></p>
<b>14. Transparency Code Requirements</b>	Compliance with the Transparency Code (2015).	Council can 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: 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

	<p>Compliance with the Openness of Local Government Bodies Regulations 2014.</p>	<p>organisational charts, annual reporting of all grants made to voluntary, community and social enterprise organisations and the location of public land and assets.</p> <p>At its meeting of 10<sup>th</sup> July 2019, the smaller authority agreed to publish the following on its new website:</p> <ul style="list-style-type: none"> <li>• A summary of expenditure updated each quarter (items over £500)</li> <li>• Details of each of its land / building assets</li> <li>• A register of grants made</li> <li>• An organisation chart</li> <li>• Pay multiple, defined as the ratio between the highest taxable earnings for a given year and the median earnings figure for the workforce as a whole.</li> </ul> <p><b>Suggestion:</b> the smaller authority might wish to review the matters contained in Part 2 of the 2015 Code, which are mandatory for all local councils exceeding the £200,000 threshold and expand the publication of certain data sets to ensure compliancy. MPC already publishes:</p> <ul style="list-style-type: none"> <li>• Expenditure exceeding £500 – notwithstanding we already publish the cashbook</li> <li>• Land / buildings owned</li> <li>• Grants made</li> <li>• Organisation chart / pay frameworks</li> <li>• Constitution / policies</li> </ul> <p><i>This comment refers to matters listed in the Code which are not so far published. This is:</i></p> <ul style="list-style-type: none"> <li>• Procurement information (invitation to tender) re contracts / services with a value of over £5k. This is because until we seek prices for the greenspace management contract in the next few weeks (formal tendering threshold is £25k) there is nothing to include</li> </ul> <p>The Openness of Local Government Bodies Regulations 2014 were enacted on 5th August and came into force on 6th August 2014. These regulations allow for the filming and recording of Council meetings (and other specified public bodies) and provide for access to records (e.g. of decisions made by officers).</p> <p><i>Comment: Council has reviewed the provisions of the 2014 Regulations to ensure that,</i></p>
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		<i>by publishing a range of information online, it is compliant with the provisions of the 2014 Act.</i>
<b>15. Annual Meeting</b>	Annual Meeting.	The Annual Meeting of the Council was held on 8 <sup>th</sup> May 2018 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).
<b>16. Minutes</b>	Minutes consecutively numbered and each page initialled	In accordance with the Local Government Act 1972 Schedule 12 para 41 (1), the pages of the loose-leaf minutes were consecutively numbered and initialled by the person signing the minutes at the time of signature.
<b>17. Apologies</b>	Treatment of apologies	<p>The majority of the signed minutes submitted for internal audit merely record apologies received but do not state whether the apologies have been accepted by council.</p> <p><i>Comment: Council should be aware that a councillor cannot continue in office if he/she fails to attend a meeting of the whole council, a committee or sub-committee for a period of six consecutive months and the reason for the absence has not been formally approved before the expiry of the six-month period (LGA 1972 s85).</i></p> <p><i>MPC used to adhere to the policy of recording acceptance of apologies but changed it to deal with an issue that arose which can be explained at the meeting. I am fully aware of the rules relating to councillor attendance and the practice was changed to give MPC tighter control of individual attendees</i></p>
<b>18. Trustee Responsibilities</b>	Confirmation of trustee responsibilities	The Council is not a sole trustee.
<b>19. Tenancies held by the Council</b>	Tenancies held during the year under review	The Parish Council holds the following tenancies as landlord: 1 <sup>st</sup> Floor, 17 Riduna Park, Station Road, Melton
<b>20. Registration with ICO</b>	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.
<b>21. General Data Protection Regulations (GDPR)</b>	Verifying that the Council is compliant with GDPR requirements	<p>Council has taken active steps to ensure compliancy with the GDPR requirements and has produced a comprehensive suite of policies that provide clear responsibilities and obligations of Melton Parish Council in respect of the collecting, using and protecting of personal information in accordance to the provisions of the GDPR.</p> <p><i>Comment: The Privacy Policy on the Parish 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>At the meeting of the FERM Committee Meeting of 11<sup>th</sup> December 2019, the following were discussed and adopted:</p> <p>Member compliance and duties under the GDPR – Council has produced a General Data Protection Awareness Checklist for Councillors to assist with the understanding of DATA Compliance</p> <p>Data Protection Risk Assessment – Council has ascertained the data the council is processing, what it is used for, where it is located and who has access to it. This has allowed the Council to provide a description of the processing and the purpose of the processing and identify any risks to the personal data, the rights and freedoms of individuals, and the measures and safeguards implemented to mitigate these risks.</p> <p>Subject Access Request Policy &amp; Subject Access Procedure Policy – both of which have provided the framework for dealing with requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party.</p> <p><i>Comment: the Council’s Retention of Documents and Records Policy as seen on the website details the minimum retention time required for council documents before disposal in order for the Council to comply with the Freedom of Information Act 2000 Publication Scheme.</i></p> <p><i><b>Suggestion:</b> Council might wish to expand its Retention of Documents and Records Policy with reference to the GDPR Regulations by that the policy is updated with details of personal data held, periods of retention and the manner in which records and equipment holding personal data will be disposed of. Regular checks should be implemented to ensure that Council is complying with its retention policy. It is considered that the policy / procedures re data protection are (as is acknowledged) fairly comprehensive [although there will be another policy document coming to the next FERM meeting – re Subject access requests – so the matter of data protection compliance is ongoing] and the need to keep requirements in view is acknowledged. In terms of this suggestion, we cannot record all details of personal data held but I would have thought that a proportionate response would be to include in the annual internal control report a section on compliance with the retention policy to ensure it is kept in view.</i></p>
<p><b>22. Other Matters</b></p>		<p>The Internal Auditor offers her appreciation for the assistance given by the Parish Clerk and members of his staff in completing this audit.</p>

		<p><i>Council maintains effective governance arrangements and can show evidence of strong governance and good financial practice. 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.</i></p> <p><i>For further information and for the year effective 1<sup>st</sup> April 2019 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 2019.</i></p>
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**Audit Carried out by Mrs V S Waples**

**On behalf of Suffolk Association of Local Councils**

**Date of Internal Audit Visit: 16.01.2020**

**Date of Internal Audit Report: 16.01.2020**