



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Shadingfield, Sotterley, Willingham and Ellough joint Parish Council
Income:	£12,283.54
Expenditure:	£12,130.40
Precept Figure:	£7,201.56
General Reserve:	£20,471.08
Earmarked Reserves:	£NIL



Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data

Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2017/18 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 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
1. Proper Book-keeping	Type of cash book or ledger used	Cashbook spreadsheets are used and annotated.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and referenced which provides evidence to support the Council's underlying accounting statements.
	Correct arithmetic and balancing	Spot checks were carried out and the cashbook was found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	<p>The Standing Orders submitted for internal audit were reviewed at a meeting of 20th June 2018.</p> <p><i>Comment: during the Council's annual review of its Standing Orders, Council might wish to refer to the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013 – in particular Management of Information and Responsibilities under Data Protection Legislation - L04-18 Model Standing Orders refers.</i></p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	<p>The Council's Financial Regulations, reviewed at a meeting of 20th June 2018, are not up-to-date and do not take account of recent changes in legislation concerning Procurement.</p> <p><i>Comment: at its next review Council should review its financial regulations and ensure they incorporate provisions for securing competition and regulating the manner in which tenders are invited.</i></p>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	In accordance with proper practices, Council has appointed an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972.
	Evidence that Financial Regulations have been tailored to the Council	<p>Financial Regulations are in part tailored to the council.</p> <p><i>Comment: to ensure that its Financial Regulations are tailored to the Parish Council, Council might want to consider removal of the alternative options for a council and in particular removing the square brackets, thereby eliminating ambiguity.</i></p>

3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, payment authorisation slips and invoices and found to be in order.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. A claim for the period 1 st April 2016 to 27 th January 2019 in the sum of £2155.72 was submitted once the year had been completed.
	Legal Powers identified in minutes and/or cashbook	There is no reference to the powers used to incur expenditure. Recommendation: 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 decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. Training for Councillors and the Clerk plus guidance is available from SALC.
	S137 separately recorded, minuted and within statutory limits	There were no allocated payment 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	Council has no loans in place.
4. Risk Management	Is there evidence of risk assessment documentation.	The Financial Risk Assessment documentation in the files submitted for internal audit clearly demonstrates that the Council has assessed the risks facing the smaller authority. The documentation was reviewed by full council at a meeting of 20 th June 2018. <i>Comment: in accordance with proper practices Council has carried out a Risk Assessment which identifies and assesses the key risks facing the authority during the year under review.</i>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate Insurance cover is in place: Employers Liability £10million Public Liability £10million Playground Liability £10million Fidelity Guarantee £25,000.

		Buildings are covered under Insurance with Material Damage cover for 1 buildings and premises with Business Interruption. <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.</i>
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council renewed its Annual Insurance in terms of cover provided throughout the year.
	Evidence that internal controls are documented and regularly reviewed	There was no minute stating that the Council's internal controls had been reviewed and that they were effective for the Parish Council although there was some limited reference to internal controls in the risk assessment. Recommendation: In accordance with the Accounts and Audit Regulations 2015, Council should formally document its internal controls and review the effectiveness of its system of internal control on an annual basis which should include the consideration that its systems of internal controls are adequate, effective and wholly appropriate for the affairs of the Council.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	There was no minute stating that the council has reviewed the effectiveness of internal audit although there was limited discussion at the appointment of the internal auditor. <i>Comment: In accordance with the Accounts and Audit Regulations 2015, Council should formally document its review of the effectiveness of internal audit on an annual basis which should include the consideration that the work to be carried out is adequate, effective and wholly appropriate for the affairs of the Council.</i>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 was agreed in full Council at a meeting of 17 th January 2018.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	The Precept in the sum of £7,201.56 was also agreed at the meeting of 17 th January 2018.

	Regular reporting of expenditure and variances from budget	<p>There was limited monitoring of expenditure against budget although reports detailing bank account movement is supplied at each meeting.</p> <p><i>Comment: As per Proper Practises, Council should be aware that one of the key stages in the production of the Council's budget is the review of progress against the budget regularly throughout the year. This should be undertaken in accordance with Council's Standing Orders.</i></p>
	Reserves held. General and Earmarked.	<p>Council's final accounts show general reserves in the sum of £20,471 (rounded).</p> <p>Recommendation: Council should be mindful that Proper Practices advise that smaller authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes. Council might wish to consider whether it might be beneficial to review its general reserves and consider splitting them out between restricted (capital) reserves, earmarked and general reserves.</p>
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt.
	Is income reported to full Council?	Income is reported at each meeting (after 1 st November 2018) and forms part of the Financial Report in the minutes approved by Council.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Evidence was provided showing a full audit trail from Precept being served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council's Bank Accounts.
	CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.	<p>CIL Funds received for the year to date totals £1,039.77.</p> <p><i>Comment: in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds in 2018-2019, should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent.</i></p>
7. Petty Cash	Is a petty cash in operation?	Council does not operate petty cash.

8. Payroll controls	Do all employees have contracts of employment?	The Clerk's Contract of Employment was verified at the Annual Internal Audit as carried out on 9 th June 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.	PAYE is operated in accordance with HM Revenue and Customs guidelines. Ladywell Accountancy Services is contracted to carry out the payroll function on behalf of the council. Council approved all payments relating to the Clerk.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Council might wish to verify its position with the Pension Regulator to ensure that it has complied with its duties as an employer.
	Are other payments to employees reasonable and approved by the Council?	All payments to the Clerk are approved by full Council.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	An Asset Register is maintained and covers the fixed assets owned by the Council. Council has assets recorded as totalling £200,553.57 which shows no movement through the year. Recommendation: Council should take steps to ensure that its asset register is maintained in accordance with proper practices: key information required is: <ul style="list-style-type: none"> • dates of acquisition, upgrade and disposal • costs of acquisition and any expenditure which increases the life of the asset; • if proxy cost is used for first valuation, a note of the method used for valuation; • location; • responsibility; • useful life estimate.
	Verifying that the Asset Register is reviewed annually	Whilst there is no minute to state that the Asset Register has been reviewed during the year ending 31 st March 2019 the Council has yet to sign off the Accounting Statements at which the Asset Register will be presented.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance and all were found to be in order.

10. Bank reconciliation	Regularly completed and reconciled with cash book	<p>Whilst there was independent verification of the bank balances (after 1st November 2018), there were no bank reconciliations submitted for internal audit.</p> <p><i>Comment: Council should be aware that the Governance and Accountability Guide for Smaller Authorities contains a standard layout for financial year-end bank reconciliation which can be applied for reconciliations carried out at any time of the year.</i></p>
	Confirm bank balances agree with bank statements	<p>There was no year-end bank reconciliation submitted for internal audit and the figures declared at Box 7 and Box 8 of the accounting statement of the AGAR are incorrect.</p> <p>Recommendation: Council reviews the year-end financial position noting that year-end bank statement shows funds to the value of £20,519.08 which reduces down to £20,471.08 when taking into account the outstanding cheque of £48.00 (Cheque No. 37).</p> <p>Box 7 and Box 8 of the AGAR should be amended to read £20,471 (rounded).</p>
	Regular reporting of bank balances at council meetings	Bank balances are reported to Council at each council meeting.
11. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	<p>From the financial records submitted for internal audit there were discrepancies between the cashbook and the figures declared on the Exemption Certificate and Accounting Statements - see below.</p> <p>Recommendation: Council should be aware that the figures in the Annual Governance and Accountability Return must reconcile to those in the cashbook and other primary accounting records. Members should ensure that they review this reconciliation when they are asked to approve the statement of accounts in the Annual Governance and Accountability Return.</p>

		<p>It is recommended that the Exemption Certificate and AGAR are reviewed, and the following corrections made:</p> <p>Exemption Certificate – restate expenditure to read £12,130</p> <p>Accounting Statements for 2019 restate:</p> <p>Box 1 to read 20318</p> <p>Box 2 to read 7202</p> <p>Box 3 to read 5081</p> <p>Box 4 to read 4250</p> <p>Box 6 to read 7880</p> <p>Box 7 to read 20471</p> <p>Box 8 to read 20471</p>
	Has the appropriate end of year AGAR documents been completed?	<p>As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR.</p> <p>The following pages which are unsigned at the time of Internal Audit and awaiting authorisation by full Council:</p> <p>Exemption Certificate – amendments needed</p> <p>Governance Statement;</p> <p>Accounting Statements – amendments needed</p> <p>The Internal Auditor has completed the relevant page of this form.</p>
	Where an authority certified itself exempt in 2017/18, did it meet the exemption criteria and correctly declared itself exempt?	As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2017/18, it was able to certify itself as an exempt authority and correctly declared itself exempt.
	Was there the opportunity provided for the exercise of electors' rights?	The Internal Auditor is unable to confirm that the Council has complied with Regulation 15 (2) of the Accounts and Audit Regulations as no details of the arrangements for the exercise of public rights for the period ending 31 March 2018 was seen on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015; the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities.	The Council has not complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with either income or expenditure not exceeding £25,000.

		<p>Recommendation: Council should be aware that it must publish the following documents on a public website for the year 2018-2019:</p> <p>Certificate of Exemption Annual Internal Audit Report Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Analysis of variances Bank Reconciliation Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</p>
12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	Council considered and accepted the Annual Internal Audit Report at its meeting 19 th July 2018
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>There were a number of matters arising from the Internal Audit Report which were considered and approved by full council and council should take steps to review the recommendations as a number are still outstanding:</p> <ol style="list-style-type: none"> 1. Review Financial Regulations – ONGOING 2. Evidence appointment of RFO – CLOSED 3. Reclaim VAT on a regular basis – CLOSED 4. Production of separate statement of internal controls – OUTSTANDING 5. Review of Internal Audit – OUTSTANDING 6. Details of budget to support precept – CLOSED 7. Monitoring of budget in accordance with Standing Orders – OUTSTANDING 8. Unspent revenue to be placed in earmarked reserves – OUTSTANDING 9. Newly acquired assets to be added to asset register – CLOSED 10. Ensure use of correct opening balance figure – OUTSTANDING 11. Schedule of payments to be authorised presented at each meeting – CLOSED 12. Amendments to AGAR for 2017/18 – CLOSED

		13.Publication in accordance with Transparency Code – OUTSTANDING 14.Registration with ICO - OUTSTANDING
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 20 th February 2019.
13.External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	No external report was provided by the external auditors as the Council was able to certify itself as exempt from a Limited Assurance Review.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 16 th May 2018. However, the Election of the Chair was not the first item on the agenda in accordance with the 1972 Act. Recommendation: Council should ensure that, in accordance with the 1972 Act, at future Annual Council Meetings, the election of the Chair is the 1st item on the agenda.
	Correct identification of trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council has partially complied with the requirements of the Transparency Code for smaller authorities and has published the following on a public website for the year 2017/18: List of Councillors and Responsibilities Minutes and Agendas of Meetings Recommendation: Council should note that for the year under review (the year ending 31st March 2019), in accordance with the Transparency Code for smaller authorities with neither income nor expenditure not exceeding £25,000 the following must also be published on a public website: Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register
	Verifying that the council is registered with the ICO	The Council is not registered with the Information Commissioner's Office (ICO) as a Data Controller.

		<p><i>Comment: it is noted that this is an outstanding audit point from 2017-18.</i></p> <p>Recommendation: As the Parish Council processes personal data, (this includes any information (including opinions and intentions) which relates to an identified or identifiable natural (living) person, e.g. name, e-mail address, photographs; N.I. numbers i.e. anything by which identification can be by the personal data alone or in conjunction with any other personal data), it is a Data Controller and as such should seek to register with the ICO as such.</p>
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	<p>Council has taken positive steps to ensure compliancy with the GDPR requirements and is monitoring matters to ensure the process is managed at all times.</p> <p>The Clerk has ensured that Privacy Notices have been uploaded onto the website.</p>

Signed *V S Waples*

Date of Internal Audit: 09.06.2019

Date of Internal Audit Report: 09.06.2019

On behalf of Suffolk Association of Local Councils