



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Withersfield Parish Council
Income:	£11,631.30
Expenditure:	£11,377.60
Precept Figure:	£9372
General Reserve:	£14,785.84 (Stated as £19,785.84 on report and have presumed this includes the £5000 earmarked)
Earmarked Reserves:	£5000

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	Excel spreadsheet used.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and regular bank reconciliations are completed.
	Correct arithmetic and balancing	Arithmetic and balancing were correct.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	NALC's model Standing Orders 2018 have been adopted and these were reviewed on 15/5/18.
	Evidence that Financial Regulations have been adopted and reviewed regularly	NALC's model Financial Regulations 2013 have been adopted and these were reviewed on 15/5/18.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	No evidence seen in this financial year. Comment: Council should be mindful that all authorities must annually appoint an officer to be responsible for the financial administration of the authority in accordance with Section 151 of the LGA 1972.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	<p>Evidence seen to support paperwork for payments and appropriate authorisation, with 2 Councillors initialling invoices. Payment amounts are not individually included in the minutes which means that a full audit trail could not be verified.</p> <p>It is noted in the minutes the presentation of monthly accounts to the meeting, but there are no details of payments and receipts. It is also noted that the payments worksheet is attached to the minutes but no evidence seen in the paperwork provided or on the website.</p> <p>Recommendation: Council should note the items the accounting records should contain, detailed in Governance</p>

		<p>and Accountability for Local Councils 2014, part 3, Accounting Guidance for Local Councils. These include: entries from day to day of all sums of money received and expended by the body and the matters to which the income and expenditure relates. These should then be included in the minutes.</p> <p>No legal powers to pay are minuted or noted in the cashbook.</p> <p>Recommendation: To ensure that all payments made are within its powers and that it is not acting outside of its legal power, the Council should consider adding a reference as to the power being used in either the minutes or the cashbook.</p>
	Internet Banking transactions properly recorded/approved	Internet banking is not used.
	VAT correctly identified and reclaimed within time limits	VAT reclaim seen from 1/4/18 to 31/3/19 for £450.71.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	Council have not noted any payments under S137 however they have made a donation to SARS which would be paid under this power. <p>Recommendation: Where s.137 is used as the legal power to pay, the Council notes whether the expenditure falls within the capped limit. Any payments made under S137 should be minuted and a separate column included in the cashbook.</p>
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	N/A
4. Risk Management	Is there evidence of risk assessment documentation.	Basic risk assessment documentation identifies and assesses a number of risks associated with its actions and decisions being taken by the Council. Minutes confirm the review of risk assessments 20/11/18.
	Evidence that risks are being identified and managed.	Council has implemented a number of controls to ensure that appropriate measures are in place to mitigate and manage identified risks.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	£10 million of both Public Liability and Employers Liability held.

		£25,000 of fidelity guarantee which is within recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Evidence seen that insurance is adequate however there is no minute to suggest that the Council has reviewed their policy in this financial year. Recommendation: Council should ensure that it fully reviews its insurance policy annually and any adjustments should be made to cover an up-to-date and accurate asset register and noted in the minutes.
	Evidence that internal controls are documented and regularly reviewed	Internal Controls document seen for 2018/19. Comment: Council should minute that the internal control document has been reviewed during the financial year.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No evidence seen of a review of the effectiveness of Internal audit. Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	It was minuted that the budget had been agreed on 23/1/18 but no amount was stated. Evidence seen of annual budget to support the precept. Recommendation: Council should clearly minute the amount of the budget and precept request.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount of £9372 has been agreed but not noted in the minutes. See recommendation above
	Regular reporting of expenditure and variances from budget	It is noted in the minutes the presentation of monthly accounts to the Council but no details are included. The payments worksheet should be attached to the minutes but it was not included in the paperwork or on the website. The Budget analysis has been seen but not evidenced in minutes. Recommendation: in accordance with Council's own Standing Orders, Council should receive and consider a report submitted by the Responsible Financial Officer as soon as practicable

		<p>after 30 June, 30 September and 31 December which contains a statement to summarize:</p> <ul style="list-style-type: none"> i. the council's receipts and payments for each quarter; ii. the council's aggregate receipts and payments for the year to date; iii. the balances held at the end of the quarter being report <p>and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends. This should be minuted.</p> <p>Details of all receipts and payments should be minuted at each meeting or if a separate report is made, this should be appended to the minutes.</p>
	Reserves held General and Earmarked.	Details of reserves seen : £14,785.84 General £5000 Earmarked.
6. Income controls	Is income properly recorded and promptly banked?	<p>It was noted in the minutes as presentation of monthly accounts – but no amounts specified.</p> <p>Details of all credits are included in the cashbook.</p> <p>See recommendation above</p>
	Is income reported to full Council?	<p>No evidence seen.</p> <p>See note above</p>
	Does the Precept recorded agree to the Council Tax Authority's notification?	<p>The precept request of £9372 agrees to the amount received, but no amount is included in the minutes.</p> <p>Recommendation: The amount of the agreed precept should be recorded in the minutes.</p>
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	N/A
7. Petty Cash	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	No Petty cash held.

8. Payroll controls	Do all employees have contracts of employment?	Contract of employment seen.
	Are arrangements in place for authorising of the payroll and payments by the Council? Verifying the process for agreeing rates of pay to be applied.	All payroll payments are authorised by 2 Councillors. PAYE is paid to HMRC in accordance with the agreed timescales.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Salary payments include deductions for PAYE/NICS.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Internal audit report 2017/18 notes that at meeting on 3/10/17 the requirements of Pension Regulator had been fulfilled. Clerk is over retirement age.
	Are other payments to employees reasonable and approved by the Council?	All other payments to employees are reasonable and supported by receipts.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The asset register is maintained in accordance with proper practices and covers the fixed assets owned by the Council. Council has assets recorded as totalling £26,806. The defibrillator cabinet is insured for £714 but not included on asset register The Arboretum notice board purchased 3/5/18 is not included on the asset register. All other items are listed under all risks. Recommendation: All items owned by the Council should be included on the asset register.
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed on 20/11/18.
	Cross checking of Insurance cover	Items from the asset register were cross checked against the items declared under insurance and most were found to be in order. See recommendation above
10.Bank reconciliation	Regularly completed and reconciled with cash book	Evidence seen of regular bank reconciliations reported at meetings.

	Confirm bank balances agree with bank statements	The year end bank balances of £19,786 agree with the bank reconciliation.
	Regular reporting of bank balances at council meetings	Bank balances are included in the bank reconciliations.
11. Year-end procedures	Appropriate accounting procedures used	Receipts and Payments accounting procedure used.
	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring that receipts and payments are listed in the cash book as part of the smaller authorities financial control. However, see comments regarding including all receipts and payments in the minutes.
	Has the appropriate end of year AGAR documents been completed?	The appropriate end of year AGAR documents have been received: Sections 1 and 2 and the Certificate of Exemption.
	Where an authority certified itself exempt in 2017/18, did it meet the exemption criteria and correctly declared itself exempt?	The authority correctly declared itself exempt in 2017/18 as its gross income and expenditure did not exceed £25,000.
	Was there the opportunity provided for the exercise of electors' rights?	No evidence seen. Recommendation : The information requested by Regulation 12 (2) Accounts and Audit Regulation 2015 includes the period for the exercise of public rights, which should be published on a website.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Councils with gross income and expenditure of under £25k must publish on a public website, as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities, the following items: <ul style="list-style-type: none">• Certificate of Exemption, page 3 – Published;• Annual Internal Audit Report 2017/18, page 4 – full audit report published;

		<ul style="list-style-type: none"> • Section 1 – Annual Governance Statement 2017/18, page 5 – published; • Section 2 – Accounting Statements 2017/18, page 6 – published; • Analysis of variances – Not published • Bank reconciliation – Published. • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015 – Not published. <p>Recommendation: To fully comply with the publication requirements the Council should publish their analysis of variances and details relating to the exercise of public rights.</p>
12.Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	It was minuted that the previous internal audit report was considered by Council 17/7/18.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Items raised in the 2017/18 audit report: Annual review of Standing Orders should consider adopting NALC's 2018 edition – Actioned; Changes to procurement legislation in Financial Regulations – Actioned; Review of internal controls – Actioned; Effectiveness of internal audit document – Not Actioned. Election of Chair is 1st item on agenda for AGM – Not Actioned. Partially met requirements for online publication - Not actioned. Recommendation : Council must ensure that it takes steps to implement an action plan to address the issues raised by the auditor to ensure that the council is not exposed to the risks associated with any weaknesses in its internal controls and financial systems.
	Confirmation of appointment of Internal Auditor	It was minuted that SALC were appointed as the internal auditor 12/3/19.

13.External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	Council declared itself exempt from the external audit report.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	<p>The Annual General Meeting was held on 15/5/18 with the election of Chairman being the 5th item on the agenda.</p> <p>Recommendation : To comply with the Local Government Act 1972, the first business on the agenda for the Council's Annual General Meeting, must be the election of the Chairman.</p> <p>No evidence seen that Minutes have had each page initialled and overall signed by a Councillor.</p> <p>Recommendation: The Chairman or in their absence a Councillor, should confirm the acceptance of the minutes as a true record of the meeting by initialling each page and signing the last page of the minutes.</p>
	Correct identification of trustee responsibilities	N/A
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	Please see notes under Year End Procedures for publication requirements.
	Verifying that the council is registered with the ICO	No evidence seen in this financial year, however Council have joined under reference: ZA339849 on 15/4/19.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>There is no evidence that the council is compliant with the General Data Protection Regulation requirements.</p> <p>Recommendation: To comply the council should publish the following documents on their website:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches

	• Data Retention & Disposal Policies
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Signed.....Linda Harley.....

Date of Internal Audit Visit30/5/19.....

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On behalf of Suffolk Association of Local Councils