



**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2019**

<b>Name of Council:</b>	Spexhall Parish Council
<b>Income:</b>	£5309.20
<b>Expenditure:</b>	£8960.87
<b>Precept Figure:</b>	£2,700
<b>General Reserve:</b>	£2356.93
<b>Earmarked Reserves:</b>	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

<b>Subject</b>	<b>Requirements</b>	<b>Comments/Recommendations</b>
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	Computerised spreadsheets are used as the cash ledger.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is kept up to date and referenced which provides a good audit trail.
	Correct arithmetic and balancing	Spot checks for the year under review were made and found to be correct.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders were reviewed at a meeting of 26 July 2018.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were reviewed at a meeting of 26 July 2018.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Council, in accordance with proper practices has appointed the Clerk as the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are tailored to the Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against cheque book, cash book, bank statements, invoices and minutes and were found to be in order.  Comment: to provide a full audit trail there should be evidence that Councillors have seen the actual invoice/request for payment – such evidence should be by way of initials on the invoice submitted for payment. This is to protect the RFO as well as fulfilling an internal control objective to ensure the safeguarding of public money.
	Internet Banking transactions properly recorded/approved	Not used.
	VAT correctly identified and reclaimed within time limits	VAT is identified within the cashbook. It was noted £59.20 was reclaimed and received on 26 July 2018.

	Has Council adopted the General Power of Competence and is it being correctly applied?	Council has not adopted the General Power of Competence.
	Legal Powers identified in minutes and/or cashbook	There is clear identification of powers used in the cash book submitted. However, a number of donations were made using LGA 1972 S.142 which is the power to publish information about the Council or provide a website. To make a donation to a voluntary group or charity S.137 should have been used.
	S137 separately recorded, minuted and within statutory limits	Please see comment above.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	None made.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation and evidence that risks are being identified and managed.	Risk Assessment and Management (Financial) document was reviewed at a Council meeting of 24 January 2019.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Public Liability £10m Employers Liability £10m Fidelity Guarantee £25,000 this is within the recommended guidelines of year-end balances plus 1 <sup>st</sup> instalment of precept received.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance reviewed and renewed at a meeting of 30 September 2018. It was noted at renewal it was in year 3 of a 5year agreement which ends on 30 September 2021.
	Evidence that internal controls are documented and regularly reviewed	The Internal Control Statement was considered and reviewed at a Council meeting of 28 March 2019.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	In accordance with the Accounts and Audit Regulations 2015, at the review of the Internal Control Statement on 28 March 2019 a review of the effectiveness of internal audit was also carried out.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Budget was agreed at a Council meeting of 23 November 2017 and the budget paper was seen by the internal auditor.

	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Precept was agreed at a Council meeting of 23 November 2017 with the amount of £2700 being clearly minuted.
	Regular reporting of expenditure and variances from budget	Council is presented with full quarterly budget reports and bank account movement.
	Reserves held  General and Earmarked.	General Reserves: £2356.93 Earmarked Reserves: Nil
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is properly recorded.
	Is income reported to full Council?	Income presented to Council and minute reference made.
	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 account.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	No CIL payments received.
<b>7. Petty Cash</b>	Is a petty cash in operation?  If so, is there an adequate control system in place.	Not in operation.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	The Clerks contract of employment was verified at the annual internal audit as carried out on 1 <sup>st</sup> July 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. SALC is contracted to fulfil the function of payroll administrator. The payments of salary to the Clerk are approved by full Council.
	Do salary payments include deductions for PAYE/NIC?	Salary payments included deductions for PAYE when appropriate.

	Is PAYE/NIC paid promptly to HMRC?	Payments made to HMRC in accordance with guidelines. P60 for year ending 5 April 2019 seen by internal auditor.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Council is aware of its pension responsibilities as an employer and a Declaration of Compliance was noted as having been completed on 29 September 2017.
	Are other payments to employees reasonable and approved by the Council?	Expenses claimed and approved by Council with full supporting paperwork.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	An asset register is maintained in accordance with proper practices and covers the fixed assets owned by Council. Total assets for year ending 31 March 2019 of £7715 which shows movement through the year of £4304 items purchased and £100 item removed.
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed at a Council meeting of 24 January 2019.
	Cross checking of Insurance cover	A number of Items listed on the asset register were reviewed against items under insurance. It was noted VAS items were insured separately under a joint insurance. It was also noted the defibrillator purchased in October 2018 did not appear to be insured which the Council may wish to review.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Regular bank reconciliations are carried out and reported to Council.
	Confirm bank balances agree with bank statements	Bank balance at year end: Barclays Community Account: £2434.88 Outstanding cheques: £77.95 Overall year end position is stated as £2357 (rounded)
	Regular reporting of bank balances at council meetings	Regular reporting of bank balances reported and minuted at Council meetings.
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring that payments are listed in the Council's minutes as part of the small authority's financial control and there is agreement

		between the Accounting Statements and the underlying Final Records.
	Has the appropriate end of year AGAR documents been completed?	As the Council is a Smaller Authority with gross income and expenditure of £25,000 or less, it meets the criteria to certify itself as exempt from a limited assurance review. As such the Smaller Authority has completed Part 2 of the AGAR. The following pages of which have been signed and authorised at a Council meeting of 9 May 2019: Certificate of Exemption Annual Governance Statement Accounting Statement
	Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt?	As Council was a Smaller Authority with gross income and expenditure of £25,000 or less during the year 2017/18, it was able to certify itself an exempt authority and correctly declared itself exempt from a limited assurance review.
	Was there the opportunity provided for the exercise of electors' rights?	Opportunity was provided for the exercise of the electors' rights from 14 June – 23 July 2018.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The publication requirements of the Accounts and Audit Regulations 2015 for Smaller Authorities with either income or expenditure of £25,000 or less has been published on a public website. Comment: Council should be aware these documents should remain on the website to allow the internal auditor to review them and answer Question L on the AGAR which will apply for the current year.
<b>12. Internal audit for the year ending 31 March 2018</b>	Verifying that the previous internal audit reports have been considered by the Council	The internal audit was considered and approved by a Council meeting of 26 July 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following matters were raised in the internal audit report for the previous year: Tailor Financial Regulations to the Council – Actioned Reporting of expenditure & variances from budget – Actioned

	Confirmation of appointment of Internal Auditor	SALC was confirmed as the Council's internal auditor at a Council meeting of 24 January 2019.
<b>13. External audit for the year ending 31 March 2018</b>	Verifying that the external audit report has been considered by the Council	No external report was provided by the External Auditor as the Council was able to certify itself as exempt from a Limited Assurance Review.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting took place on 9 May 2018 with the election of the Chair as the first order of business in accordance with the 1972 Act.
	Correct identification of trustee responsibilities	The Parish Council does not act as a 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	Council has published items on their website as required by the Transparency Code for Smaller Authorities.
	Verifying that the council is registered with the ICO	Council is correctly registered with the ICO ref: ZA198824
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>It is noted that the Council has entered into agreement with a private contractor to provide the services of a Data Protection Officer (DPO) to the Council. Council might wish to be aware that Model Standing Orders do not require Councils to appoint a DPO.</p> <p>Whilst the Council has entered into a service agreement for a DPO which also covers the provision of privacy notices; advice on data protection impact assessments; compliance checks; annual visits to check compliance and IT security etc (the list is summarized), it is unclear from the minutes whether the Council has taken delivery of the services itemised in the service agreement signed on 1<sup>st</sup> August 2018.</p> <p>Comment: Council might wish to consider the completion of the following documents which will be needed to evidence compliance with legislation:  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.</p>



		<p>Data Protection Impact Assessment – A description of the processing and purpose of the processing which will 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 – To provide 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>Council should also ensure that a Privacy Policy, covering 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, is uploaded onto the website.</p>
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**Signed:** *S.J. Brown*

**Date of Internal Audit Report:** 1<sup>st</sup> July 2019

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