

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

<b>Name of Council:</b>	Westerfield Parish Council
<b>Income:</b>	£19,078.69
<b>Expenditure:</b>	£22,466.83
<b>Precept Figure:</b>	£9360.00
<b>General Reserve:</b>	£13,825.66
<b>Earmarked Reserves:</b>	£30,000.00

## **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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	Excel spreadsheet used.
	Cash book kept up to date and regularly verified against bank statement	Cashbook is kept up to date and regular bank reconciliations are undertaken.
	Correct arithmetic and balancing	A check of arithmetic and balancing shows as correct.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	NALC's model standing orders have been adopted and reviewed by full Council 15/5/18.
	Evidence that Financial Regulations have been adopted and reviewed regularly	NALC's model financial regulations are up to date and have been reviewed by full Council 15/5/18.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	No evidence seen of the annual appointment of a Financial Officer. 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 Local Government Act 1972.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	Supporting paperwork is provided for all payments, initialled by 2 Councillors.
	Internet Banking transactions properly recorded/approved	Not used.
	VAT correctly identified and reclaimed within time limits	VAT has been identified and reclaimed.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has been adopted and applied.

	S137 separately recorded, minuted and within statutory limits Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	No payments made under S137 in this financial year.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	Risk assessment documentation seen and reviewed by full Council on 15/5/18.
	Evidence that risks are being identified and managed.	There is no evidence that any risks have been identified.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover in place for £21,303 of assets (noted under street furniture and outside equipment). Employers and Public Liability of £10 million and fidelity cover of £150,000.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance is adequate and it is mentioned in the risk assessment documentation that the policy will be reviewed annually. There is no evidence that the policy has been reviewed in the minutes. Comment: Council should note in the minutes that an annual review of the insurance policy against the asset register has been carried out.
Evidence that internal controls are documented and regularly reviewed	No evidence seen of a separate internal control document. <b>Recommendation: Council should ensure that in accordance with the Accounts and Audit Regulations 2015 (6(1A)) a review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, is undertaken and both must be clearly minuted as having taken place. (A model document 'Statement of Internal Controls' is available from SALC). Strongly recommend that the Annual Governance Statement 2018/19 Section 2 confirming that the Council maintains an adequate system of internal control is changed to 'No'.</b>	
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. <b>Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal</b>	

		<b>audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5.</b>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Evidence seen that the budget of £9360 has been agreed by full Council and minuted 21/11/17.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount has been agreed as £9360 by full Council and minuted on 21/11/17.
	Regular reporting of expenditure and variances from budget	Expenditure against budget is noted on bank reconciliations which are presented to full Council at each meeting.
	Reserves held General and Earmarked.	Reserves of £43,825 held: General £30,000 Earmarked £13,825
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is recorded in the cashbook however a sample trail showed 3 credit items that had not been recorded in the minutes. Comment: All income should be noted in the minutes to confirm that Councillors are aware of all income received.
	Is income reported to full Council?	Income is reported to full Council with the exception of the note above.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Precept recorded agrees to Suffolk Coastal District Council's notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	CIL payments of £8409.35 was received in October 2018 and this was noted in the cash book and in Council minutes. CIL income forms part of earmarked reserves. Comment: In accordance with the regulations, the Parish Council having received a proportion of CIL funds & will need to comply with its duty to produce an annual report that details the amount of CIL funds received and spent by 31 <sup>st</sup> December of the following reported year giving details on the total CIL received, how it was spent and unspent funds.
<b>7. Petty Cash</b>	Is a petty cash in operation?	No petty cash held

	If so, is there an adequate control system in place.	
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	No evidence seen of a contract of employment for the Clerk.
	Are arrangements in place for authorising of the payroll and payments by the Council?	Payments are noted in the minutes and initialled by 2 Councillors.
	Verifying the process for agreeing rates of pay to be applied.	No evidence seen of rates of pay being agreed in this financial year.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE is operated in accordance with HM Revenue and Customs guidelines and is provided by an outsourced company. Council has 1 employee on its payroll. PAYE is paid to HMRC in accordance with the agreed timescales.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	No evidence seen that the Council is aware of its pension responsibilities. No pension payments are in operation. Comment: Council may wish to note in the minutes, on an annual basis, its responsibilities under the legislation for work place pensions and note if they have completed a Declaration of Compliance under The Pensions Act 2008.
	Are other payments to employees reasonable and approved by the Council?	All other payments to employees are reasonable and approved by full Council.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	Up to date asset register seen with assets to the value of £29,793.
	Verifying that the Asset Register is reviewed annually	Noted in minutes of 21/5/18 that the asset register has been reviewed by Council.
	Cross checking of Insurance cover	Items on the asset register were crossed checked against the insurance cover. Individually items were not listed separately on the insurance schedule so unable to confirm which items insured.

<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Bank reconciliations completed regularly and noted in minutes along with bank balances.
	Confirm bank balances agree with bank statements	Bank balances as at 31/3/19 agree with the annual bank reconciliation: Lloyds Bank Treasurers Account £3597.56 Lloyds Bank Instant Account £40,892.42
	Regular reporting of bank balances at council meetings	Bank balances are reported at Council meetings.
	Appropriate accounting procedures used	Accounts are produced on a receipts and payments basis.
<b>11. Year-end procedures</b>	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring that receipts and payments are listed in the Council's minutes as part of the smaller authorities financial control.
	Has the appropriate end of year AGAR documents been completed?	The Council has completed a certificate of exemption as its gross income or expenditure does not exceed £25,000. However the figure for gross expenditure (£22,466.83) does not agree with the corresponding figure on the bank reconciliation (22,606.83). Section 1 – the Annual Governance Statement and Section 2 – The Accounting Statements have been completed. In Section 2 the figure in box 6 for 'all other payments' does not agree with the bank reconciliation. <b>Recommendation: Council should review the figures on Section 1 and Section 2 of the Annual Governance and Accountability Return and ensure they correspond to the annual bank reconciliation.</b>
	Where an authority certified itself exempt in 2017/18, did it meet the exemption criteria and correctly declared itself exempt?	The Parish Council declared itself exempt in 2017/18 and met the exemption criteria of having gross income and expenditure of less than £25,000.00. However, the authority has not published Section 1 the Annual Governance Statement and Section 2 the Account Statement on their website. <b>Recommendation: Council meets the qualifying criteria as set out in the Certificate of Exemption and are exempt from</b>

	<p>Was there the opportunity provided for the exercise of electors' rights?</p> <p>Have the publication requirements been met in accordance with the Audit &amp; Accounts Regulations of 2015</p>	<p>sending the completed AGAR to the external auditor for a limited assurance review but should ensure that Sections 1 and 2 are approved and published on a website before 1<sup>st</sup> July following the audit year.</p> <p>Opportunity was provided for the exercise of electors' rights.</p>
	<p>The publication requirements have been partially met in accordance with the Audit and Accounts Regulations 2015: Council has published their internal audit report and bank reconciliation.</p> <p><b>Recommendation: They 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.</b></p> <p><b>These include:</b></p> <ul style="list-style-type: none"> <li>• Certificate of Exemption, page 3</li> <li>• Annual Internal Audit Report 2017/18, page 4</li> <li>• Section 1 – Annual Governance Statement 2017/18, page 5</li> <li>• Section 2 – Accounting Statements 2017/18, page 6</li> <li>• Analysis of variances</li> <li>• Bank reconciliation</li> <li>• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</li> </ul>	
<p><b>12. Internal audit for the year ending 31 March 2018</b></p>	<p>Verifying that the previous internal audit reports have been considered by the Council</p>	<p>The Internal Audit Report was noted and approved 20/7/19 by full Council.</p>
	<p>Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit</p>	<p>The following items were raised in the internal audit report for 2017/18 relating to:</p> <p><b>Annual Review of the Council's system of internal control including risk assessments – This has not been actioned. Please see comments under Item 4 Risk Management.;</b></p> <p><b>Effectiveness of internal audit – This has not been actioned. Please see comments under item 4 Risk Management</b></p>



	Confirmation of appointment of Internal Auditor	Budget monitoring/review against expenditure – Actioned Audit report considered by full Council – Actioned.
	SALC appointed as internal auditor 20/11/18.	
<b>13. External audit for the year ending 31 March 2018</b>	Verifying that the external audit report has been considered by the Council	Council declared itself exempt from the external audit.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 15/5/18 with the first item on the agenda being to elect the Chairman.
<b>14. Additional Comments</b>	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	Information required to be published by the Transparency Code has been partially met. <b>Recommendation:</b> The Council has not published items on their website required by the Transparency Code for Smaller Authorities. The Council must publish in accordance with the Accounts and Audit Regulations 2015, Certificate of Exemption; Annual Internal Audit Report; Annual Return: Section 1 – Annual Governance Statement Section 2 – Accounting Statements; 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
	Verifying that the council is registered with the ICO	The Council is registered with the ICO. Reference no. ZA366867

<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p>	<p>The Council is working towards compliance with the General Data Protection Regulation Requirements.  <b>Recommendation: The Council needs to publish the following documents on their website.</b></p> <ul style="list-style-type: none"> <li>• Audit / Impact Assessment</li> <li>• Privacy Notices</li> <li>• Procedures for dealing with Subject Access Requests</li> <li>• Procedure for dealing with Data Breaches</li> <li>• Data Retention &amp; Disposal Policies</li> </ul>
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Signed.....*Linda Harley*.....

Date of Internal Audit Visit .....26/4/19.....

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On behalf of Suffolk Association of Local Councils