



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Hitcham Parish Council
Income:	£8,050.00
Expenditure:	£8,230.76
Precept Figure:	£7,000.00
General Reserve:	£8,113.77
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	Excel cashbook spreadsheets are used.
	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	At its meeting of 14 th January 2019, Council adopted the Model Standing Orders produced by NALC in 2018 which takes into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations, adopted on 14 th January 2019, are based on the Model Financial Regulations produced by NALC and have been adapted to reflect recent changes in legislation concerning Procurement.
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	At its meetings of 14 th January 2019, Council re-confirmed that it had appointed the Clerk to act as the Council's Responsible Financial Officer. <i>Comment: in accordance with proper practises, Council has been mindful that all authorities need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972.</i>
	Evidence that Financial Regulations have been tailored to the Council	The Financial Regulations, as reviewed in January 2019, are in the process of being tailored to the council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, invoices, minutes and bank statements and the majority were found to be in order. <i>Comment: Council should note that, in order to have measures that safeguard public money, there should be a straightforward and clear audit trail for every payment from the authorising of each expenditure through minute, invoice, cashbook, payment authorisation and bank statements. The Standing Order for GH</i>

		<i>Squirrel for £300.00 made on 22nd November 2018, in accordance with Model Financial Regulation 6.8 should be evidenced by an instruction, which should be signed by two members, retained and reported to council once made.</i>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. A claim of £199.74 for the period 1 st April 2018 to 31 st March 2019 is still to be submitted.
	Legal Powers identified in minutes and/or cashbook	There is no identification of the powers used in either the cashbook or minutes. Recommendation: Council should note that it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense and as such might wish to refer to the exact power being used to ensure 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.
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £1,000 and were within statutory limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council has no Public Works Loan(s).
4. Risk Management	Is there evidence of risk assessment documentation.	The risk assessment documentation, in the files submitted for internal audit, was reviewed by full Council at its meeting of 11 th March 2019.
	Evidence that risks are being identified and managed.	With reference to the Accounts and Audit Regulations, Council has identified a number of risks to property; finances and personnel and has taken steps to control the risk – all of which are clearly identified within the document as approved by Full Council.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate Insurance cover is in place: Employers Liability £10million Public Liability £10million Fidelity Guarantee £25,000 which is within recommended guidelines of year-end balances plus 50% of the precept for the forthcoming year.

	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. At renewal council is in the final year of a long-term undertaking which expires on 30 th September 2019.
	Evidence that internal controls are documented and regularly reviewed	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting of 14 th January 2019.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Council formally reviewed the scope and effectiveness of Internal Audit within its internal controls at its meeting of 14 th January 2019. <i>Comment: in accordance with the Accounts and Audit Regulations 2015, Council has ensured that it has carried out a review of the effectiveness of its system of internal control on an annual basis which has included the consideration that its systems of internal controls are 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 £11,594 was discussed and agreed at the meeting of 15 th January 2018.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	The precept in the sum of £7,000 was agreed at the same meeting with the amount being evidenced in the minutes seen.
	Regular reporting of expenditure and variances from budget	Council receives a report at each month which summarizes the receipts and payment for each quarter; the aggregate receipts and payments for year to date; balance held at the end of each quarter being reported with actual or potential overspends or matters of concern highlighted to the council.
	Reserves held.	Council's final accounts show general reserves in the sum of £8,113.77. There is no breakdown of the allocation of the general reserves into earmarked reserves within the papers submitted for internal audit. 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.
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures.
	Is income reported to full Council?	In accordance with council's own standing orders, income received is included within the financial reports submitted to 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.
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?	In the notes submitted for internal audit, it is stated that there is no contract for the Clerk. The statement of Internal Control as adopted by the Council on an annual basis, confirms the appointment of the Clerk (who is also the RFO). In all other matters the Council complies with all PAYE and Workplace Pension Regulations.
	Are arrangements in place for authorising of the payroll and payments by the Council?	PAYE is operated in accordance with HM Revenue and Customs guidelines. The Council approved all payments to the Clerk for the year under review.
	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 timescale.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	The internal auditor was able to verify that a declaration of compliance was in place with the Pensions Regulator dated 3 rd November 2016.
	Are other payments to employees reasonable and approved by the Council?	All expenses paid are against itemised invoices submitted to the 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 £62,976.49 which shows movement during the year of acquisitions in the sum of £603.60.

	Verifying that the Asset Register is reviewed annually	The Asset Register for the period ending 31 st March 2019 was approved by the Council at its meeting of 13 th May 2019.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance and found to be in order. <i>Comment: at the annual review, the RFO might wish to consider reporting back to Council that a review of the insurance cover has been completed, appropriate insurance is in place for all assets owned by the council and that such a review has helped manage the potential consequences of a risk occurring.</i>
	Regularly completed and reconciled with cash book	Bank balances are reported at each meeting. <i>Comment: to ensure good financial practice, Council might wish to implement a system whereby the bank reconciliation is independently verified by a Councillor which not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i>
	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: overall balance of £8,113.77. Current Account: £8,534.54 o/s cheques: £ 622.19 Community Play Area Account: £ 201.42
10. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	There is basic agreement between the Accounting Statements and the underlying final records as reproduced.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR. The smaller authority has completed the following pages which were signed by full Council at a meeting of 13 th May 2019: Exemption Certificate

		Governance Statement Accounting Statements
	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.
	Was there the opportunity provided for the exercise of electors' rights?	The Internal Auditor was able to find the details of the arrangements for the exercise of public rights for the period ending 31 st March 2018 on the public website used by the Council. <i>Comment: in relation to 2017-2018, Council, in accordance with the Accounts and Audit Regulations, ensured that the Exemption Certificate was uploaded onto its website.</i>
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015 and the Transparency Code for Smaller Authorities.	The Council, for the year 2017-2018, has partially complied with the publication requirements of the Accounts and Audit Regulations 2015 and the Transparency Code for Smaller Authorities with income and expenditure not exceeding £25,000 as it has published the following on a public website: Annual Internal Audit Report (front page only) Certificate of Exemption Analysis of variances Bank reconciliation List of expenditure exceeding £100. <i>Comment: Council should be aware that to comply fully with the publication requirements, the following should also be uploaded onto the council's website:</i> <i>Annual Internal Audit Report – page 4 of the AGAR</i> <i>Section 1 – Annual Governance Statement of the AGAR</i> <i>Section 2 – Accounting Statements of the AGAR</i> <i>Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015</i> <i>Asset Register</i>

11. 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 of 9 th 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 for 2017 - 2018: Review of Standing Orders in light of Model Orders issued in 2018 - completed Review of Financial Regulations in light of Model Orders issues in 2018 – completed Tailor Financial Regulations to the parish council - ongoing
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 15 th January 2018. Within its internal control statement, council has agreed that the terms of reference for internal audit will be reviewed every three years.
12. 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 14 th May 2018 with the Election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Minutes – treatment of apologies	The signed minutes submitted for internal audit merely record apologies received but do not state whether the apologies have been accepted by council. <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>
	Correct identification of trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	Verifying that the council is registered with the ICO	The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller – registration number ZA127202 expiry 6 th September 2019.

	<p>Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements</p>	<p>Council is taking steps to ensure compliancy with the GDPR requirements and should monitor matters to ensure the process is managed at all times.</p> <p><i>Comment: Council might wish to record the completion of the following documents which will be needed to evidence compliance with legislation:</i></p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>Subject Access Request Policy & 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.</i></p> <p><i>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.</i></p>
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Signed *V S Waples*

Date of Internal Audit: 04.07.2019

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On behalf of Suffolk Association of Local Councils