Suffolk
Association of local councils

Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Hinderclay Parish Council
Income:	£5715.86
Expenditure:	£7586.26
Precept Figure:	£4500
General Reserve:	£4,102.31
Earmarked Reserves:	£0

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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	Cashbook is kept up to date.
	Correct arithmetic and balancing	Arithmetic and balancing are correct.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	No evidence in minutes that standing orders have been adopted. Copy of Standing Orders enclosed with audit paperwork, which have been amended by Council. **Recommendation: To adopt the new Standing Orders 2018 issued by NALC which incorporate or reference the requirements of new legislation that has been introduced, including amendments to the Local Government Act 1972, the Local Government (Transparency Requirements), Public Contracts Regulations and changes to Data Protection Legislation.**
	Evidence that Financial Regulations have been adopted and reviewed regularly	No evidence in minutes that Financial Regulations have been adopted in this financial year and reviewed. **Recommend: that financial regulations are reviewed and amended with reference to the NALC Legal Topic Note 87 and minuted during the next financial year.**
	Evidence that a Responsible Financial Officer has been appointed with specific duties	No evidence that a Responsible Financial Officer has been appointed 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	Evidence seen that Financial Regulations have been tailored to the Council.

3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	Evidence seen to support some paperwork for payments and appropriate authorisation. No evidence/invoices seen for payment of Clerk's salary. Invoices have not been initialled as having been checked by 2 Councillors. Donation of £650 to St Mary's PCC - **CHURCHYARDS :** Current legal advice precludes expenditure to churches unless the churchyard is closed and the responsibility for it has been passed to the Parish Council. LGA 1894 S8 (LTN65). Further detailed guidance is awaited from NALC but this is the current situation. **Recommendation: It is best practice that invoices should be checked and initialled by 2 Councillors as detailed in NALC Financial Regulations.**
	Internet Banking transactions properly recorded/approved	Internet Banking is not used.
	VAT correctly identified and reclaimed within time limits	VAT is identified and noted in a separate column in the cashbook. No evidence seen of a VAT reclaim for this financial year.
	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	No payments were made under s.137.
	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.	There is evidence of basic risk assessment documentation. **Recommendation : That the council complete and reviews annually a risk assessment that should cover all matters which could possibly prevent a smaller relevant body from functioning e.g. loss of financial data, change of clerk, damage to assets owned by the council.**

	Evidence that risks are being identified and managed.	Risk assessment documentation identifies and assesses some risks associated with its actions and decisions being taken by the Council.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with £10 million of both public and employer's liability. Fidelity cover of £25,000 is in place which is within guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Most assets are listed under the 'all risks' section of the insurance schedule but the defibrillator is not listed. This may be automatically insured. The Council owns 4 notice boards but only 2 are listed under all risks. No evidence of annual insurance review. **Recommend: The Council should review their insurance policy against their asset register to ensure it is adequate and note that this has been carried out in the minutes.**
	Evidence that internal controls are documented and regularly reviewed	No evidence of internal controls. A blank document was included in the audit paperwork. **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.**
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No evidence seen. **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	Budget was discussed and adopted and minuted on 11/1/18 as £4500. There was no evidence of a budget to support the precept request. **Recommendation: Council should include details of the budget to support the precept in the minutes.**

	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount was minuted as £4,500 and agreed by Council on 11/1/18.
	Regular reporting of expenditure and variances from budget	Expenditure is reported at each meeting but there is no evidence of reporting of variances from budget. **Recommendation: Regular reporting of expenditure and variances from budget – As this is an outstanding audit point from the previous year, Council should note that the budget monitoring exercise allows. Council to review the budget against actual expenditure during the year to ensure that where items are not in the budget, or in excess of the budget, the Council's own Financial Regulations are followed with regards to virements from other budget headings. Council should take steps to ensure in accordance with Proper Practices and its own Standing Orders that a monitoring system is implemented.**
	Reserves held General and Earmarked.	General £4102.31 No earmarked funds held
6. Income controls	Is income properly recorded and promptly banked?	Income is properly recorded and promptly banked.
	Is income reported to full Council?	Income is not noted in the minutes. **Recommendation: to ensure Councillors are aware of all income it should be recorded in the minutes.**
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded agrees to the cashbook but there is no evidence of the Council Tax Authority's notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	N/A
7. Petty Cash	Is a petty cash in operation?	No petty cash in operation.

	If so, is there an adequate control system in place.	
8. Payroll controls	Do all employees have contracts of employment?	Blank contract of employment in audit paperwork. No evidence of contract for clerk.
	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.	No evidence seen for the authorising of the payroll, no invoices included for Clerk's salary. No evidence seen to verify the process of agreeing rates of pay.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Clerk earns below lower earning level therefore PAYE and NI are not applied N/A
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	There is no evidence that the Council is aware of its pension responsibilities. 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?	No evidence seen of details of other payments to employees.
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 £7959.
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed on 10/5/18.
	Cross checking of Insurance cover	See notes under Risk Management.
10.Bank reconciliation	Regularly completed and reconciled with cash book	Details of annual bank reconciliation seen which reconciles with cashbook.
	Confirm bank balances agree with bank statements	Bank balances agree with bank statements: Barclays Community Account: £4660.99

		Barclays Premium Account: £4102.31 – bank statement only shows entries to 21/3/19. **Recommendation: Auditor was unable to agree box J of the Internal Audit Report as bank statements were not provided to cover the full audit year to 31/3/19.**
	Regular reporting of bank balances at council meetings	Bank balances are reported at each meeting.
11. Year-end procedures	Appropriate accounting procedures used	Receipts and payments accounting procedures are used.
	Financial trail from records to presented accounts	The Council demonstrates some degree of financial control by ensuring that payments are listed in the Council's minutes. A sample of invoices against bank statements, cashbook and VAT showed procedures in order.
	Has the appropriate end of year AGAR documents been completed?	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed and signed by the Council. The Certificate of exemption has not been signed. **Recommendation: Council may wish to complete the certificate of exemption and minute that the Council have approved it.**
	Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt?	The Council correctly certified itself exempt in 2017/18.
	Was there the opportunity provided for the exercise of electors' rights?	No evidence seen. See noted under publication of information.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	No financial information has been published on the Council's website. **Recommendation: Council's with income and expenditure of less than £25,000 must publish the following items 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.**

		These include: **• Certificate of Exemption, page 3** **• Annual Internal Audit Report 2017/18, page 4** **• Section 1 – Annual Governance Statement 2017/18, page 5** **• Section 2 – Accounting Statements 2017/18, page 6** **• 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.**
12.Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	No evidence seen that the previous internal audit report has been seen by the Council. **Recommendation: It should be noted in the minutes that the internal audit report has been reviewed by the Council.**
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	There is no evidence that appropriate action has been taken regarding the recommendations raised in the report from the internal auditor. **Recommendation: to enable Council to positively answer assertion 7 in the AGAR, Council should consider internal and external audit reports and if applicable decide what action it needs to take to prevent recurrence of the issues raised.** **The following items have not been actioned: Internal controls, monitoring of budget, legal powers identified in minutes or cashbook, annual insurance review; review of effectiveness of internal audit; details of payments against budget, invoices not provided for all expenses; internal audit report considered and acted upon; transparency code items and documents for General Data Protection Regulations.**
	Confirmation of appointment of Internal Auditor	SALC appointed as internal auditor 10/5/18.
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 external audit.

	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	The Annual Meeting was held on 10/5/18 with the 1st item on the agenda to elect the Chairman.
	Correct identification of trustee responsibilities	None held.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	**Recommendation : The smaller authority's transparency code requires the following items to be published:** • **all items of expenditure above £100** • **end of year accounts (annually)** • **annual governance statement (annually)** • **internal audit report (annually)** • **list of councillor or member responsibilities (annually)** • **the details of public land and building assets (annually)**
	Verifying that the council is registered with the ICO	The Council is registered with the ICO reference; Z2723865
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	**Recommendation: The Council will need to adopt and publish the following documents to be compliant with the General Data Protection requirements:** • **Audit / Impact Assessment** • **Privacy Notices** • **Procedures for dealing with Subject Access Requests** • **Procedure for dealing with Data Breaches** • **Data Retention & Disposal Policies**

Signed....................Linda Harley...

Date of Internal Audit Visit ....**22/6/19**... **Date of Internal Audit Report**...................**22/6/19**..................................

On behalf of Suffolk Association of Local Councils