



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Hawstead Parish Council
Income:	£11,474.48
Expenditure:	£12,331.05
Precept Figure:	£7,000.00
General Reserve:	£6745.50
Earmarked Reserves:	10,500.00



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
1. Proper Book-keeping	Type of cash book or ledger used	Cashbook spreadsheets are used and clearly annotated.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and clearly 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	Council at its meeting of 21 st March 2019 carried out an annual review of its own Standing Orders and adopted the Model Standing Orders produced by NALC in 2018 which take 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 at its meeting of 21 st March 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 has been appointed with specific duties	It is assumed that the Clerk is the Responsible Financial Officer. <i>Comment: in accordance with proper practices, Council might want to be 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. Council might want to consider minuting that the Clerk carries out this role on an annual basis.</i>
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are 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, bank statements and invoices and found to be in order.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. A claim for the period 2017/18 in the sum of £1708.47 was submitted and settled during the year under review. A claim for the year 2018/19 is still to be submitted.

	Legal Powers identified in minutes and/or cashbook	The Clerk ensures that Councillors are able to satisfy themselves that they have the appropriate legal power to incur expense by referring 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 £275.24 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 and as such incurred no interest payments for the period under review.
4. Risk Management	Is there evidence of risk assessment documentation.	The risk assessment documentation, in the files submitted for internal audit, were reviewed by full Council at its meeting of 21 st March 2019.
	Evidence that risks are being identified and managed.	With reference to the Accounts and Audit Regulations, Council carried out an assessment on the financial management of the Council in terms of internal controls, insurance cover and internal audit at the meeting of 21 st March 2019 and found that they were adequate, effective and appropriate for the affairs of the 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 The Fidelity Guarantee (Employee Dishonesty) cover stands at £50,000 which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.
	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. Whilst Council renewed its Annual Insurance there is no minute to reflect that an annual review took place although it is noted that insurance cover is amended when new assets are added to the council's asset register. <i>Comment: In accordance with Council's Financial and Management Internal Controls, the Council might wish to formally record that a review of the insurance cover has been</i>

		<i>completed and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
	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 21 st March 2019. It was approved by Council that its systems of internal controls were adequate, effective and wholly appropriate for the affairs of the Council. <i>Comment: The Council demonstrates good financial practice by considering a quarterly Internal Control Report, prepared by a Councillor and reported to full Council in order to confirm that internal controls are effective.</i>
	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, Council reviewed the scope of Internal Audit at its meeting of 21 st March 2019 and deemed it to be appropriate for the Parish Council.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £9,950 was agreed in full Council at a meeting of 16 th November 2017. Budget papers to support the budget being set were seen.
	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 meeting of 16 th November 2017 with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	A budget report showing period and year-to-date variances and bank account movement is supplied on a quarterly basis in accordance with the council's standing orders.
	Reserves held. General and Earmarked.	Council's final accounts show general reserves in the sum of £6,745.50 and earmarked reserves of £10,500.00. Council reviews its reserve policy on an annual basis to ensure that reserves held are aligned to specific purposes. <i>Comment: the General Reserves held by the Parish Council at the year-end were appropriate to its needs with sufficient reserves being held as contingency sums to meet, within reason, any unforeseen items of expense that may occur.</i>

6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt. No cash is handled by the RFO.
	Is income reported to full Council?	Income is reported at each meeting and forms part of the Financial Report in the minutes approved by 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?	The Clerk's contract of employment was verified as being in place at time of internal audit.
	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.	The payroll function is outsourced, and the payroll service level agreement was seen by the Internal Auditor. All payments to the Clerk are approved by full Council.
	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 although it should be noted that for the year under review PAYE/NIC was not applicable. P60 End of Year Certificate 2018/19 was seen by the 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 and a Declaration of Compliance was signed in 2017.
	Are other payments to employees reasonable and approved by the Council?	All other payments to the Clerk are approved by full 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 £14,564 which shows movement through the year of £1,794.
	Verifying that the Asset Register is reviewed annually	The Asset Register was reviewed during the year at the meeting of 21 st March 2019 and will be formally signed off when the Accounting Statements are presented to full council at its meeting of 16 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 cover was deemed to be appropriate.

		<i>Comment: the RFO, in accordance with Proper Practices, has ensured that there is a review of the insurance cover when new assets are added to the register and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
10. Bank reconciliation	Regularly completed and reconciled with cash book	Regular bank reconciliations are carried out and there is independent verification of such reconciliations. <i>Comment: Council has ensured good financial practice by implementing a system whereby the bank reconciliations are 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 £17,245.50 Current Account: £17,689.50 Less unrepresented cheque: £444.00
	Regular reporting of bank balances at council meetings	Bank balances are reported to Council at each council meeting.
11. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	The Council demonstrates financial control by ensuring that receipts and payments are part of the financial reports presented to full council and there is agreement between the Accounting Statements and the underlying Final Records.
	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 following pages are unsigned at the time of Internal Audit and awaiting authorisation by full Council: Exemption Certificate; Governance Statement; Accounting Statements. The Internal Auditor has completed the relevant page of this form.

	Where an authority certified itself exempt in 2017/18, did it met 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 and correctly declared itself exempt.
	Was there the opportunity provided for the exercise of electors' rights?	In order to fully comply with Regulation 15 (2) of the Accounts and Audit Regulations, Council should ensure that details of the arrangements for the exercise of public rights for the period ending 31 st March 2018 is available to be viewed on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has in the main complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with either income or expenditure not exceeding £25,000 and has published the following on a public website: Certificate of Exemption Annual Internal Audit Report Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Analysis of variances Bank Reconciliation <i>Comment: Council should ensure that it publishes the following information: Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</i>
12. 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 19 th July 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	There were no matters arising from the Internal Audit Report.
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 17 th January 2019.
13. 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 17 th May 2018 with the Election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Correct identification of trustee responsibilities	The Parish Council does not act as 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	The Council has complied with the requirements of the Transparency Code for smaller authorities and has published the following on a public website for the year 2017/18: List of Councillors and Responsibilities Minutes and Agendas of Meetings Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Internal Audit Report Annual Governance Statement Asset Register
	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 Reference: Z2782780.
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	Council has taken steps to ensure compliancy with the GDPR requirements and has ensures that Privacy Notices are uploaded onto the website alongside a Consent Form for the General Data Protection Regulations.

Signed *V S Waples*

Date of Internal Audit: 29.04.2019

Date of Internal Audit Report: 29.04.2019

On behalf of Suffolk Association of Local Councils