



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Belstead Parish Council
Income:	£7,059.16
Expenditure:	£8,854.10
Precept Figure:	£7,000.00
General Reserve:	£3,043.55
Earmarked Reserves:	£18,000.00



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
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 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	<p>The Standing Orders seen on the website were those adopted by the Council in November 2014.</p> <p><i>Comment: during the Council's annual review of its Standing Orders, Council might wish to refer to the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013 – in particular Management of Information and Responsibilities under Data Protection Legislation - L04-18 Model Standing Orders refers.</i></p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	<p>The Council's Financial Regulations, adopted 2014, are not compliant with current legislation.</p> <p><i>Comment: at its next review and for consistency, Council should look to adopt the NALC Model Financial Regulations of 2016 which reflect recent changes in legislation.</i></p>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	In accordance with proper practices, Council is 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.
	Evidence that Financial Regulations have been tailored to the Council	<p>Financial Regulations are in part tailored to the council.</p> <p><i>Comment: to ensure that its Financial Regulations are tailored to the Parish Council, Council might want to consider removal of the alternative options for a council and in particular removing the square brackets, thereby eliminating ambiguity.</i></p>

<p>3. Payment controls</p>	<p>Supporting paperwork for payments, and appropriate authorisation</p>	<p>A selection of expenditure items were selected, and cross checked against cash book, invoices, cheques and/or bank statements and the following is noted: whilst evidence was seen of minutes authorising payments and cheques or bacs payments raised as per the cashbook, there was limited evidence to show that the Council and signatories had actually seen the invoices relating to the expenditure incurred; some cheque stubs and invoices were not initialled and some invoices were missing from the file. Council should be aware that in order to have measures that safeguard public money, there should be a straightforward and clear audit trail for each payment from the authorising of an expenditure through order, invoice, cashbook, payment authorisation and bank statements.</p> <p>Recommendation: There should be evidence that Councillors have seen the actual invoice/request for payments (initials); that they have authorised the payment (signing of the authorisation of payments to be paid lists – note this was only submitted for the March meeting) and that they have signed the relevant cheque stubs (initials). This is to protect the RFO as well as fulfilling an internal control objective to ensure the safeguarding of public money.</p>
	<p>Internet Banking transactions properly recorded/approved</p>	<p>It is noted that a large number of payments are affected by electronic bank payments in accordance with a resolution of the council. It is assumed that such payments are made in accordance with Council’s own Financial Regulations and that a member has on-line banking access to verify such payments.</p> <p>Recommendation: In accordance with Council’s Financial Regulation 6.4 for payments settled by internet banking transfer, evidence should be retained showing which members approved the payment and that all payments made on the bank account are in accordance with the schedule as presented to council and signed by the two members who witness / authorise the payments being made. This not only protects the</p>

		RFO but fulfils an internal control objective to ensure the safeguarding of public money.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. A claim for the period 1 st April 2018 to 31 st March 2019 in the sum of £847.24 is still to be submitted to HM Revenue and Customs.
	Legal Powers identified in minutes and/or cashbook	There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137. <i>Comment: Council might wish to 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.</i>
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £100.00 and were within statutory limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Council has no outstanding loans.
4. Risk Management	Is there evidence of risk assessment documentation.	Whilst there is no evidence of a minute showing that a risk assessment has been carried out, The risk assessment document in the files submitted for internal audit is limited in scope but covers the basic financial management of the Council in terms of internal controls, insurance cover and internal audit for the year 2017/18. <i>Comment: in accordance with proper practices Council might wish to consider minuting the fact that a Risk Assessment which identifies and assesses the key risks facing the authority has been carried out during the year under review.</i>
	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.

	Evidence that insurance is adequate and has been reviewed on an annual basis	There is no evidence that the Council renewed its Annual Insurance in terms of cover provided throughout the year although it is noted that, at renewal, Council has commenced a 5-year long-term agreement.
	Evidence that internal controls are documented and regularly reviewed	The internal controls document in the files submitted for internal audit covered the financial management of the Council in terms of internal control. <i>Comment: Council should ensure that the documentation which is referenced in the internal control review (summary receipts/payments for the year to date with up to date bank reconciliation and corresponding bank statement) is provided for internal audit and that the minutes reflect that the review has found the assessment to be adequate and effective and appropriate for the affairs of the Council.</i>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The risk assessment document in the files submitted for internal audit covered the financial management of the Council in terms of internal audit for the year ending 31 st March 2018. Recommendation: In accordance with the Accounts and Audit Regulations 2015, Council should formally document the review of the effectiveness of its system of internal control on an annual basis which should include the consideration that its systems of internal controls are adequate, effective and wholly appropriate for the affairs of the 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 £7,000 was agreed in full Council at a meeting of 13 th December 2017. There were no budget papers to support the budget being set submitted for internal audit.
	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 13 th December 2017 with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	There were no budget reports showing period and year-to-date variances and bank account movement in the files submitted for internal audit.

		Recommendation: In accordance with Proper Practices, Council should ensure that it reviews the budget against actual expenditure regularly which will allow members early warning about the likelihood of a shortfall (or surplus) and helps them to decide what responsive action to take. The review of progress against the budget regularly throughout the year is one of the key stages in the budgeting process.
	Reserves held. General and Earmarked.	Council's final accounts show general reserves in the sum of £3,043.55 and earmarked reserves in the sum of £18,000. <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?	There is no reporting of income at council meetings.
	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 contract of employment was not seen 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 council's payroll system is outsourced to Suffolk Association of Local Councils and is operated in accordance with HM Revenue and Customs guidelines.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	During the year under review there were no payments due to HM Revenue and Customs.
	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 confirmed as having been signed on 19 November 2016.

	Are other payments to employees reasonable and approved by the Council?	All 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 £4,568 which shows overall movement through the year of £3,494 covering additions of a grit bin; speed indicator sign; Tommy Memorial and personal computer for the Clerk with disposals of a personal computer.
	Verifying that the Asset Register is reviewed annually	Whilst there is no minute to state that the Asset Register has been reviewed during the year ending 31st March 2019 the Council has yet to sign off the Accounting Statements at which the Asset Register will be presented.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance. It is noted that the Vehicle Activated Sign (acquired September 2018) was not included under insurance in the documents submitted for internal audit. <i>Comment: the RFO should consider undertaking a review of the items on the asset register versus the insurance document and report back to Council that a review of the insurance cover has been completed 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	Bank reconciliations were carried out during the year but there is no independent verification of such reconciliations. <i>Comment: to ensure good financial practice, Council might want to implement 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 £21,043.55 Community account £15,768.25

		o/s cheques £ 1,068.37 Premium account £ 6,343.67
	Regular reporting of bank balances at council meetings	Bank balances were occasionally reported to Council at council meetings.
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 listed in the Council's Minutes as part of the smaller 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 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 which 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?	Although the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2017/18, it choose to submit its accounts for a limited assurance review.
	Was there the opportunity provided for the exercise of electors' rights?	The Internal Auditor is able to confirm that although the Council has complied with Regulation 15 (2) of the Accounts and Audit Regulations as details of the arrangements for the exercise of public rights for the period ending 31 March 2018 was seen on the public website used by the Council, the dates did not include the first 10 working days of July. In accordance with instructions from the external auditor for 2017/18, Council has answered No to Assertion 4 of the Annual Governance Statement for 2018/19.

	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	To comply with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with either income or expenditure not exceeding £25,000, Council should ensure that it publishes the following on a public website: <i>Certificate of Exemption</i> <i>Annual Internal Audit Report 2018/19</i> <i>Section 1 – Annual Governance Statement of the AGAR</i> <i>Section 2 – Accounting Statements of the AGAR</i> <i>Analysis of variances</i> <i>Bank Reconciliation</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>
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 23 rd May 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The matters arising from the Internal Audit Report were discussed at the above meeting and agreement was forthcoming for the items mentioned to be attended to during the coming year: 1. Retention of supporting documentation - OUTSTANDING 2. Review of cashbook spreadsheet formulas - COMPLETED 3. Register with the ICO - COMPLETED 4. Comply with requirements of Transparency Code - OUTSTANDING 5. Review of asset register to accord with proper practices - COMPLETED
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 27 th March 2019.
13. External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	It is noted that the meeting of 10.10.18 states that the external audit has been completed with no issues. <i>Comment: Council might wish to review the documentation received from the external audit and noted the comments made by the external auditor.</i>

14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 23 rd May 2018 with the Election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Minutes – signed and held in accordance with legislation	<p>The minutes submitted for internal audit were not consistently signed on each page.</p> <p><i>Comment : in accordance with the Local Government Act 1972 Schedule 12 para 41 (1), Council should follow guidance which states that loose-leaf minutes are consecutively numbered and initialled by the person signing the minutes at the time of signature.</i></p>
	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	<p>To ensure compliance with the requirements of the Transparency Code for smaller authorities, Council is aware that the following should be published on a public website for the year 2018/19 not later than 1 July:</p> <ul style="list-style-type: none"> Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register <p>and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014.</p>
	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: ZA447610.
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	Whilst Council is taking steps to ensure compliancy with the GDPR requirements, further input will be required from Council

		<p>to ensure compliance with GDPR. Council should ensure that Privacy Notices have been uploaded onto the website.</p> <p><i>Comment: Council might wish to consider 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 - which will provide a description of the processing and the purpose of the processing and 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 – both of which will 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>
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Signed *T S Waples*

Date of Internal Audit: 29.05.2019

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On behalf of Suffolk Association of Local Councils