



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Wenhaston with Mellis Hamlet Parish Council
Income:	£76,296.80
Expenditure:	£87,879.29
Precept Figure:	£20,185.00
General Reserve:	£7,497 (rounded)
Earmarked Reserves:	£14,000 (rounded)



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	The council users a computerised spreadsheet which is well referenced.
	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. Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.
	Correct arithmetic and balancing	Spot checks were carried out and the cashbook was found to be in order. It is noted that regular Standing Orders and Direct Debits are now reported to full council in accordance with its own Financial Regulations.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	At its meeting of 19 th September 2018, the Council reviewed its Standing Orders which are based on the NALC Model Standing Orders, which reflect changes in legislation since those issued in 2013. <i>Comment: to ensure that its Standing Orders are tailored to the Parish Council, Council should consider removal of the alternative options for a council and in particular removing the square brackets ([]), thereby eliminating ambiguity.</i>
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations, reviewed at a meeting of 16 th May 2018 are compliant with legislation with regards to regulating the manner in which tenders are invited.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	In accordance with proper practices and with reference to section 151 of the Local Government Act 1972, Council confirmed at a meeting of 16 th May 2018 that the Clerk is also the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.

		It is noted that at a meeting of 17 th October 2018, Council agreed a job share agreement for some of the functions of the role of Clerk with Holton Parish Council. Agreement was forthcoming that the Clerk would take responsibility for the role and that of the RFO.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations seen for internal audit are partially tailored to the council. <i>Comment: to ensure that its Financial Regulations are tailored to the Parish Council, Council should consider removal of the alternative options for a council and in particular removing the square brackets ([]), thereby eliminating ambiguity.</i>
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were examined and found to be in order with a full audit trail being evidenced. <i>Comment: In accordance with FR 6.6, the RFO ensures that where signatures for cheques or orders for payment are obtained away from council meetings, they are reported to the council at the next convenient meeting.</i>
	Internet Banking transactions properly recorded/approved	All payments are affected by cheque.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The VAT claim of £11,268.94 for the period 1 st March 2018 to 31 st March 2019 was submitted to HM Revenue and Customs on 22 nd May 2019.
	Legal Powers identified in minutes and/or cashbook	There are some references to the exact power being used to incur expenditure. <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 £4,600.00 and were in accordance with legislation and limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none 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, was reviewed by full Council at its meeting of 20 th February 2019.
	Evidence that risks are being identified and managed.	With reference to the Accounts and Audit Regulations 2015, 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 with core cover: Employers Liability £10million Public Liability £10million Fidelity Guarantee £50,000 which is within 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. Village Hall Insurance & Pavilion cover is in place with core cover: Employers Liability £10million Public Liability £10million Material damage cover for the Village Hall along with cover for contents and specified item cover.
	Evidence that insurance is adequate and has been reviewed on an annual basis.	In accordance with Council's Financial Risk Assessment, the Council formally recorded 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 at its meeting of 18 th April 2018 (Village Hall Insurance) and 19 th September 2018 (Parish Council Insurance).

	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 16 th January 2019.
	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, the council undertook a formal review of the effectiveness of internal audit during the year under review.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £21,000 was adopted by full Council at its meeting of 17 th January 2018. 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 £20,185 was also agreed at the same meeting with the amount being clearly evidenced in the paperwork seen.
	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 to full council in accordance with Council's Standing Orders. <i>Comment: Council is aware that, in accordance with its own Financial Regulations, a virement from reserves into the revenue budget may only be made following a resolution of the council, or duly delegated committee.</i>
	Reserves held - General and Earmarked.	Council's final accounts show overall general reserves in the sum of £7,497 with earmarked reserves in the sum of £14,000. <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 and banked in accordance with the Council's financial procedures.
	Is income reported to full Council?	Income is reported in accordance with council's Standing Orders and forms part of the Financial Report submitted to full 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 not verified at the Annual Internal Audit as carried out on 20 th June 2019.
	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 carried out by SALC and is operated in accordance with HM Revenue and Customs guidelines. The remuneration payable to the Clerk was approved by the council at a meeting of 16 th May 2018 and is in accordance with the new pay scales as agreed by The National Joint Council for Local Government Services (NJC)
	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 timescales.
	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 as signed in October 2016 was seen during the internal audit review.
	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 £788,825 which shows no movement during the year under review.
	Verifying that the Asset Register is reviewed annually	The Asset Register for the period ending 31 st March 2019 was signed off when the accounting statements were presented to full council in 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: in accordance with council's Financial Regulations, the RFO reported to Council that a review of the insurance cover</i>

		<i>had been completed and appropriate insurance was in place to help manage the potential consequences of a risk occurring.</i>
	Regularly completed and reconciled with cash book	Regular bank reconciliations are carried out and 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.
	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: overall balance of £21,497.04 Community Account: £19,371.99 Business Account: £ 3,125.88 Unpresented cheques: £ 1,000.83
	Regular reporting of bank balances at council meetings	Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets. A sample of bank reconciliations were carried out and reconciled to cashbook and bank statements.
10. 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 good 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 exceeding £25,000 but not exceeding £6.5million it has completed Part 3 of the AGAR. The smaller authority has completed the Governance Statement and Accounting Statements which were signed and authorised by full Council at a meeting of 17 th April 2019.
	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 exceeding £25,000 but not exceeding £6.5million during the year 2017/18, it was not 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 confirm that there was the opportunity for the exercise of electors' rights for the period ending 31 st March 2018, as details of the arrangements for the exercise of public rights for that period were seen 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 should take steps to comply with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5million as the following were not seen on its website for the year 2017/18: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Section 3 – The External Auditor Report and Certificate Conclusion of the external audit The Annual Internal Audit Report <i>Comment: in accordance with the regulations, Council should take steps to ensure that the above are published on its website and should remain in situ to allow the internal auditor to verify compliance.</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 16 th May 2018 and agreed an action plan to meet development points.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following matters arising from the Internal Audit Report were discussed and actions agreed at the above meeting: 1. Review and update Standing Orders - completed 2. Review and update Financial Regulations - completed 3. Tailor Financial Regulations to the parish council - ongoing 4. Review VAT claim submitted - completed 5. Report of matters raised by the external auditor to full council - completed 6. Publish items in accordance with the Accounts and Audit Regulations 2015 - outstanding
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was approved at the meeting of 16 th May 2018.

12.External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	Council considered and accepted the External Audit Report and Certificate at a meeting of full council of 17 th October 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	<p>There were no matters which necessitated the issuing of a separate report.</p> <p><i>Comment: Council should note that in accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, it should publish on a public website Sections 1, 2 and 3 from the AGAR as well as the Notice of the Conclusion of the Audit.</i></p>
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 16 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.
	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: ZA127548.
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	<p>Council is taking steps to ensure compliancy with the GDPR requirements. The Clerk has ensured that Privacy Notices have been uploaded onto the website.</p> <p><i>Comment: further input will be required from Council to ensure compliance with GDPR - templates and guidance are available on the SALC website.</i></p> <p><i>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 *V S Waples*

Date of Internal Audit: 20.06.2019

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On behalf of Suffolk Association of Local Councils