



Internal Audit Report
Year ending: 31st March 2019

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| Name of Council: | Laxfield Parish Council |
| Income: | £55,408 |
| Expenditure: | £53,276 |
| Precept Figure: | £41,500 |
| General Reserve: | £61,895.54 |
| Earmarked Reserves: | Unspecified |



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 |
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| 1. Proper Book-keeping | Type of cash book or ledger used | 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 | <p>The Standing Orders seen on the website were those adopted by the Council at its meeting of 11th February 2019.</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 | The Council's Financial Regulations, reviewed on 11 th February 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 | <p>The job description for the Clerk to the Parish Council states that the Clerk will also be the Responsible Financial Officer.</p> <p><i>Comment: in accordance with proper practises, 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 inserting this into the Parish Clerk's Contract for clarity.</i></p> |

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| | Evidence that Financial Regulations have been tailored to the Council | Council has ensured that its Financial Regulations are tailored to the Parish Council by removing those items not currently relevant to the Parish Council. |
| 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 evidenced. |
| | Internet Banking transactions properly recorded/approved | <p>It is noted that the Council's Financial Regulation 6.3 states that all payments shall be affected by cheque or electronically in accordance with a resolution of council or duly delegated committee. Council follows its own Financial Regulations as to the manner in which payments are to be lodged and authorised and has ensured that there is a system in place to reduce the risks of error or fraud and where electronic banking is used, arrangements are in place to ensure that at least 2 people are involved in any transaction, one of which must be a member.</p> <p><i>Comment: within Financial Regulation 5.5 the Clerk has authority for fund transfers within the councils banking arrangements up to the sum of £10,000, provided that a list of such payments shall be submitted to the next appropriate meeting of council. Council should consider expanding the Financial Report to ensure that this item is submitted to each relevant meeting.</i></p> |
| | VAT correctly identified and reclaimed within time limits | VAT is identified in the cash book. A claim during the year covering the period 1 st January to 31 st October 2018 in the sum of £1,463.16 was settled by HM Revenue and Customs on 6 th December 2018. |
| | Legal Powers identified in minutes and/or cashbook | <p>There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137.</p> <p><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</i></p> |

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| | | <i>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 £1,717.60 and were in accordance with legislation and limits. |
| | Payments of interest and principal sums in respect of loans, are paid in accordance with agreements | The Council has one Public Works Loan and interest payments in the sum of £11,289.18 were paid in 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 11 th February 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 11 th February 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 £10m Public Liability £10m Fidelity Guarantee £150K |
| | 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. |
| | 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 11 th February 2019. It was approved by Council that its systems of internal controls were adequate, effective and wholly appropriate for the affairs of the Council. |
| | 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 11 th February 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 £48,430 was adopted by full Council at its meeting of 8 th January 2018. Budget papers to support the budget being set were seen. |

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| | Verifying that the Precept amount has been agreed in full Council and clearly minuted. | The Precept in the sum of £41,500 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. |
| | Reserves held. General and Earmarked. | Council's final accounts show general reserves in the sum of £61,896. It is noted that there is a reserve bank account which has a balance of £51,292.90. In 2017/2018, Council provided an explanation for its approved reserves being higher than the precept rate being requested. It is assumed that a similar explanation will be provided this year and that Council is mindful that it might be beneficial for Council 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? | 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. |
| | CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010. | CIL Funds received for the year to date totals £564.49 as received in April 2018 and as reported at the meeting of 12 th November 2018. <i>Comment: in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent. This should be published on the Parish Council's website by</i> |

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| | | <i>December of the year in question (e.g. for the financial year 2018/19 the report must be published by 31st December 2019).</i> |
| 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 at the Annual Internal Audit as carried out on 16 th April 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. | PAYE is operated in accordance with HM Revenue and Customs guidelines. The Finance and General Purposes Committee carry out annual reviews of payments to Clerk and contractors. |
| | 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 confirmation was provided at a full Council meeting on 30 th January 2019 that there was no automatic enrolment applicable for its employee. |
| | 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 £74,006 which shows nil movement through the year. |
| | Verifying that the Asset Register is reviewed annually | The Asset Register for the period ending 31 st March 2019 was seen and approved by the Council at its meeting of 8 th April 2019. |
| | Cross checking of Insurance cover | A number of items as listed under the Asset Register were reviewed against items under insurance. Generic cover is in place for gates and fences; street furniture; war memorials and playground equipment. <i>Comment: the RFO might wish to consider reporting 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> |
| | Regularly completed and reconciled with cash book | Regular bank reconciliations are carried out and Council has |

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| | | 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 £61,895.54 Current Account: £5,101.08 Saver Account: £5,501.56 Reserve Account: £51,292.90 |
| | Regular reporting of bank balances at council meetings | Bank balances are reported to Council at each council meeting. |
| 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 it has completed Part 3 of the AGAR. The smaller authority has completed the following pages which are signed and authorised by full Council at the time of Internal Audit: Governance Statement Accounting Statements |
| | 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 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 unable 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. |

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| | | Recommendation: Council should note that smaller authorities with either income or expenditure exceeding £25,000 must publish on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return (in its entirety) and the notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. |
| | Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015 | The Council has partially complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 and published the following on a public website: Annual Internal Audit Report of the AGAR Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR <i>The following were not seen on the Council's website:</i> <i>Section 3 – The External Auditor Report and Certificate 2017/18, page 6</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> |
| 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 2019. |
| | 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. All invoices to be initialled by signatories. 2. Chairman to sign the schedule of payments and to initial the invoices. |
| | Confirmation of appointment of Internal Auditor | The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 14 th January 2019. |
| 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 its meeting of 8 th October 2018. |

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| | 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. There was no Notice of Conclusion for the year ending 31st March 2018 seen on the Council's website.</p> <p>Recommendation: Council should note that in accordance with the Accounts and Audit Regulations 2015, smaller authorities with either income or expenditure exceeding £25,000 must also publish on a public website:</p> <ul style="list-style-type: none"> • Section 3 – The External Auditor Report and Certificate 2017/18, page 6 • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. |
| 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. |
| | 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: ZA185889 |
| | 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.</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. Council should ensure that Privacy Notices are readily available on its website.</i></p> |

Signed *V S Waples*

Date of Internal Audit: 16.04.2019

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On behalf of Suffolk Association of Local Councils