



**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2019**

<b>Name of Council:</b>	Snape Parish Council
<b>Income:</b>	£23,058.67
<b>Expenditure:</b>	£16,070.52
<b>Precept Figure:</b>	£10,892.36
<b>General Reserve:</b>	£17,703 (rounded)
<b>Earmarked Reserves:</b>	£24,586 (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	Computerised spreadsheets are used as the cash ledger.
	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 in the files submitted for internal audit are dated January 2019 and are not compliant with current legislation.</p> <p><b>Recommendation: during the Council's annual review of its Standing Orders, Council should consider adopting 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 Procurement limits under the Public Contracts Regulations 2015 - L04-18 Model Standing Orders refers.</b></p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations submitted for internal audit are dated March 2018 and were reviewed at a meeting of 22 <sup>nd</sup> January 2019 and are compliant with current regulations.
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	<p>The Internal Control Statement confirms that the Clerk is also the RFO but there is no minutes to confirm the annual appointment of the RFO.</p> <p><i>Comment: In accordance with proper practises, Council might wish 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 197 and it might wish to consider minuting such an appointment.</i></p>
	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>
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, cheque studs, payment authorisation slip, invoices, VAT records and bank statements and found to be in order.
	Internet Banking transactions properly recorded/approved	In the main payments are affected by cheque with direct debit payments for repayment of the PWLB by direct debit in April and October.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. A claim for the period 1 <sup>st</sup> May 2017 to 31 <sup>st</sup> March 2018 in the sum of £2,802.17 was submitted and settled during the year under review.
	Legal Powers identified in minutes and/or cashbook	There is clear identification of the powers used in the cash book submitted.  <i>Comment: Council is mindful that the identification of the appropriate legal power to incur expense ensures 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	There were no payments made under this power for the year under review.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Repayment of interest in the sums of £1,661.24 was made via Direct Debit during the year under review in accordance with the bank statements seen. In the files submitted for internal audit the balance is stated as £5,224.  <i>Comment: Council should consider the external auditor's comments on the external audit certificate of 2017/18 and restate the figures in Box 10 for the year 17/18 on the 2018/19 Accounting Statements to £6,543 – see section 13 below.</i>

<b>4. Risk Management</b>	Is there evidence of risk assessment documentation and evidence that risks are being identified and managed.	The Risk Assessment Document for the period 1 <sup>st</sup> April 2018 to 31 <sup>st</sup> March 2019 was considered at a meeting of the Parish Council on 25 <sup>th</sup> September 2018 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.  <i>Comment: Overall within its Risk Management Document, 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.</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 £50,000 which is within recommended guidelines of year-end balances plus 1 <sup>st</sup> instalment of precept received.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed and renewed its annual insurance in terms of cover provided throughout the year, at its meeting of 25 <sup>th</sup> September 2018.
	Evidence that internal controls are documented and regularly reviewed	Council considered and reviewed the effectiveness of its Statement of Internal Controls at its meeting of 25 <sup>th</sup> September 2019 and considered that the controls implemented were adequate for the council.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	There was no minute to show that the Council had carried out a review of the effectiveness of internal audit.  <b>Recommendation: in accordance with the Accounts and Audit Regulations 2015, should take steps to ensure that it reviews the scope of Internal Audit within its risk assessment on an annual basis and that it minutes that such a review has taken place.</b>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £8,772.99 expenditure was agreed in full Council at a meeting of 11 <sup>th</sup> December 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 £10,892.36 was also agreed at the same meeting with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	There is evidence of budget reports and year-to-date variances along with bank account movement, produced on a quarterly basis in accordance with council's own standing orders.
	Reserves held. General and Earmarked.	Council's final accounts show general reserves in the sum of £17,703 (rounded) with earmarked reserves in the sum of £24,586 (rounded).  <i>Comment: Council is mindful that Proper Practices advises that smaller authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes.</i>
<b>6. Income controls</b>	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.
	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.	Whilst council did not receive any CIL Funds for the year under review it should be aware that in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds in 2017-2018 should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received, spent and retained.
<b>7. Petty Cash</b>	Is a petty cash in operation?	Council does not operate petty cash.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	The Clerk's Contract of Employment was verified at the annual internal audit as carried out on 24 <sup>th</sup> 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.	PAYE is operated in accordance with HM Revenue and Customs guidelines. The payments of salary 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 paid to HM Revenue and Customs in accordance with the agreed timescales. Cross-checks were completed on a number of items each of salary, PAYE and these were all found to be in order. Deductions are paid to HM Revenue and Customs on or before the dates prescribed. P60 End of Year Certificate was supplied within the files submitted for internal audit.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Evidence was seen that the council is aware of its pension responsibilities as an employer.
	Are other payments to employees reasonable and approved by the Council?	All expenses paid are against itemised invoices submitted to the Council.
<b>9. Asset control</b>	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 £67,394 which shows overall movement of £1,282 through the year.
	Verifying that the Asset Register is reviewed annually	Council reviewed its Asset Register during the year ending 31 <sup>st</sup> March 2019 which was reported to full council.
	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.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Whilst bank reconciliations are carried out, reported to full council with independent verification of such reconciliations, there is no statement for the Ipswich Building Society passbooks later than October 2018.  <b>Recommendation: Council should consider ensure that the most up to date bank statement is used for the reconciliations in order to provide reassurance that the statement being reconciled provides accurate evidence to support the total cash position at that point in time.</b>
	Confirm bank balances agree with bank statements	The overall year-end bank position is stated as £42,289.51. However, the internal auditor is unable to verify this balance as the Ipswich Building Society passbooks and statements only show balances up to October 2018.

		<p>Balances stated are:</p> <p>Community account: £18,239.31  o/s cheques: £ 536.20  Money manager account: £18,811.50  IBS – Traffic Calming: £ 5,432.18 (no statement 31.03.19)  IBS – Friday Club Trust: £ 342.72 (no statement 31.03.19)</p> <p><b>Recommendation: in accordance with proper practices, council should ensure that the statement being reconciled includes balances as at 31 March as this will provide evidence to support the total cash and short-term investments balance shown in Line 8 in Section 2 of the authority’s Annual Governance and Accountability Return.</b></p>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	To demonstrate good financial control, council might wish to consider ensuring that payments authorised as per the authorisation of payments list are listed in the council’s minutes as part of the smaller authority’s financial control.
	Has the appropriate end of year AGAR documents been completed?	<p>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.</p> <p>The smaller authority has completed the following pages which were signed and authorised by full Council at a meeting of 21<sup>st</sup> April 2019:</p> <p>The smaller authority has completed the following pages which are still to be signed and authorised by full Council:</p> <p>Governance Statement  Accounting Statements</p> <p><i>Comment: Council should be aware that the accounting statements for the year ending 31<sup>st</sup> March 2019 have a rounding error of £1.</i></p>
	Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself	As the Council was a smaller authority with gross income and expenditure exceeding £25,000 during the year 2017/18, it was

	exempt?	not able to certify itself as an exempt authority.
	Was there the opportunity provided for the exercise of electors' rights?	<p>The Internal Auditor was unable to find the details of the arrangements for the exercise of public rights for the period ending 31<sup>st</sup> March 2018 on the public website used by the Council.</p> <p><i>Comment: Council should be aware that in accordance with Regulation 15 (2) of the Accounts and Audit Regulations, details of the arrangements for the exercise of public rights for the period ending 31<sup>st</sup> March 2019 should remain on the public website used by the Council to enable the internal auditor to answer (for the year 2019/20) Assertion M on the AGAR.</i></p>
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The council, for the year 2017/18, did not comply with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with either income or expenditure exceeding £25,000 but not exceeding £6.5 million as it failed to publish the Notice of conclusion of audit and Section 3 – External Auditor Report and Certificate on its website. Those seen on the website at the time of internal audit state “awaited”.</p> <p><i>Comment: council, in accordance with the regulations, should ensure that it publishes the following on a public website for the year 2018/19:</i></p> <p><i>Certificate of Exemption</i>  <i>Annual Internal Audit Report of the AGAR</i>  <i>Section 1 – Annual Governance Statement of the AGAR</i>  <i>Section 2 – Accounting Statements of the AGAR</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>  <i>Bank Reconciliation for the period ending 31<sup>st</sup> March 2019</i>  <i>Analysis of Variances</i></p>
<b>12. Internal audit for the year ending 31 March</b>	Verifying that the previous internal audit reports have been considered by the Council	Whilst the minutes of 24 <sup>th</sup> July and 28 <sup>th</sup> August 2018 state that there will be a review of the internal audit and plan at the

<p><b>2018</b></p>		<p>meeting of 25<sup>th</sup> September 2019, the minutes fail to record that such a report was submitted and considered by the parish council.</p> <p><b>Recommendation: in order to answer in the affirmative to Assertion 7 of the Annual Governance Statement 2018/19 (Section 1) Council should ensure that it has responded to matters brought to its attention by internal and external audit - see comments above.</b></p>
	<p>Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit</p>	<p>There is no evidence that the recommendations and comments arising from the Internal Audit Report were discussed and actions agreed at the above meeting.</p> <p>The recommendations (summarized) were:</p> <ol style="list-style-type: none"> <li>1. Evidence in the minutes of the annual appointment of the RFO – outstanding</li> <li>2. Introduction of risk assessments along with an independent playground inspection at least once a year – closed</li> <li>3. Review of insurance schedule against asset register – completed</li> <li>4. Review of the effectiveness of internal audit – outstanding</li> <li>5. Review of asset register on an annual basis – completed</li> <li>6. Obtain a statement from the PWLB confirming the borrowing amount – not submitted for internal audit</li> <li>7. Minute the conclusion of the investigation into the situation with VAT and the Village Hall &amp;/or Playing Fields – completed</li> <li>8. Ensure that Sections 1 and 2 of the AGAR are approved before the commencement of the inspection period of the exercise of electors’ rights - completed</li> <li>9. Publish items in accordance with the Accounts and Audit Regulations 2015 – outstanding</li> </ol> <p><b>Recommendation: in order to answer in the affirmative to Assertion 7 of the Annual Governance Statement 2018/19</b></p>

		<b>(Section 1) Council should ensure that it has responded to matters brought to its attention by internal audit.</b>
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 22 <sup>nd</sup> January 2019.
<b>13.External audit for the year ending 31 March 2018</b>	Verifying that the external audit report has been considered by the Council	Council considered the External Audit Report and Certificate at its meeting of 25 <sup>th</sup> September 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	<p>The minutes of 25<sup>th</sup> September 2018 show that the external report and certificate provided by the external auditors was considered by the Council with a request submitted by a Councillor that the figure in Box 10 relating to the Public Works Loan Board's published balance should be amended to read £6,543 and not £5,893 as stated. The report further states that council should ensure that amendments are corrected in the prior year comparatives when completing the next year's AGAR.</p> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>i. <b>Council should take steps to comply with the matters drawn to its attention by the external auditor and restate the figure in Box 10 for the year ending 31 March 2018. The council must clearly indicate that the prior year column in the accounting statements is 'Restated' and inform the external auditor.</b></li> <li>ii. <b>Council should note that in order to answer in the affirmative to Assertion 7 of the Annual Governance Statement 2018/19 (Section 1) Council should ensure that it has responded to matters brought to its attention by external audit.</b></li> </ul>
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 22 <sup>nd</sup> 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: ZA443751 expiry date 18 <sup>th</sup> July 2019.
	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 Privacy Policy on the Parish Council's website covers the framework that the public can expect 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.</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 &amp; 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>

Signed *V S Waples*

Date of Internal Audit: 24.06.2019

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On behalf of Suffolk Association of Local Councils