



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Walsham-le-Willows Parish Council
Income:	£26,387.30
Expenditure:	£24,105.79
Precept Figure:	£20,502.00
General Reserve:	£23,068 (rounded)
Earmarked Reserves:	£17,250 (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	Council at its meeting of 8 th May 2018 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, reviewed at a meeting of 10 th April 2018 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 (RFO) has been appointed with specific duties	The Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, has appointed the Clerk as the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.
	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 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	All payments are affected by cheque with a direct debit payment for repayment of the PWLB by direct debit in May 2018.

	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. A claim for the period 1 st March 2018 to 31 st March 2019 in the sum of £1,972.37 has been submitted and is awaiting settlement.
	Legal Powers identified in minutes and/or cashbook	There is no identification of the powers used in the cash book submitted. <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 £335 and were within statutory limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Repayment of interest in the sums of £511.48 was made via Direct Debit during the year under review in accordance with the bank statements seen. This brings the balance of the loan to zero (£0).
4. Risk Management	Is there evidence of risk assessment documentation and evidence that risks are being identified and managed.	The Risk Assessment Document for the period 1 st April 2018 to 31 st March 2019 was considered at a meeting of the Parish Council on 10 th April 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 st instalment of precept received.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed and renewed its annual insurance during the year under review in terms of cover provided and in particular with regards to cover for the play area and equipment.
	Evidence that internal controls are documented and regularly reviewed	Council considered and reviewed the effectiveness of its internal controls at its meeting of 10 th April 2018 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	<p>Within the Internal Control Statement, it is noted that the council appoints an independent internal auditor who reports to the council on a yearly basis on the adequacy of its records; procedures; systems; internal control; regulations and risk management.</p> <p>In accordance with the Accounts and Audit Regulations 2015, at the review of the internal control statement at its meeting of 10th April 2018, council also carried out a review of the effectiveness of internal audit.</p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £22,877.00 expenditure was agreed in full Council at a meeting of 9 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 £20,502.00 was also agreed at the same meeting with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	There is evidence that council receives and considers budget reports and year-to-date variances along with bank account movement on a monthly basis.
	Reserves held. General and Earmarked.	<p>Council's final accounts show general reserves in the sum of £23,067.93 (rounded) with earmarked reserves in the sum of £17,000.00 (rounded).</p> <p><i>Comment: Council is mindful that Proper Practices advises that smaller authorities have no legal powers to hold revenue</i></p>

		<i>reserves other than those for reasonable working capital needs, or for specifically earmarked purposes.</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.
	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 at the annual internal audit as carried out on 26 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.	PAYE is operated in accordance with HM Revenue and Customs guidelines. Ladywell Accounting Services is contracted to fulfil the function of payroll administrator. 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.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Evidence was given that the council is aware of its pension responsibilities as an employer and a redeclaration was completed on 13 th May 2019.
	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 £44,447.00 which shows overall movement of £5,397.0 through the year.
	Verifying that the Asset Register is reviewed annually	Council reviewed its Asset Register during the year ending 31 st 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.
10. Bank reconciliation	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 overall year-end bank position is stated as £40,317.93. Balances confirmed at year-end are: Current account: £ 8,863.49 o/s cheques: £ 369.19 Business account: £31,823.63
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 good financial control by ensuring that 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 following pages which were signed and authorised by full Council at a meeting of 14 th May 2019: Governance Statement Accounting Statements Recommendation: Council should review the figure in Box 6 for the year 2017/18 as it is incorrectly stated. Box 6 should read 14786 and not 14876. This will need to be corrected prior to

		submission to the external auditor and amendments signed off by the RFO and Chair to the Council.
	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 able 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.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The council, for the year 2017/18, complied 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 and published the following on its website:</p> <p>Notice of conclusion of audit Section 3 – External Auditor Report and Certificate Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</p> <p><i>Comment: Council might wish to take account of the comment on the front of the AGAR form which states that it is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that the Annual Internal Audit Report, page 3 is also published.</i></p>
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 12 th June 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following matters were raised in the Internal Audit Report for the previous year:</p> <p>1. Review the effectiveness of internal audit - outstanding</p>
	Confirmation of appointment of Internal Auditor	There is no minute confirming the appointment of SALC as the Internal Auditor.

		<i>Comment: during the year 2019/2020 Council might wish to confirm the appointment of the internal auditor during its review of the effectiveness of internal audit and minute its procurement procedure for the coming year.</i>
13.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 9 th October 2018. In accordance with the Accounts and Audit Regulations 2018, the Clerk has advertised the conclusion of the audit on the council's website.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	There were no matters which necessitated the issuing of a separate report.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 8 th May 2018 with the Election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Minutes – held in accordance with legislation	The signed minutes submitted for internal audit are all headed up as DRAFT. <i>Comment: Council might want to be mindful of Standing Order 12e which states that “subject to the publication of draft minutes in accordance with standing order (12)a) and following a resolution which confirms the accuracy of the minutes of a meeting, the draft minutes or recordings of the meeting for which approved minutes exist shall be destroyed” and consider ensuring that the word draft is removed from the minutes to be approved.</i>
	Minutes – treatment of apologies	The signed minutes submitted for internal audit merely record apologies received but do not state whether the apologies have been accepted by council. <i>Comment: council should be aware that a councillor cannot continue in office if he/she fails to attend a meeting of the whole council, a committee or sub-committee for a period of six consecutive months and the reason for the absence has not been formally approved before the expiry of the six-month period (LGA 1972 s85).</i>

		Recommendation: council should consider expanding the agenda to allow for the receipt of absences and approval of absences submitted.
	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: ZA286785 expiry date 19 th November 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.</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 - a description of the processing and purpose of the processing which will 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 – to 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> <p><i>Council should also ensure that a Privacy Policy, covering 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, is uploaded onto the website.</i></p>

Signed *V S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 26.06.2019

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