



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Glemsford Parish Council
Income:	£128,258.94
Expenditure:	£102,075.14
Precept Figure:	£93,910
General Reserve:	£78,257
Earmarked Reserves:	£120,987



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 2018/19 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.
	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 10 th July 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 July 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 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, confirmed at a meeting in July 2018 that the Clerk was 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 are in part tailored to the council. <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>
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	It is noted that the majority of payments, other than those relating to staff, are affected by electronic bank payments in

		<p>accordance with a resolution of the council and that a member has on-line banking access to verify such payments are made in accordance with Council's own Financial Regulations.</p> <p>Recommendation: in accordance with Council's Financial Regulation 6.10 for payments settled by internet banking transfer, evidence should be retained showing which members approved the payment. Council should consider ensuring that the on-line payment slip is signed to ensure that there is an effective system in place to reduce the risks of error. This will not only protect the RFO but will fulfil an internal control objective to ensure the safeguarding of public money.</p> <p>Within Financial Regulation 5.5c 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.</p> <p>It is noted that a transfer of £75,000 was affected between the Current Account and the Business Reserve Account in October 2018.</p> <p>Recommendation: Council should consider expanding the Financial Report to ensure that this item is submitted to each relevant meeting in accordance with the above Financial Regulation.</p>
	<p>VAT correctly identified and reclaimed within time limits</p>	<p>VAT is identified in the cash book. 2 claims were submitted during the year:</p> <ul style="list-style-type: none"> • Period 1st April to 30th September 2018 in the sum of £2,722.01 was settled by HM Revenue and Customs on 9th November 2018 • Period 1st October 2018 to 31st January 2019 in the sum of £2,647.69 was settled on 1st March 2019.

	Legal Powers identified in minutes and/or cashbook	The Clerk ensures that Councillors are able to satisfy themselves that they have the appropriate legal power to incur expense by referring 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.
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £1,570 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 12 th February 2019.
	Evidence that risks are being identified and managed.	With reference to the Accounts and Audit Regulations, 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. However there is little or no detail on bank transfer payments and the corporate credit card. Recommendation: the parish council should consider specific control procedures for payments by bank transfer or other electronic means to ensure that the risks brought about by the ease and speed of such transactions and the difficulties faced in unravelling them should there be errors are mitigated. Such control measures should be added to the Council's Risk Assessment Documentation and should include establishing a credit card policy which explains the responsibility of the user employees, the expenses that can be incurred using the credit card and the necessary supporting documentation and/or approval with respect to each expense incurred.
	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 £250K The Village Hall is covered under a separate insurance policy which shows cover for Buildings; Public Liability; Employer Liability and Fidelity Guarantee.
	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 December 2018.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	There is no reference within the minutes that a formal review of the effectiveness of internal audit took place during the year under review. Recommendation: as this is an outstanding internal audit point from 2017-2018, Council should take steps to ensure that, in accordance with the Accounts and Audit Regulations 2015, it formally reviews the scope of its internal audit arrangements and consider whether they are appropriate for the council. Such a review should form part of the council's minutes.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £93,910 was adopted by full Council at its meeting of 14 th November 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 £93,910 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 £78,257 with earmarked reserves in the sum of £120,987.
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 £2,964.10 as received in October 2018. <i>Comment: in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds in 2017-2018 has ensured that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent. This was viewed on the Parish Council's website.</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 not 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. S.A.L.C. is contracted to carry out the payroll function on behalf of the council. The Finance Working Group carry out annual reviews of payments to Clerk and contractors with recommendations 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.
	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 has enrolled relevant staff within the Suffolk County Council Local Government Pension Scheme. Payment of pension contributions from both employer and employee are paid in accordance with the agreed timescales.
	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 £878,567 which shows additions during the year of £12,304.
	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 9 th April 2019.
	Cross checking of Insurance cover	<p>A number of items as listed under the Asset Register were reviewed against items under insurance.</p> <p>Generic cover is in place for gates and fences; street furniture; war memorials; playground equipment; ground surfaces; mowers and machinery and sports equipment.</p> <p><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></p>
	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	<p>The year-end bank statements agree with the cash-book reconciliation: overall balance of £238,062.93</p> <p>Current Account: £32,755.82 Village Hall Account: £ 2,592.80 Deposit Account: £202,714.31</p>
	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 able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 st March 2018 were 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 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: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR The following documents for 2017/18 were not seen on the Council's website: Section 3 – The External Auditor Report and Certificate The Annual Internal Audit Report
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 10 th July 2018.
	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 of Standing Orders 2. Review of Financial Regulations 3. Identification of legal powers for expenditure incurred 4. Review of internal control 5. Review of the effectiveness of internal audit

		<p>6. Minutes consecutively numbered and signed</p> <p>7. All invoices to be initialled by signatories.</p> <p>8. Chairman to sign the schedule of payments and to initial the invoices.</p>
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 12 th February 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 11 th December 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	<p>The external auditor has stated in its Auditor Report and Certificate under other matters not affecting their opinion, that the Council did not comply with Regulation 14 of the Accounts and Audit Regulations as it failed to make proper provision during the year for the exercise of public rights since the notice regarding the period for public rights was not published before the start of the period.</p> <p>In accordance with guidance from the external auditor, Council has responded in the negative to Assertion 4 on the Annual Governance Statement for the year ending 31st March 2019.</p>
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	<p>Although the minutes submitted for internal audit were all signed, it is noted that those on the website are still in draft form.</p> <p><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 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 removing the</i></p>

		<i>draft version from the website and replace it with an approved version.</i>
	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: ZA072956
	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, and its minutes of 12th June 2018 state that privacy notices for staff, members and the website are in place along with a cookie policy. Council has reviewed and adopted policies for data protection and data breaches.</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 *TS Waples*

Date of Internal Audit: 16.04.2019

Date of Internal Audit Report: 16.04.2019

On behalf of Suffolk Association of Local Councils