Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Holton Parish Council
Income:	£12,834.49
Expenditure:	£8,447.05
Precept Figure:	£11,141.00
General Reserve:	£11738.77
Earmarked Reserves:	£8,521.08

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	Excel 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	At its meeting of 12th 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. *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.*
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations were reviewed at a meeting of 30th May 2018 and are compliant with current regulations.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The council confirmed, at a meeting of 30th May 2018 that the Clerk to the Parish Council is also the Responsible Financial Officer (RFO). *Comment: in accordance with proper practises, Council has been 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.*
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations seen for internal audit are partially tailored to the council. *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.*

3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book and invoices. All were found to be in order.
	Internet Banking transactions properly recorded/approved	Currently all payments are affected by cheque.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The claim for the period under review in the sum of £430.60 as submitted to HM Revenue and Customs was analysed and found to be in accordance with the cashbook.
	Legal Powers identified in minutes and/or cashbook	There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137 in the cashbook. *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.*
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £1,065.00. *Comment: Council might wish to minute the use of S137 of the LGA 1972 (as amended by the Local Government and Housing Act 1989 s36) in granting donations noting that it is a capped expenditure and one which gives the Council the power to incur expenditure which in their opinion is in the interests of and will bring direct benefit to their area or any part of it or all or some of its inhabitants. The benefit obtained must be commensurate with the expenditure incurred and the annual expenditure must not exceed the total electorate multiplied by the annual statutory limit per elector.*

		Payments to Holton & Blyford Post might be more appropriately allocated against LGA 1972 s142 (Power to provide information relating to matters affecting local government; payments for the cleaning of the war memorial should be allocated against War Memorials (Local Authorities Powers) Act 1923, s.1 as extended by LGA 1948 s.133 (Power to maintain, repair, protect and adapt war memorials) and payments to Holton and Blyford Village Hall might be more appropriately allocated against Local Government Act 1972, s.133 (Power to acquire, provide and furnish community buildings for public meetings and assemblies).
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none applicable for the year under review.
4. Risk Management	Is there evidence of risk assessment documentation.	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 13th March 2019 and found that they were adequate, effective and appropriate for the affairs of the Council.
	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 which was presented to and accepted by full Council at the same meeting.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate Insurance cover is in place: Employers Liability £10million Public Liability £10million Public Liability for Playground Equipment £10million Fidelity Guarantee £25,000 which is within recommended guidelines of year-end balances plus 1st 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 14th November 2018. At renewal Council is in year 3 of a 5-year long-term agreement.

	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 13th March 2019.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Council carried out a review of the effectiveness of internal audit at the same meeting.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £11,426 was agreed in full Council at a meeting of 10th 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 £11,141 was also agreed at the same meeting with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	A budget report and year-to-date variances and bank account movement is supplied to and discussed by full Council 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 11,738.77 and earmarked reserves of £8,521.08 which were agreed, at a meeting in January 2018, to be held in reserve for play area improvements. *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.*
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt.
	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?	Upon analysis of the precept audit trail it is noted that the Precept Form for 2018/19 dated 11th January 2018 shows a precept request of £11,426.00. There is no minute to show why this sum was requested and why it differs from the precept approved by the parish council at its meeting of 10th January 2018.

		Recommendation: to ensure that there is 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, Council should consider implementing a control check to ensure the sums agree prior to submission.
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 contract of employment was seen at time of internal audit.
	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 payroll function is carried out by SALC. Whilst all payments to the Clerk are approved by full Council it was noted at the meeting of 13th March 2019 that the previously advised payrate did not agree to the payscale as quoted within the employment contract issued to the Clerk. **Recommendation: council should ensure that where it is approving in advance the remuneration payable to all employees it implements robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages and associated liabilities.**
	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 September 2017 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 £38,827.77 which shows additions in the sum of £1,657.12 during the year.

	Verifying that the Asset Register is reviewed annually	The Asset Register was reviewed during the year ending 31st March 2019 and approved at the meeting of 8th 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. The newly acquired Defibrillator was covered under insurance once purchased and as reported to the meeting of 13th March 2019.
10.Bank reconciliation	Regularly completed and reconciled with cash book	Quarterly bank reconciliations are carried out and reported to full Council and Council has ensured good financial practise 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 £20,259.85: Current Account: £11,766.77 Unpresented cheque: £ 28.00 Business Account: £ 8,521.08
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 financial control by ensuring that receipts and payments 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?	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR. The smaller authority has completed the following pages which have been presented to and signed by full Council prior to Internal Audit: Exemption Certificate Governance Statement Accounting Statements The Internal Auditor has completed the relevant page of this form.

	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 not exceeding £25,000 during the year 2017/18, it was able to certify itself as an exempt authority and correctly declared itself exempt.
	Was there the opportunity provided for the exercise of electors' rights?	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 31st March 2018 was 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 has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with either income or expenditure not exceeding £25,000 and published the following on a public website: Certificate of Exemption Annual Internal Audit Report of the AGAR 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. Bank Reconciliation for the period ending 31st March 2018 Analysis of variances
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 9th May 2018 and agreed to implement an action plan to address the development points raised by internal audit.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The recommendations raised within the Internal Audit Report were: 1. Annual review and update of Standing Orders - completed 2. Annual review and update of Financial Regulations - completed 3. Tailor Financial Regulations to council - ongoing 4. List of payments to be expanded to include invoice payee and amounts - completed 5. Review of payments made under LGA 1972 S137 - ongoing

		6. Annual risk assessment to be carried out and reviewed annually - completed 7. Implement internal control statement and review annually - completed 8. Minute the budget set - outstanding 9. Review budget against expenditure - completed 10. Review asset register - completed 11. Report bank balances at each meeting – completed 12. Election of Chair 1st item at each annual meeting - completed
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 30th May 2018.
13. External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	No external report was provided by the external auditors as the Council was able to certify itself as exempt from a Limited Assurance Review.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 30th 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.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council has complied with the requirements of the Transparency Code for smaller authorities and has published the following on a public website for the year 2017/18: End of Year Accounts Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities Minutes and Agendas of Meetings Asset Register Items of Expenditure Above £100
	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: ZA129944 expiry date 19th July 2019.

	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	Council is taking steps to ensure compliancy with the GDPR requirements. The Clerk has ensured that Privacy Notices have been uploaded onto the website. *Comment: further input will be required from Council to ensure compliance with GDPR - templates and guidance are available on the SALC website.* *Council might wish to consider the completion of the following documents which will be needed to evidence compliance with legislation:* *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.* *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.* *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.*

Signed V S Waples

Date of Internal Audit: 20.06.2019 **Date of Internal Audit Report: 20.06.2019**

On behalf of Suffolk Association of Local Councils