

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

<b>Name of Council:</b>	Norton Parish Council
<b>Income:</b>	£32,707.20
<b>Expenditure:</b>	£28,434.56
<b>Precept Figure:</b>	£20,000.00
<b>General Reserve:</b>	£3,910.24
<b>Earmarked Reserves:</b>	£15,915.00

## **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
<b>1. Proper Book-keeping</b>	<p>Type of cash book or ledger used</p> <p>Cash book kept up to date and regularly verified against bank statement</p> <p>Correct arithmetic and balancing</p>	<p>The council users a computerised spreadsheet which is well referenced.</p> <p>The Cashbook is kept up to date and referenced which provides evidence to support the Council's underlying accounting statements.</p> <p>Spot checks were carried out and the cashbook was found to be in order.</p>
<b>2. Financial Regulations &amp; Standing Orders</b>	<p>Evidence that standing orders have been adopted and reviewed regularly</p> <p>Evidence that Financial Regulations have been adopted and reviewed regularly</p> <p>Evidence that a Responsible Financial Officer has been appointed with specific duties</p>	<p>Council reviewed its standing orders at a meeting of 5<sup>th</sup> March 2018 and noted the standing order for public speaking at Council meetings. A copy of the Council's Standing Orders were not supplied for internal audit and therefore cannot be verified.</p> <p><i>Comment: during the Council's annual review of its Standing Orders, Council sight 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 the Public Contracts Regulations 2015 - L04-18 Model Standing Orders refers.</i></p> <p>The Council's Financial Regulations submitted for internal audit were reviewed at a meeting of 8<sup>th</sup> May 2019 are compliant with legislation.</p> <p>The Financial Regulations make reference to the Clerk also holding the post of Financial Responsible Officer.</p> <p><i>Comment: in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, the council has appointed a person to fulfil the role of Responsible Financial Officer (RFO) responsible for the financial administration of the authority.</i></p>
	<p>Evidence that Financial Regulations have been tailored to the Council</p>	<p>Financial Regulations are in part tailored to the council.</p> <p><b>Recommendation: to ensure that its Financial Regulations are tailored to the Parish Council, Council should consider the</b></p>

		<p>removal of the alternative options for a council and in particular removing the square brackets, thereby eliminating ambiguity.</p>
<p><b>3. Payment controls</b></p>	<p>Supporting paperwork for payments, and appropriate authorisation</p>	<p>A selection of expenditure items were selected, and cross checked against cash book, invoices, minutes and bank statements and the majority were found to be in order.</p> <p><b>Recommendation:</b> Council should note that, in order to have measures that safeguard public money, there should be a straightforward and clear audit trail for every payment from the authorising of each expenditure through minute, invoice, cashbook, payment authorisation and bank statements. It is noted that not all cheque stubs and invoices were initialled thereby creating uncertainty that Councillors had seen the actual invoice/request for payments (initials); that they have authorised the payment (initials on the cheque stubs) and that they have seen the bank statements (initials). Such a control will not only protect the RFO but will also fulfil an internal control objective to ensure the safeguarding of public money.</p>
	<p>VAT correctly identified and reclaimed within time limits</p>	<p>VAT is identified in the cash book and reclaimed on an annual basis. The claim for the year 2017-2018 in the sum of £6,719.75 was settled during the year under review. VAT for the year 2018-19 in the sum of £2,752.38 is still to be settled.</p>
	<p>Legal Powers identified in minutes and/or cashbook.</p>	<p>There is no identification of the powers used in either the cashbook or minutes apart from S137.</p> <p><b>Recommendation:</b> Council should 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.</p>

	\$137 separately recorded, minuted and within statutory limits Payments of interest and principal sums in respect of loans.	Payments made under this power for the year under review totalled £575.00 and were within statutory limits. There were none for the period under review.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	The risk assessment documentation for the year 2018 -2019 was reviewed by full Council at its meeting of 5 <sup>th</sup> March 2018.
	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.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	As there was no insurance schedule submitted for the internal audit review, the internal auditor is unable to verify that appropriate Insurance cover in place for employment, public liability and fidelity guarantee.
	Evidence that insurance is adequate and has been reviewed on an annual basis.	There is no minutes to show that the Council's insurance cover was reviewed during the year under review although it is noted that the renewal premium was paid in May 2018.
	Evidence that internal controls are documented and regularly reviewed	<i>Comment: In accordance with Council's Financial Risk Assessment, the Council should formally record 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> There is no evidence within the minutes and files submitted for internal audit that the parish council has undertaken a review of the effectiveness of the system of internal control during the year under review. This review will be required to inform the authority's preparation of its annual governance statement. <i>Comment: with reference to the Accounts and Audit Regulations 2015, Council should note the requirement to have in place safe and efficient arrangements to safeguard public money. Council should take steps to ensure that it reviews its arrangements to protect public money during the coming year and minutes that such a review has taken place.</i>
<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 £20,000 was adopted by full Council at the parish council meeting of 4 <sup>th</sup>

		<p>December 2017 but it is unclear as to the budget amount being set.</p> <p><i>Comment: Council should consider formally minuting the budget that has been set which will provide the basis for monitoring progress during the year by comparing actual spending against planned spending.</i></p>
	<p>Verifying that the Precept amount has been agreed in full Council and clearly minuted.</p>	<p>The Precept in the sum of £20,000 was also agreed at the same meeting.</p>
	<p>Regular reporting of expenditure and variances from budget</p>	<p>There was limited reporting of the monitoring of expenditure and income against budget identifying period and year-to-date variances.</p> <p><i>Comment: Council should be mindful that proper practises state that reviewing the budget against actual expenditure regularly gives members early warning about the likelihood of a shortfall (or surplus) and helps them to decide what responsive action to take. Council should consider following Model Standing Order 17c which requires the RFO to supply, on a quarterly basis a statement which summarizes: the receipts and payment for each quarter; the aggregate receipts and payments for year to date; balance held at the end of each quarter being reported and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.</i></p>
	<p>Reserves held - General and Earmarked.</p>	<p>Council's final accounts show general reserves in the sum of £3,910.24 with earmarked reserves in the sum of £15,915.</p>
<b>6. Income controls</b>	<p>Is income properly recorded and promptly banked?</p>	<p>Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures.</p>
	<p>Is income reported to full Council?</p>	<p>Income is reported to the council's and forms part of the financial report submitted to full council detailing the council's aggregate expenditure and income.</p>

	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.	There were no CIL Funds received for the year under review.
<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?	There were no contracts of employment submitted for verification at the annual internal audit. At year-end Council had two employees on its payroll.
	Are arrangements in place for authorising of the payroll and payments by the Council?	The council uses the payroll system as supported by HM Revenue and Customs which ensures that the Council operates within the RTI system and submits full payment monthly submissions.
	Verifying the process for agreeing rates of pay to be applied.	
	Do salary payments include deductions for PAYE/NIC?	PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales.
	Is PAYE/NIC paid promptly to HMRC?	Council is aware of its pension responsibilities and a Declaration of Compliance was signed in September 2017.
	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 declared assets on Section 2 – Accounting Statements 2018-19 in the sum of £90,281 which shows movement of £1,587 since that recorded in 2017-18.  <i>Comment: the asset register schedule submitted for internal audit shows assets totalling £81,328. At the next annual review of the asset register, Council should review its asset register, ensuring that the value of the cell at Line 9 of the AGAR is taken from the authority's asset register which is up to date at 31 March and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. the RFO might wish to consider reporting back to Council that a review of the insurance cover has been completed and that</i>

			<i>appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
	Verifying that the Asset Register is reviewed annually		The Asset Register for the period ending 31 <sup>st</sup> March 2019 was signed off when the accounting statements were presented to full council at its meeting of 8 <sup>th</sup> May 2019.
	Cross checking of Insurance cover		The internal auditor was unable to review items listed on the asset register against insurance as an insurance schedule was not submitted at the time of internal audit.
<b>10. Bank Reconciliations</b>	Regularly completed and reconciled with cash book		Bank balances are reported at each meeting but there is limited evidence to show that bank reconciliations are carried out other than at year-end.  <b>Recommendation: to ensure good financial practice, Council should implement a system whereby the bank reconciliation is carried out in accordance with council's financial standing order 2.2; independently verified by a Councillor and reported to full Council which not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</b>
	Confirm bank balances agree with bank statements		The year-end bank statements agree with the cash-book reconciliation: overall balance of £19825.24
			Community Account: £14,305.75 Business Account: £ 5,519.49
<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		The Council demonstrates financial accountability 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 but not exceeding £6.5million it has completed Part 3 of the AGAR. The council has signed off both the Governance Statement and



		Accounting Statements at its meeting of 8 <sup>th</sup> May 2019.
	Where an authority certified itself exempt in 2017/18, did it meet 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 not able to confirm that there was the opportunity for the exercise of electors' rights for the period ending 31 <sup>st</sup> March 2018, as details of the arrangements for the exercise of public rights for that period were not 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 not complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5million for 2017-18 as it has not published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Notice of conclusion of audit Section 3 – The External Auditor Report and Certificate
		<b>Recommendation: in accordance with the Accounts and Audit Regulations 2015, the council must ensure that it publishes before 1 July 2019 the following:</b> <b>Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited</b> <b>Section 1 – Annual Governance Statement 2018/19</b> <b>Section 2 – Accounting Statements 2018/19</b> <b>And before 30 September 2019:</b> <b>Notice of conclusion of audit</b> <b>Sections 1 and 2 of the AGAR</b>
		<i>Comment: Council might wish to note the comment on the AGAR 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</i>

<p><b>12. Internal audit for the year ending 31 March 2018</b></p>	<p>Verifying that the previous internal audit reports have been considered by the Council</p>	<p><i>published online.</i></p> <p>Council considered and accepted the Annual Internal Audit Report at its meeting of 6<sup>th</sup> August 2018.</p>
<p>Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit</p>	<p>The following matters were raised in the Internal Audit Report:</p> <ol style="list-style-type: none"> <li>1. Review Standing Orders showing changes in legislation – outstanding.</li> <li>2. Review Financial Regulations with reference to LTN 87 – completed.</li> <li>3. Identification of powers used to incur expenditure – outstanding.</li> <li>4. Internal control review to be undertaken on an annual basis and minuted as having taken place - outstanding</li> <li>5. Periodic monitoring of budget in accordance with Council's SO 4.2 – outstanding.</li> <li>6. To ensure year-end bank balances are carried out as at last working day of month – completed.</li> <li>7. Election of Chair of Council to be 1<sup>st</sup> item at Annual Meeting of Council - outstanding</li> <li>8. Register as a Data Controller - outstanding</li> </ol> <p><b>Recommendation: in order to answer Statement 7 of the Annual Governance Statement in the affirmative, council should be aware that proper practises states that council should have responded to matters brought to its attention by internal and external audit.</b></p>	<p>The appointment of Suffolk Association of Local Councils as the Internal Auditor was approved at a meeting of 8<sup>th</sup> May 2019.</p>
<p>Confirmation of appointment of Internal Auditor</p>	<p>Evidence that a review of the effectiveness of internal audit has been carried out during the year</p>	<p>There is no minute to confirm that Council, in accordance with the Accounts and Audit Regulations, undertook a formal review of the effectiveness of internal audit during the year under review.</p> <p><b>Recommendation: 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</b></p>

		<b>and consider whether they are appropriate for the council. Such a review should form part of the council's minutes.</b>
<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 and accepted the External Audit Report and Certificate at its meeting of 3 <sup>rd</sup> December 2018.
	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.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 9 <sup>th</sup> May 2018 with the Election of the Chair being the second item on the agenda. in accordance with the 1972 Act.
	Minutes – treatment of apologies	<b>Recommendation: Council should note that in accordance with LGA 1972 s.15(2), the election of a chairman should be the first business transacted at the annual meeting of the parish council. It is noted that this is an outstanding audit point from the previous two years.</b>
		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>
	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 not registered with the Information Commissioner's Office (ICO) as a Data Controller.
		<b>Recommendation – as this is an outstanding audit point from 2017-18 and as the Parish Council processes personal data, (this includes any information (including opinions and</b>

		<p>intentions) which relates to an identified or identifiable natural (living) person, e.g. name, e-mail address, photographs; N.I. numbers i.e. anything by which identification can be by the personal data alone or in conjunction with any other personal data, the Council is considered to be a Data Controller and as such should seek to register with the ICO as such.</p>
	<p>Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements</p>	<p>Council is taking steps to ensure compliancy with the GDPR requirements.</p> <p><i>Comment: Council should 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 being 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, the purpose of the processing and identification of 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</i></p> <p><i>– 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 *JoS Wooples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 08.07.2019

Date of Internal Audit Report: 08.07.2019

