



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Hasketon Parish Council
Income:	£9339.55
Expenditure:	£7,926.72
Precept Figure:	£8,562.55
General Reserve:	£26332
Earmarked Reserves:	Under Review : Mentioned in addendum to end of year statements from 2018



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	The RFO uses spreadsheets and a word processor to produce the financial records for the Council.
	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	The Council, having undertaken a review of its Standing Orders in July 2018, have ensured that amendments have been made to their existing Standing Orders to take into account changes in legislation since the National Association Of Local Councils (NALC) Model Standing Order. <i>Comment : Document could be dated with pages numbers</i>
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations, adopted January 2016 and as amended on 8 th October 2018, are based on the Model Financial Regulations produced by NALC and have been adapted to reflect recent changes in legislation concerning Procurement. <i>Comment : Document dates could be updated</i>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	RFO is the clerk and has a contract of employment. <i>Comment : The clerk's appointment was not formerly ratified but was inferred by the Chairman's AGM statement. Signed employment contract not evidenced.</i> Recommendation: in accordance with section 151 of the Local Government Act 1972, Council might want to ensure that it recognises that it has a duty to appoint an officer to be responsible for the financial administration of the authority and minute such an appointment.
	Evidence that Financial Regulations have been tailored to the Council	Financial regulations are tailored in parts to the council.

3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against chequebook, cashbook, bank statements, invoices and minutes. All were found to counter checked/signed and in good order.
	Internet Banking transactions properly recorded/approved	Electronic balance transfers between current and savings accounts are recommended to council and well documented.
	VAT correctly identified and reclaimed within time limits	VAT has been reclaimed and is evidenced in parish accounts and bank statements in a timely fashion.
	Legal Powers identified in minutes and/or cashbook	<p>The cashbook shows limited reference to the legal powers used for items of expenditure incurred.</p> <p><i>Comment : Council might consider introducing the powers identifying the Parish Council's authority to spend thereby ensuring that all financial decisions or payments are made in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires.</i></p>
	S137 separately recorded, minuted and within statutory limits	S137 payments are separately noted in cash book
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Not applicable
4. Risk Management	Is there evidence of risk assessment documentation.	Risk assessment provided for 2018. Evidence of external play area inspection and assessment also provided.
	Evidence that risks are being identified and managed.	Recommendations for external play area inspection have been acted upon.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>Appropriate Insurance cover is in place: Policy LC00707 1/6/18</p> <p>Employers Liability £10m</p> <p>Public Liability £10m</p> <p>Fidelity Guarantee £250K</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council renewed its Annual Insurance in terms of cover and value. Minuted 12/7/18

	Evidence that internal controls are documented and regularly reviewed	There is no evidence of documented internal controls. Recommendation : As this is an outstanding audit point from 2017-2018, Council must ensure that, in accordance with the Account and Audit Regulations 2015 (Regulation 6 (1A)), a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, is undertaken and both must be clearly minuted as having taken place.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	RFO provided an explanatory addendum in support of SALC audit. 30/5/18
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Draft budget prepared and evidenced at council meeting with resolution passed to agree precept application
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	The Precept in the sum of £8562.55 was also agreed at the same meeting with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	Clear and regular reporting evidence of payments and credits. <i>Comment : Council may wish to include budget variance comparisons within reporting method</i>
	Reserves held. General and Earmarked.	£26332 General Reserve <i>Comment : General reserves are mentioned as under review Council may wish to include and minute a regular review of reserve earmarking.</i>
6. Income controls	Is income properly recorded and promptly banked?	Income is correctly recorded and banked properly
	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.
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 Council employs the Clark/RFO. Unsigned copy of Contract of employment evidenced.
	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.	Payroll is presented in financial reports to council and approved by council
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Yes
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Evidence RFO does not qualify for pension contributions.
	Are other payments to employees reasonable and approved by the Council?	Expenses are presented in financial reports to council and approved by council
	9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises
	Verifying that the Asset Register is reviewed annually	Item 15 : 10/5/18 Asset register reviewed by council
	Cross checking of Insurance cover	In order – appropriate cover with evidence of review.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliation is clear. <i>Comment : There are a number of initials and notes but it is unclear whether these are in anyway made independently of the RFO as a double check</i> <i>To ensure good financial practice, Council might want to implement 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.</i>
	Confirm bank balances agree with bank statements	Overall bank balances (Savings and Current) agree with end of year statements.

		Current account : £3400.53 less un-presented cheques @ 31/3/18: 100650 : £62.40 100651 : £36.12 100652 : £100 Saving Account (premium) : £23129.66
	Regular reporting of bank balances at council meetings	Bank balances and transactions are reported to Council at each council meeting with a financial summary.
11. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	Balances agree with year end statements
	Has the appropriate end of year AGAR documents been completed?	The Council is a smaller authority with gross income and expenditure not exceeding £25,000. <i>Comment : The accounting statements have been completed in pencil and assuming that there are no changes to the accounting statements as stated, then the internal auditor has completed their section of the AGAR.</i>
	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 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 31 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 Analysis of variances Bank Reconciliation Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.
12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	Evidence that items raised by the internal auditor have been acknowledged and considered.
	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. Standing Orders – Amended 2. Financial Regulations - Amended 3. Financial reporting – Reconciliation evidenced and Bank Balances reported.
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council.
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 10 th 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 partially 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

		<p>Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities Minutes and Agendas of Meetings</p> <p>Recommendation: Council should note that for the year under review (the year ending 31st March 2019), in accordance with the Transparency Code for smaller authorities with neither income or expenditure not exceeding £25,000 the following must be published on a public website: Items of Expenditure Above £100 Asset Register</p>
	Verifying that the council is registered with the ICO	<p>The Council is not registered with the Information Commissioner's Office (ICO) as a Data Controller <i>Comment: As the Parish Council processes personal data, (this includes any information (including opinions and 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, it a Data Controller and as such should seek to register with the ICO as such.</i></p>
	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 Clerk has contacted the ICO and has been advised registration is not necessary. <i>Comment: Further input will be required from Council to ensure compliance with GDPR - templates and guidance are available on the SALC website.</i></p>

Signed.....

Date of Internal Audit Visit

Date of Internal Audit Report.....

On behalf of Suffolk Association of Local Councils