



Internal Audit Report
Year ending: 31st March 2019

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| Name of Council: | Sibton Parish Council |
| Income: | £1,758.78 |
| Expenditure: | £2,362.53 |
| Precept Figure: | £1,750.00 |
| General Reserve: | £9,941.14 |
| Earmarked Reserves: | £5,014.42 |



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 |
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| 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 23 rd 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 23 rd 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 (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 tailored to the council. |
| 3. Payment controls | Supporting paperwork for payments, and appropriate authorisation | <p>A selection of expenditure items were selected, and cross checked against cash book, cheque studs, minutes, invoices, VAT records and bank statements.</p> <p><i>Comment: to provide a full audit trail there should be evidence that Councillors have seen the actual invoice/request for payments – such evidence should be by way of initials on the invoice submitted for payment. This is to protect the RFO as well as fulfilling an internal control objective to ensure the safeguarding of public money.</i></p> |
| | 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 £26.80 is still to be submitted. |

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| | Legal Powers identified in minutes and/or cashbook | There is clear identification of the powers used in the cash book submitted. <i>Comment: the RFO, by the identification of the appropriate legal power to incur expense, ensures that all financial decisions or payments being made are in accordance with statute and that 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 £375 and were within statutory limits. |
| | Payments of interest and principal sums in respect of loans, are paid in accordance with agreements | The Council has no Public Works Loan(s). |
| 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 7 th February 2019 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 £25,000 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 and noted at its meeting of 2 nd October 2018 that council, at renewal was in year three of a five-year agreement. |

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| | Evidence that internal controls are documented and regularly reviewed | Council considered and reviewed the effectiveness of its internal controls at its meeting of 29 th March 2019 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 29th March 2019, council also carried out a review of the effectiveness of internal audit.</p> <p><i>Comment: The Council demonstrates good financial practice by considering a quarterly Internal Control Report, prepared by a Councillor and reported to full Council in order to confirm that internal controls are effective.</i></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 £16,300 which covers capital project expenditure of £12,880 and a contribution to the reserve account of £900 expenditure was agreed in full Council at a meeting of 9 th December 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 £1,750.00 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 quarterly basis. |
| | Reserves held. General and Earmarked. | Council's final accounts show general reserves in the sum of £9941.14 with earmarked reserves in the sum of £5014.42. |
| 6. Income controls | Is income properly recorded and promptly banked? | Income is entered into the cashbook on the date of receipt. |

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| | 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 27 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. SALC 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? | There were no sums due to HM Revenue and Customs during the year under review. |
| | Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation? | Council is aware of its pension responsibilities as an employer and a Declaration of Compliance was noted as having been completed on 12 th April 2018. |
| | 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 in accordance with proper practises and covers the fixed assets owned by the Council. Council has assets recorded as totalling £6,360 which shows nil movement 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 at its meeting of 20 th 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. |
| 10. Bank reconciliation | Regularly completed and reconciled with cash book | Regular bank reconciliations are carried out and reported to council. <i>Comment: Council, to demonstrate good financial practice, might wish to consider implementing a system whereby the bank</i> |

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| | | <i>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 | The overall year-end bank position is stated as £14,955.56. Balances confirmed at year-end are: Current account: £8,436.49 o/s cheques: £ 81.60 Business account: £6,600.67 |
| 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 not exceeding £25,000 it has completed Part 2 of the AGAR. The smaller authority has completed the following pages which were signed and authorised by full Council at a meeting of 20 th May 2019: Governance Statement Accounting Statements |
| | 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 from a limited assurance review. |
| | Was there the opportunity provided for the exercise of electors' rights? | The Internal Auditor was unable 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. However, the Internal Auditor can confirm that the details of the arrangements for the exercise of public rights for the period ending 31 st March 2019 are on the council's website. |

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| | Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015 | <p>The Council, for the year 2018 – 2019, 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 has published the following on a public website:</p> <p>Certificate of Exemption Annual Internal Audit Report 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.</p> <p><i>Comment: council should be aware that these documents should remain on the website for the coming year to allow the internal auditor to review them and answer Question L on the AGAR which will apply for the current year.</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 17 th May 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> <ol style="list-style-type: none"> 1. Tailor Financial Regulations to the council - actioned 2. Minutes to reflect the budget agreed – actioned 3. Reporting of variances of expenditure against budget – actioned 4. Hold the Annual Council Meeting during May in accordance with legislation – actioned 5. Register with the ICO as a data controller – actioned |
| | Confirmation of appointment of Internal Auditor | SALC was confirmed as the council's the Internal Auditor at a meeting of 7 th February 2019. |
| 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. |

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| 14. Additional Comments | Annual meeting - held in accordance with legislation | The Annual Meeting was held on 17 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. |
| | 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: ZA428215 expiry date 30 th July 2019. |
| | Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements | <p>It is noted that the council has entered into agreement with a private contractor to provide the services of a Data Protection Officer (DPO) to the Council. Council might wish to be aware that Model Standing Orders do not require councils to appoint a DPO.</p> <p>Whilst the Council has entered into a service agreement for a DPO which also covers the provision of privacy notices; advice on data protection impact assessments; compliance checks; annual visits to check compliance and IT security etc. (the list is summarized), it is unclear from the minutes whether the council has taken delivery of the services itemised in the service agreement signed on 1st August 2018.</p> <p><i>Comment: 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</i></p> |

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| | | <p><i>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> |
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Signed *T S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 27.06.2019

Date of Internal Audit Report: 27.06.2019