



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Charsfield Parish Council
Income:	£5299
Expenditure:	£7779
Precept Figure:	£4750
General Reserve:	£1783
Earmarked Reserves:	£473



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/Clerk uses a computerised spreadsheet cash book to reference 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 Standing Orders dated Nov 18 seen on the website and evidenced were reviewed, updated and adopted at a council meeting 20/11/18
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations Orders dated Nov 18 seen on the website and evidenced were reviewed, updated and adopted at a council meeting 20/11/18
	Evidence that a Responsible Financial Officer has been appointed with specific duties	Pamela Hembra is the RFO & Clerk – appointment confirmed at meeting 17/7/18
	Evidence that Financial Regulations have been tailored to the Council	Financial regulations are tailored to the council. Evidence of a village hall committee : Clerk with chair <£500, Committee £500 - £5000, Council > £5000. In line with cash book
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. Cheques and stubs were found to be counter checked/signed and in good order. Recommendation : The internal auditor notes the purchase of a picnic table for £702 (19/3/19) under SS298-303 for the recreation ground. This is a significant budget variance that is neither noted within the annual budget or evidenced as being considered by council in the variance summary for March 2019. The internal auditor was unable to find minuted prior purchase evidence of need, value and budget variance consideration by full council in accordance with the council's financial regulations

		and therefore recommends a review of the application of these regulations at council.
	Internet Banking transactions properly recorded/approved	Cheques, with authorised BACS payments & receipts
	VAT correctly identified and reclaimed within time limits	Yes : £548.50 shown in ledger and bank statements
	Legal Powers identified in minutes and/or cashbook	The cashbook shows clear reference to the legal powers used for items of expenditure incurred.
	S137 separately recorded, minuted and within statutory limits	No S137 payments indicated in this period. S137 provision is made in the cash book.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	None found.
4. Risk Management	Is there evidence of risk assessment documentation?	Yes : Updated and reviewed 17/7/18 – valid from 17/7/18 to 1/8/19. <i>Comment : Council may like to consider engaging an independent risk assessor and obtaining independent inspection reports for assets.</i>
	Evidence that risks are being identified and managed.	Risk assessments have been reviewed by full council.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Yes : Policy YLL 272004 1953 Fidelity : £500K, Public Liability £10m Employer Liability : £10m Insured Assets listed and valued. Village Hall : £553,807
	Evidence that insurance is adequate and has been reviewed on an annual basis	Annual Insurance is adequate and was reviewed and minuted. Village Hall insurance considered and minuted 19/3/19
	Evidence that internal controls are documented and regularly reviewed	Council has documented, evidenced, reviewed and updated financial controls, along with assessment and update of Risk Assessments, Code of Conduct and procedures : Nov 2018, signed 24/5/19. <i>Comment : The internal auditor notes that the internal control document states an annual review of insurance at July meetings but this is not clear – no check by council 24/5/19 evidenced : A check was found in 25/9/18 meeting minutes.</i>

	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Last years audit document was considered at meeting 17/7/18.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	An un-dated budget document for 2017/18 was evidenced. It is presumed that this document was the budget discussed and approved at the meeting 21/11/17.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	The budget review and agreement considered the precept 21/11/17 : £4750.
	Regular reporting of expenditure and variances from budget	Finance reports along with payments and receipts are minuted at each council meeting. Consideration has been given toward setting up a finance committee but this has been deferred. Recommendation : Financial reporting is generally clear, however council should consider broadening this information with additional budget variance reporting in order to align with Section 4.8 of the councils financial regulations. In addition, the internal auditor found no minute to report receipt of the 28/9/19 £2375 precept payment in the subsequent meeting.
	Reserves held. General and Earmarked.	General Reserve : £1783 Earmarked : £473
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. <i>Comment : The internal auditor found no minute to report receipt of the 28/9/19 £2375 precept payment in the subsequent meeting.</i>
	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, there is a NALC Contract of employment evidenced, signed/dated 20/5/19

	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. Salary budget review is considered and evidenced in the budget meeting 21/11/17
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE/NIC payments are made where appropriate and paid promptly. Payroll services are out sourced.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	The council has reviewed and declared pension obligations as noted in pension review declaration 21/5/19.
	Are other payments to employees reasonable and approved by the Council?	Yes
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The asset register is up to date 31/3/19 and has been reviewed. Assets are individually valued and total £577,968 incl Village Hall @ £553,807
	Verifying that the Asset Register is reviewed annually	The asset register has been reviewed and updated in this financial period.
	Cross checking of Insurance cover	In order – appropriate cover with evidence of review. The council provides insurance both for the council and separately for the village hall, which is controlled by council committee.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliation is clear and transactional issues are presented at each Council meeting. There is also evidence of independent signatory verification.
	Confirm bank balances agree with bank statements	Bank balances and cash book agree with end of year statements.
	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 neither gross income nor expenditure exceeding £25,000. It has completed Part 2 of the AGAR. The authority has completed Pages 5 & 6 of the AGAR which are signed at the time of audit. The Exemption Certificate has also been completed and signed.
	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 2017 - 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 NOT 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: 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. Recommendation : Council should consider additional published Website Audit and Accounting Information.
12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	Minutes from 17/7/18 indicate council consideration of prior audit.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Recommendations from last years audit have been implemented.
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor is inferred & confirmed by the RFO through application. <i>Comment : Council might like to consider a formal minute to indicate consideration and appointment of their internal auditor.</i>

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 22nd 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. Minutes from 17/7/18 indicate the council being asked to become custodial trustees of the Village Hall. <i>Comment : Council may like to consider and minute any additional legal responsibilities beyond insurance provision in respect to the village hall. Such considerations may extend the scope of future risk assessments and building inspections.</i>
	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: Annual return, Bank reconciliation and budget variances 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: Analysis of variances Bank Reconciliation Items of Expenditure Above £100
	Verifying that the council is registered with the ICO	The Council is registered with the ICO : ZA253358 : 21/5/19
	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. <i>Comment : At the time of internal audit completion, the internal auditor was unable to access the PC website despite</i>

		<i>previous successful encounters. Council may like to consider alternative platforms to “wordpress” which may offer improved resilience in the future.</i>
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Signed.....Mark Aherne.....

Date of Internal Audit Visit

Date of Internal Audit Report.....21st June 2019.....

On behalf of Suffolk Association of Local Councils