

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

<b>Name of Council:</b>	Bildeston Parish Council
<b>Income:</b>	£28,770.33
<b>Expenditure:</b>	£29,873.22
<b>Precept Figure:</b>	£22,370.00
<b>General Reserve:</b>	£20,362.05
<b>Farmarked Reserves:</b>	£71,573.91

## **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>	Type of cash book or ledger used  Cash book kept up to date and verified against bank statement  Correct arithmetic and balancing	Computerised cash sheets are used. Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.  The Cashbook is kept up to date and referenced which provides evidence to support the Council's underlying accounting statements.  Spot checks were made and were found to be correct. The Responsible Financial Officer ensures that the cash book is the focus for day-to-day accounting and balancing off and reconciliation to the bank statement and remains the most important control over the accounting system.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly  Evidence that Financial Regulations have been adopted and reviewed regularly  Evidence that a Responsible Financial Officer has been appointed with specific duties  Evidence that Financial Regulations have been tailored to the Council	At the meeting of 13 <sup>th</sup> March 2019, Council 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.  The Council's Financial Regulations, reviewed at a meeting of 26 <sup>th</sup> February 2019 are based on the Model Financial Regulations produced by NALC and have been adapted to reflect recent changes in legislation concerning Procurement.  In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority.  Financial Regulations are tailored to the Parish Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation    Internet Banking transactions properly recorded/approved	At each full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being minuted and evidence of such paperwork in the files submitted for internal audit.  <i>Comment: Council continues to show good practice of ensuring, in accordance with its own FR 5.6, that a schedule of due and retrospective payments which arise on a regular basis of a continuing contract, is submitted to full Council for approval at each meeting.</i>  It is noted that the majority of payments, other than those relating to staff, are affected by electronic bank payments in accordance with a resolution of the council and that a member has on-line banking access to verify such payments are made in accordance with Council's own Financial Regulations.

	<p>VAT correctly identified and reclaimed within time limits</p> <p>Has Council adopted the General Power of Competence and is it being correctly applied?</p> <p>S137 separately recorded, minuted and within statutory limits</p> <p>Payments of interest and principal sums in respect of loans, are paid in accordance with agreements</p>	<p><i>Comment: In accordance with Council's Financial Regulation 6.4 for payments settled by internet banking transfer, evidence is retained showing which members approved the payment and all payments made on the bank account are in accordance with the schedule as presented to council and signed by the two members who witness / authorise the payments being made. This not only protects the RFO but fulfils an internal control objective to ensure the safeguarding of public money.</i></p> <p>VAT is identified in the cash book. The claim for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 in the sum of £2,578.50 was submitted on 1<sup>st</sup> April 2019.</p> <p>Council confirmed its eligibility criteria to enable it to exercise the General Power of Competence and adopted the General Power of Competence at its meeting on 9<sup>th</sup> May 2016.</p> <p>There were no payments made under this power for the year under review as council has adopted the General Power of Competence.</p> <p>The Council has no Public Works Loan and as such incurred no interest payments for the period under review.</p>
<p><b>4. Risk Management</b></p>	<p>Is there evidence of risk assessment documentation.</p> <p>Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.</p>	<p>The Risk Assessment Document for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 was considered at a meeting of the Parish Council on 13<sup>th</sup> March 2019 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><i>Comment: Overall within its Risk Management Document 2019, 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. Council has expanded its Financial Risk Assessment by documenting that the Council has identified the risk associated with internet payments and has taken steps to mitigate such risks. The documentation of the specific control procedures that have been adopted by the council for payments by bank transfer not only protects the RFO but will also fulfil an internal control objective.</i></p> <p>General Insurance from Aviva for the period from 1<sup>st</sup> June 2018 to 31<sup>st</sup> May 2019. Core cover shows: Business Interruption; Public Liability £10; Employer's Liability; Public Liability; Office Contents; Libel &amp; Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £250,000 and is within recommended guidelines.</p> <p>Property Damage and Money are covered as per the schedule with contents items (other property) being generic under the All Risks Category.</p>

	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its current insurance cover at the meeting of 13 <sup>th</sup> June 2018. It is noted that at renewal, Council commenced a 3-year long term understanding which expires 1 <sup>st</sup> June 2021.  <i>Comment: in accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance.</i>
	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 of 13 <sup>th</sup> March 2019.  <i>Comment: with reference to the Accounts and Audit Regulations 2015, Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money. Within the Internal Control Statement for the Financial Year 2018-2019, as reviewed and adopted by Full Council in March 2019, Council has reviewed its arrangements to protect public money.</i>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed Regular reporting of expenditure and variances from budget	The budget for the year 2018/19 in the sum of £24,490 was approved by full Council at a meeting of 10 <sup>th</sup> January 2018. Detailed Income and Expenditure by Budget Heading and Account Code Reports are presented and discussed by Council on a quarterly basis. The minutes reflect that they have been received and noted.  <i>Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i> <ul style="list-style-type: none"> <li>• <i>decide the form and level of detail of the budget;</i></li> <li>• <i>review the current year budget and spending;</i></li> <li>• <i>determine the cost of spending plans;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>bring together spending and income plans;</i></li> <li>• <i>provide for contingencies and consider the need for reserves;</i></li> <li>• <i>approve the budget;</i></li> <li>• <i>confirm the precept or rates and special levies; and</i></li> <li>• <i>review progress against the budget regularly throughout the year.</i></li> </ul> The precept was set at £22,370.00 against a budget of £24,490 and formally approved at a meeting of 10 <sup>th</sup> January 2018.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	

	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £20,362.05 with earmarked reserves in the sum of £71,573.91
		It is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 6 six months of contractual expenditure and at £20,362.05, council's general reserves are considered to be within this level. Council might wish to review the level of general reserves during the coming year ensuring that it has sufficient reserves and contingency sums in order to meet, within reason, any unforeseen items of expense that may occur. It is also noted that there are no earmarked reserves for staff costs.
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	A number of items of income were cross checked against cash book, paying-in book, bank statement and invoices. All were found to be in order and in accordance with Proper Practices, the Responsible Financial Officer ensures that the accounting records contain entries from day to day of all sums of money received. Spot checks on further items paid under BACS / Direct Credit into the Council's Accounts were cross checked against cashbook, bank statements and associated paperwork. All were found to be in order with an underlying audit trail.
	Is income reported to full Council?	The council reviewed its cemetery charges at meeting of 13 <sup>th</sup> March 2019 and agreed that they should remain unchanged for the year 2019-2020.
	Does the Precept recorded agree to the Council Tax Authority's notification?	All other income received by the parish council is reported as part of the Financial Reports submitted by the RFO. The RFO ensures that monies received are promptly banked. The Parish Council noted that a review of the fees for the hire of the Sports Pavilion Facilities had been undertaken by the Sports Pavilion Working Party during the year under review at its meeting of 24 <sup>th</sup> April 2018. The council received precept of £22,370.00 during the year under review in two instalments – April and September.
	CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.	<i>Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 10<sup>th</sup> January 2018, served on the Charging Authority to remittance advices showing the Precept to be paid and receipt of same in the Council's Bank Account.</i> CIL Funds received for the year to date totals £487.83 as received in October 2018. <i>Comment: In accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds in 2017-2018 has ensured that it complies with its duty to produce</i>

		<i>an annual report that details the amount of CIL funds received and spent. This was viewed on the Parish Council's website.</i>
<b>7. Petty Cash</b>	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>The council does not operate a petty cash system.</p> <p>All expenses claimed are approved by full council with supporting paperwork in place.</p>
<b>8. Payroll controls</b>	<p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p> <p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p> <p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p> <p>Verifying the Council maintains an Asset Register in accordance with proper practises</p>	<p>The council's payroll system is carried out in-house. Council had 2 employees on its payroll at the period end of 31<sup>st</sup> March 2019.</p> <p>There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation and has met its pension obligations.</p> <p><i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council.</i></p> <p>Cross-checks were completed on a selection of payments covering salary, PAYE and pension contributions and these were all found to be in order. In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs and Suffolk County Council on or before the dates prescribed.</p> <p>It is noted that the internal audit report for the previous year confirmed that a declaration of compliance with regards to automatic enrolment duties had been acknowledged by the Pension Regulator and that this was reported to full council on 13<sup>th</sup> March 2017.</p> <p>The Asset Register was reviewed during the Internal Audit Visit for year-end and accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership.</p> <p>It is noted that the declared value for all assets at year-end (31.03.2019) was £271,310. All assets have been stated as at the acquisition value and where assets have been gifted or where there is no known value have been given the proxy value of £1.</p> <p>The Asset Register value has been stated on the Annual Governance and Accountability Return (AGAR) and it is expected that this will be formally approved at the meeting to approve the AGAR. The Asset Register shows overall movement of acquisitions in the sum</p>
<b>9. Asset control</b>	<p>Verifying that the Asset Register is reviewed annually</p>	

	Cross checking of insurance cover	<p>of £5,572 when compared to the previous year with such acquisitions being clearly identified in the register.</p> <p>A number of items as listed under the Asset Register were reviewed against items under insurance and cover was deemed to be appropriate. Content items (other property) are generic under the All Risks Category.</p> <p><i>Comment: the RFO, in accordance with Proper Practices has ensured that there is evidence that a review of the insurance cover was completed, and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i></p> <p><i>Council is also mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2018 on the valuation of its assets and has ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been consistently applied and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets.</i></p>
	Regularly completed and reconciled with cash book	<p>Bank reconciliations are completed on a regular basis and reconcile with the cash sheets.</p> <p><i>Comment: Council might wish to consider, as evidence of good financial practice, 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.</i></p>
10. Bank reconciliation	Confirm bank balances agree with bank statements	<p>Bank balances agree with period end statements and as at 31<sup>st</sup> March 2019 stand at: £91,935.96</p> <p>Broken down as follows:</p> <p>Community Account: £30,324.94</p> <p>Current Account: £44,983.65</p> <p>Deposit Account: £16,627.37</p> <p><i>Comment: In the coming year, to minimise the Council's exposure to risk it might want to consider diversifying its reserves between highly rated UK banks and building societies with the objective of prudently investing some of its balances. Council should ensure that it uses only specified investments as defined by MHCLG guidance. Such investments should have regard to security of reserves and liquidity of investments.</i></p> <p><i>Council should also ensure that its Loans &amp; Investment Policy, if adopted, covers Section 15(1) of the Local Government Act 2013 and has regard to such guidance as may be issued by the MHCLG and that such a policy is reviewed on an annual basis and all investments take regard of the policy.</i></p>



	Regular reporting of bank balances at council meetings	Overall there is regular reporting of bank balances within the financial reports submitted on a quarterly basis to the parish council.  <i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities. Accounts are produced on a receipts and expenditure basis. All were found to be in order.</i>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	There is an underlying financial trail from financial records to the accounts produced. Where appropriate debtors and creditors have been properly recorded. The end-of-year accounts and supporting documentation were extremely well presented for the internal audit review.  As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR.
	Financial trail from records to presented accounts	
	Has the appropriate end of year AGAR documents been completed?	The smaller authority has completed Section 2 Accounting Statements of the AGAR which is unsigned at the time of Internal Audit.
	Was there the opportunity provided for the exercise of electors' rights?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2018 were 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 income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 <sup>st</sup> March 2018 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Section 3 – External Audit Report and Certificate. Notice of the period for the exercise of public rights The Annual Internal Audit Report
<b>12. Internal audit for the year ending 31 March 2018</b>	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the year ending 31 <sup>st</sup> March 2018 was considered and accepted Meeting of the Parish Council on 13 <sup>th</sup> June 2018.
	Recommendations raised in reports from Internal Audit	There were no recommendations raised in the report from the internal audit.

	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The effectiveness of internal audit was discussed by full Council within the Internal Control Statement submitted and approved at a meeting of 13 <sup>th</sup> March 2019.  <i>Comment: by reviewing the terms of reference for internal audit, Council has followed guidance with the Governance and Accountability Guide and recognises that the internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.</i>
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of full Council of 13 <sup>th</sup> March 2019 for the year ending 31 <sup>st</sup> March 2019.
<b>13. External audit for the year ending 31 March 2018</b>	Verifying that the external audit report has been considered by the Council  Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Council considered and accepted the External Audit Report and Certificate at its meeting of 14 <sup>th</sup> November 2018 following the intermediate review undertaken by the External Auditors.  There were no matters which necessitated the issuing of a separate report. In accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, Council has published on a public website Sections 1, 2 and 3 from the 2017/18 AGAR as well as the Notice of the Conclusion of the Audit.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation  Correct identification of trustee responsibilities  Verifying that the council is registered with the ICO  Verifying that the Council is compliant with the General Data Protection Regulation requirements	The Annual Meeting of the Parish Council was held on 9 <sup>th</sup> May 2018 with the first item on the agenda being the election of the Chairman in accordance with the Local Government Act of 1972 15(1).  The council does not act as the sole trustee for any trusts.  The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Registration No. ZA119342 refers.  Council has taken positive steps to ensure compliance with the GDPR requirements and is monitoring matters to ensure the process is managed at all times.

Signed: *Tos Waples*

Date of Internal Audit Visit: 30.05.2019

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On behalf of Suffolk Association of Local Councils