



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

<b>Name of Council:</b>	Orford & Gedgrave Parish Council
<b>Income:</b>	£28,041.21
<b>Expenditure:</b>	£23,201.25
<b>Precept Figure:</b>	£26,000.00
<b>General Reserve:</b>	£33,534.91
<b>Earmarked Reserves:</b>	£NIL



## 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	The council uses a computerised spreadsheet which is well referenced.
	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. It is noted that regular Direct Debits are reported to full council in accordance with its own Financial Regulations.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	<p>Council reviewed its standing orders at a meeting of 9<sup>th</sup> May 2018. It is noted that the current Standing Orders makes reference to the Public Contracts Regulations 2006.</p> <p><b>Recommendation: during the Council's annual review of its Standing Orders, Council should 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.</b></p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations, reviewed at a meeting of 8 <sup>th</sup> January 2018 are compliant with legislation.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	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.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are tailored to the council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	<p>A selection of expenditure items were selected, and cross checked against cash book, payment authorisation slips and invoices.</p> <p><i>Comment: to ensure that there is a straightforward and clear audit trail for each payment, from the authorising of an</i></p>

		<i>expenditure through order, invoice, cashbook, payment authorisation and bank statements; there should be evidence that Councillors have seen the actual invoice/request for payments (initials); that they have authorised the payment (signing of the BACS payment slip) and that they have seen the bank statements (initials). This is to protect the RFO as well as fulfilling an internal control objective to ensure the safeguarding of public money.</i>
	Internet Banking transactions properly recorded/approved	<p>It is noted that the majority of payments, including those relating to staff, are affected by electronic bank payments. The internal auditor is unable to verify if payments such as these are made by the Clerk or if there is a double authorisation system whereby a member has on-line banking access to approve such payments and whether these are made in accordance with Council's own Financial Regulations.</p> <p><b>Recommendation: in accordance with Council's Financial Regulations 6.4 and 6.10 for payments settled by internet banking transfer, evidence should be retained showing which members approved the payment. Council should consider ensuring that a system is implemented whereby the on-line payment slip is signed to ensure that there is an effective system in place to reduce the risks of error. This will not only protect the RFO but will fulfil an internal control objective to ensure the safeguarding of public money.</b></p>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and reclaimed on a quarterly basis. A number of records were checked to the supporting financial records and reconciled to the VAT claims submitted and the position on VAT at year-end. All were found to be in order. The VAT claim for the final quarter in the sum of £342.77 has been submitted and is awaiting settlement by HM Revenue and Customs.
	Legal Powers identified in minutes and/or cashbook. Adoption of the General Power of Competence.	At its meeting of 18 <sup>th</sup> July 2018, Council resolved to adopt the general power of competence.

	S137 separately recorded, minuted and within statutory limits	There were no payments made under this power for the year under review.
	Payments of interest and principal sums in respect of loans.	There were none for the period under review.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	<p>The risk assessment documentation, in the files submitted for internal audit, was reviewed by full Council at its meeting of 9<sup>th</sup> January 2019.</p> <p><i>Comment: it is noted that the documentation is unsigned and does not take account of payments made by internet banking transfer – see comments made below.</i></p>
	Evidence that risks are being identified and managed.	<p>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 – all of which are clearly identified within the document as approved by Full Council.</p> <p>However there are no details on payments made by direct bank transfer whilst the risk assessment still makes reference to cheques payments being signed by two signatories who also sign the cheque stubs.</p> <p><b>Recommendation: the council should consider specific control procedures for payments by bank transfer or other electronic means to ensure that the risks brought about by the ease and speed of such transactions and the difficulties faced in unravelling them should there be errors are mitigated. Such control measures should be added to the Council’s Risk Assessment Documentation and should include establishing an full audit trail with the authorisation of the necessary supporting documentation and/or approval with respect to each expense incurred.</b></p>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>Appropriate Insurance cover is in place with core cover:</p> <p>Employers Liability £10million Public Liability £10million Products Liability £10million</p>

		Fidelity Guarantee £500,000 which is within the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.
	Evidence that insurance is adequate and has been reviewed on an annual basis.	<p>Council's insurance cover was reviewed with agreement to renew at its meeting of 11<sup>th</sup> April 2018.</p> <p><i>Comment: In accordance with Council's Financial Risk Assessment, the Council has formally recorded 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></p>
	Evidence that internal controls are documented and regularly reviewed	<p>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.</p> <p><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></p>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	<p>The Budget for the year 2018-2019 in the sum of £27,830 was adopted by full Council during an 'in camera' session at the meeting of 8<sup>th</sup> November 2017.</p> <p><b>Recommendation: Council should be aware that all meetings of the council must be open to the public, except in limited defined circumstances. Councils can only decide, by resolution, to meet in private when discussing confidential business or for other special reasons where publicity would be prejudicial to the public interest. General this is to cover matters such as discussing the conduct of employees, negotiations of contracts</b></p>

		<p>or terms of tender and the early stages of a legal dispute. The national rules (Open and accountable local government - A guide for the press and public on attending and reporting meetings of local government – August 2014) requires that parish and town councils make a copy of the minutes available for inspection after a public meeting.</p>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	<p>The Precept in the sum of £26,000 was also agreed at the same meeting in the ‘in camera’ session.</p> <p><b>See comments above.</b></p>
	Regular reporting of expenditure and variances from budget	<p>A budget report showing period and year-to-date variances and bank account movement is supplied on a quarterly basis to full council in accordance with Council’s Standing Orders.</p> <p><i>Comment: Council is aware that, in accordance with its own Financial Regulations, a virement from reserves into the revenue budget may only be made following a resolution of the council, or duly delegated committee.</i></p>
	Reserves held - General and Earmarked.	<p>Council’s final accounts show general reserves in the sum of £33,534.91.</p> <p><b>Recommendation: Council should be mindful that Proper Practices advise that smaller authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes. Council might wish to consider whether it might be beneficial to review its general reserves and consider splitting them out between restricted (capital) reserves, earmarked and general reserves.</b></p>
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council’s financial procedures.
	Is income reported to full Council?	Income is reported in accordance with the council’s SO 17c and forms part of the Financial Report submitted to full 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.
	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?	The Contracts of Employment for all staff were verified at the Annual Internal Audit as carried out on 25 <sup>th</sup> 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.	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. Council had 4 employees on its payroll at the period end of 31 <sup>st</sup> March 2019.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Council is aware of its pension responsibilities and has set up a NEST Pension Scheme. There are currently no members in that scheme.
	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 assets recorded as totalling £72,086.29 which shows movement during the year under review of £9,969.00.  The Internal Auditor has noted that acquisitions only totalled £1,048.67 for the year under review. A note was submitted with the accounts advising that the figure stated in Box 9 for 2016/17 and 2017/18 was an insurance value of £62,117 which will act as a proxy for the original cost and will remain unchanged.
	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 15 <sup>th</sup> May 2019.



	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance however cover is generic in detail.
<b>10. Bank Reconciliations</b>	Regularly completed and reconciled with cash book	Regular bank reconciliations are carried out.  <i>Comment: Council, to ensure good financial practice, might wish to consider 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>
	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: overall balance of £33,751.68  Community Account: £ 660.50 Business Account: £25,708.49 Online Account: £ 7,642.69 Unpresented cheques: £ 260.00
	Regular reporting of bank balances at council meetings	Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets. A sample of bank reconciliations were carried out and reconciled to cashbook and bank statements.
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Council operates on an income and expenditure basis.
	Financial trail from records to presented accounts	Whilst there is a financial trail from records to presented accounts, in order to demonstrate good financial control, Council might wish to consider ensuring that receipts and payments are listed in the Council's minutes as part of the smaller authority's overall financial control.
	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 15 <sup>th</sup> May 2019.

	Where an authority certified itself exempt in 2017/18, did it met 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 31st 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	<p>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 £6.5million as it has not published the following on a public website:</p> <p>Section 1 – Annual Governance Statement of the AGAR  Section 2 – Annual Accounting Statements of the AGAR  Section 3 – The External Auditor Report and Certificate</p> <p><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 published online.</i></p>
<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	Council considered and accepted the Annual Internal Audit Report at its meeting of 10 <sup>th</sup> October 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:</p> <ol style="list-style-type: none"> <li>1. Adopt updated Standing Orders at next review - outstanding</li> <li>2. Increase the delegates expenditure for the clerk in an emergency to £1000 - outstanding</li> <li>3. All signatories to sign the invoices - outstanding</li> <li>4. Review donations made to Treasurer and previous Chair - closed</li> <li>5. S137 column to be inserted into cashbook - closed</li> </ol>

		<p>6. Councillor's Register of interest to be entered onto the council's website or a link to the district website - outstanding</p> <p>7. Add a risk concerning loss or breach of the GDPR and management of this to the risk register – outstanding</p> <p>8. Ensure all staff have a contract of employment - closed</p> <p>9. Itemise all assets in register to allow a cross check versus insurance - closed</p>
	Confirmation of appointment of Internal Auditor	<p>The appointment of SALC as the Internal Auditor was approved at a meeting of 15<sup>th</sup> May 2019 within an 'in camera' session.</p> <p><b>See comments above with reference to meetings being open to the public, except in limited defined circumstances.</b></p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	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.
<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 10 <sup>th</sup> October 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 first item on the agenda in accordance with the 1972 Act.
	Minutes – signed and held in accordance with legislation	<p>The minutes submitted for internal audit were not signed.</p> <p><i>Comment : in accordance with the Local Government Act 1972 Schedule 12 para 41 (1), Council should follow guidance which states that loose-leaf minutes are consecutively numbered and initialled by the person signing the minutes at the time of signature.</i></p>

	Correct identification of trustee responsibilities	The Parish Council act as sole trustee for the New Orford Town Trust (Registered Charity 10537290) and is Custodian Trustee for the Orford Recreation Trust (304804).
	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: ZA255291 expiry 18 <sup>th</sup> June 2019.
	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 Privacy Policy on the Parish Council's website covers 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.</p> <p><i>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 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 – 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>

Signed *V S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 25.06.2019

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