



Internal Audit Report

Year ending: 31st March 2019

Name of Council:	Cotton Parish Council
Income:	£10,020.27
Expenditure:	£7,927.69
Precept Figure:	£6,000.00
General Reserve:	£10,000
Earmarked Reserves:	£10,539

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 Responsible Financial Officer uses computerised spreadsheets 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	At its meeting of 2 nd May 2018, the Council reviewed its Standing Orders which are based on the NALC Model Standing Orders, which reflect changes in legislation since those issued in 2013.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations were reviewed at a meeting of 2 nd May 2018 and found to be compliant with current regulations. <i>Comment: at its next review and for consistency, Council might wish to incorporate the changes in threshold levels as per Footnote 3 on Page 15.</i>
	Evidence that a Responsible Financial Officer has been appointed with specific duties Evidence that Financial Regulations have been tailored to the Council	It is assumed that the Clerk to the Parish Council is also the Responsible Financial Officer (RFO). Council has ensured that its Financial Regulations are tailored to the Parish Council by removing those items not currently relevant to the Parish Council. <i>Comment: for the avoidance of doubt Council might want to include a revision page clearly identifying the date the Financial Regulations were reviewed and/or amendments made.</i>
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book and invoices. All were found to be in order.
	Internet Banking transactions properly recorded/approved	Currently all payments are affected by cheque.

	<p>VAT correctly identified and reclaimed within time limits</p> <p>Legal Powers identified in minutes and/or cashbook</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>VAT is identified in the cash book. A claim for the period ending 31st January 2019 in the sum of £344.04 was submitted to HM Revenue and Customs and settled during the year under review.</p> <p>At each meeting Council declares that payments were made under the General Power of Competence conferred by the Localism, Act 2011, ss1-8 and/or other relevant powers.</p> <p>There were no payments made under this power for the year under review.</p> <p>There were none applicable for the year under review.</p>
4. Risk Management	<p>Is there evidence of risk assessment documentation.</p> <p>Evidence that risks are being identified and managed.</p>	<p>With reference to the Accounts and Audit Regulations, Council carried out an assessment on the financial management of the Council in terms of internal controls, insurance cover and internal audit at the meeting of 2nd May 2018 and found that they were adequate, effective and appropriate for the affairs of the Council.</p>
	<p>Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.</p>	<p>With reference to the Accounts and Audit Regulations, Council carried out an assessment within its the financial management of the Council in terms of internal controls, insurance cover and audit at the meeting of 2nd May 2018 and found that they were adequate and effective and appropriate for the affairs of the Council.</p> <p>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 1st instalment of precept received.</p>
	<p>Evidence that insurance is adequate and has been reviewed on an annual basis</p>	<p>Whilst Council renewed its Annual Insurance in terms of cover provided throughout the year, there is no minute to reflect that an annual review took place.</p> <p><i>Comment: In accordance with Council's Financial and Management Internal Controls, the Council might wish to</i></p>

	Evidence that internal controls are documented and regularly reviewed	<i>formally record 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>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting 2 nd May 2018.
5. Budgetary controls	Evidence that a review of the effectiveness of internal audit has been carried out during the year	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the scope of Audit within its Risk Assessment at its meeting of 2 nd May 2018 and deemed the existing procedures to be appropriate for the Parish Council.
	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £7,098 was agreed in full Council at a meeting of 22 nd November 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 £6,000 was also agreed at the same meeting with the amount being clearly minuted.
	Regular reporting of expenditure and variances from budget	A budget report and year-to-date variances and bank account movement is supplied at each meeting.
	Reserves held. General and Earmarked.	Council's final accounts show general reserves in the sum of £10,000 (rounded) and earmarked reserves of £10,538 (rounded) which includes CIL receipts brought forward from 2017/18. <i>Comment: the General Reserves held by the Parish Council at the year-end were appropriate to its needs with sufficient reserves being held as contingency sums to meet, within reason, any unforeseen items of expense that may occur.</i>
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt. No cash is handled by the RFO.
	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.

	CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.	Council received CIL Funds in the sum of £558.77 for the year under review. <i>Comment: in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds in the previous year, which are unspent as at 31st March 2019, has complied with the regulations and placed the monies unspent into earmarked reserves.</i>
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 contract of employment was not seen at time of internal audit.
	Are arrangements in place for authorising of the payroll and payments by the Council?	PAYE is operated in accordance with HM Revenue and Customs guidelines.
	Verifying the process for agreeing rates of pay to be applied.	All payments to the Clerk are approved by full Council.
	Do salary payments include deductions for PAYE/NIC?	PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales.
	Is PAYE/NIC paid promptly to HMRC?	Council is aware of its pension responsibilities and a Declaration of Compliance was signed in August 2017.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	All expenses paid are against itemised invoices submitted to the Council.
	Are other payments to employees reasonable and approved by the Council?	An Asset Register is maintained and covers the fixed assets owned by the Council. Council has assets recorded as totalling £5,707.00 which shows nil movement through the year.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	<i>Comment: Council has correctly identified Carters Meadow as a Community Asset in accordance with Proper Practices which states that assets that do not have a functional purpose or any intrinsic resale value are often referred to as 'community assets'. The Council has recorded the community asset in the asset register in the same way as a gifted asset.</i>
	Verifying that the Asset Register is reviewed annually	Whilst there is no minute to state that the Asset Register has been reviewed during the year ending 31 st March 2019 the Council has yet to sign off the Accounting Statements at which the Asset Register will be presented.

	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. <i>Comment: the RFO might wish to consider reporting back to Council 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>
10. Bank reconciliation	Regularly completed and reconciled with cash book	Regular bank reconciliations are carried out and reported to full Council, but there is no independent verification of such reconciliations. <i>Comment: 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	The year-end bank statements agree with the cash-book reconciliation: overall balance of £20,538.84
	Regular reporting of bank balances at council meetings	Bank balances are reported to Council at each council meeting.
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 financial control by ensuring that receipts and payments are listed in the Council's Minutes as part of the smaller authority's financial control.
	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 are unsigned at the time of Internal Audit and awaiting authorisation by full Council: Exemption Certificate Governance Statement Accounting Statements

		The Internal Auditor has completed the relevant page of this form.
	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 st 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 partially 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 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015. Bank Reconciliation for the period ending 31 st March 2018
12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	<i>Comment: Council should be aware that the following should also be published on a public website:</i> Analysis of variances Council considered and accepted the Annual Internal Audit Report at its meeting of 18 th July 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The recommendation and comments arising from the Internal Audit Report were discussed and actions agreed at the above meeting.
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 21 st November 2018.

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 2 nd 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 Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities Minutes and Agendas of Meetings Asset Register
	Verifying that the council is registered with the ICO	<i>Comment: Council might wish to consider, for the year under review (period ending 31st March 2019) and in accordance with the Transparency Code for smaller authorities with neither income nor expenditure not exceeding £25,000, the publishing of the following on a public website to allow the information to be readily found: Items of Expenditure Above £100</i> The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller - Registration Reference: ZA255286
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	Council is taking steps to ensure compliance with the GDPR requirements. The Clerk has ensured that Privacy Notices have been uploaded onto the website. <i>Comment: further input will be required from Council to ensure</i>

	<p>compliance with GDPR - templates and guidance are available on the SALC website.</p> <p>Council might wish to consider the completion of the following documents which will be needed to evidence compliance with legislation:</p> <p>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.</p> <p>Data Protection Impact Assessment - which will provide a description of the processing and the purpose of the processing and identify any risks to the personal data, the rights and freedoms of individuals, and the measures and safeguards implemented to mitigate these risks.</p> <p>Subject Access Request Policy & Subject Access Procedure Policy – both of which will provide the framework 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>
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Signed *JoS Waples*

Date of Internal Audit: 29.04.2019

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On behalf of Suffolk Association of Local Councils