



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

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| <b>Name of Council:</b>    | Pettaugh Parish Council |
| <b>Income:</b>             | £1752.08                |
| <b>Expenditure:</b>        | £1081.15                |
| <b>Precept Figure:</b>     | £1750                   |
| <b>General Reserve:</b>    | £4108.64                |
| <b>Earmarked Reserves:</b> | £0                      |



## 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  | Paper ledger used.  |
|  | Cash book kept up to date and regularly verified against bank statement               | Cashbook kept up to date and verified against bank statements.  |
|  | Correct arithmetic and balancing  | Arithmetic and balancing are correct.   |
| 2. Financial Regulations & Standing Orders | Evidence that standing orders have been adopted and reviewed regularly                | Standing Orders were reviewed on 6/3/19 however the procurement information is out of date.<br><b>Strong Recommendation: To adopt the new Standing Orders 2018 issued by NALC which incorporate or reference the requirements of new legislation that has been introduced, including amendments to the Local Government Act 1972, the Local Government (Transparency Requirements), Public Contracts Regulations and changes to Data Protection Legislation. This item was raised under last year's internal audit and has not been actioned.</b> |
|  | Evidence that Financial Regulations have been adopted and reviewed regularly          | Financial Regulations were reviewed on 6/3/19 however the procurement information is out of date.<br><b>Recommend: That financial regulations are reviewed and amended with reference to the NALC Legal Topic Note 87 and minuted during the next financial year.</b>   |
|  | Evidence that a Responsible Financial Officer has been appointed with specific duties | No evidence seen of a Responsible Financial Officer being appointed in this financial year.<br>Comment: Council should be mindful that all authorities must annually appoint an officer to be responsible for the financial administration of the authority in accordance with Section 151 of the LGA 1972.   |
|  | Evidence that Financial Regulations have been tailored to the Council                 | Evidence seen that Financial Regulations have been tailored to the Council.   |

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| <b>3. Payment controls</b> | Supporting paperwork for payments, and appropriate authorisation                                    | Evidence seen to support paperwork for payments and appropriate authorisation. All payments are detailed in the minutes. Invoices are not always signed by 2 Councillors.<br><b>Recommendation: It is best practice that invoices should be checked and initialled by 2 Councillors as detailed in their Financial Regulations item 6.</b><br>Payments have been made to the church St Catherine's for maintenance.<br><b>Recommendation: CHURCHYARDS: Current legal advice precludes expenditure to churches unless the churchyard is closed and the responsibility for it has been passed to the Parish Council. LGA 1894 S8 (LTN 65).</b><br><b>Further detailed guidance is awaited but this is the current situation.</b> |
|                            | Internet Banking transactions properly recorded/approved  | Internet banking is not used.  |
|                            | VAT correctly identified and reclaimed within time limits   | VAT has been identified on invoices but not reclaimed.<br>Comment: Council should include details of VAT to be reclaimed in their cashbook.  |
|                            | Has Council adopted the General Power of Competence and is it being correctly applied?              | The General Power of Competence has not been adopted.  |
|                            | S137 separately recorded, minuted and within statutory limits                                       | 2 donations to Air Ambulance and First Responders were made under LGA 1972 s137 however this was not noted in the minutes, cashbook or on the invoices.<br><b>Recommendation : Where s.137 is used as the power to pay, the Council notes the power to pay in the minutes and cashbook and whether the expenditure falls within the capped limit.</b>  |
|                            | Payments of interest and principal sums in respect of loans, are paid in accordance with agreements | N/A  |
| <b>4. Risk Management</b>  | Is there evidence of risk assessment documentation.   | Evidence of financial risk assessment seen.  |

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|                              | Evidence that risks are being identified and managed.  | Risk assessment documentation identifies and assesses a number of risks associated with its actions and decisions being taken by the Council.<br>Comment: It would be good practice to include an assessment of the assets held by the Council.   |
|                              | Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.      | Appropriate insurance cover is in place for Employment and Public Liability of £10 million.<br>Insurance for Fidelity Guarantee of £25,000 is within guidelines.  |
|                              | Evidence that insurance is adequate and has been reviewed on an annual basis                       | Evidence seen that insurance is adequate with individual items being listed under all risks. No evidence seen that the Council have reviewed their insurance policy in this financial year.<br><b>Recommend: The Council should review their insurance policy against their asset register to ensure it is adequate and note that this has been carried out in the minutes.</b> |
|                              | Evidence that internal controls are documented and regularly reviewed                              | Some internal controls are documented within the Council's risk assessment documents.<br><b>Recommendation: In order that the Council can provide clear evidence of compliance with the Accounts and Audit Regulations, a separate Statement of Internal Controls should be constructed and adopted by the Council (model document available from SALC)</b>                     |
|                              | Evidence that a review of the effectiveness of internal audit has been carried out during the year | No evidence seen.<br><b>Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5.</b>  |
| <b>5. Budgetary controls</b> | Verifying that the budget has been properly prepared, and agreed                                   | The budget has been prepared and minuted as seen on 17/1/18 at £1770.   |
|                              | Verifying that the Precept amount has been agreed in full Council and clearly minuted              | The Precept amount has been agreed by full Council.   |
|                              | Regular reporting of expenditure and variances from budget   | Expenditure is reported at each meeting but no details given of variances from budget.  |

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|                            |   | <b>Recommendation : At least on a quarterly basis the Council should receive a report which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.</b>   |
|                            | Reserves held<br><br>General and Earmarked.   | General £4108<br>No earmarked reserves held.<br>Comment: Council should be aware that the recommended amount of general reserves held is 2 x precept. Council may want to look at earmarking some of their funds. |
| <b>6. Income controls</b>  | Is income properly recorded and promptly banked?  | Income is properly recorded in the cashbook, minutes and promptly banked.<br>Comment: Council should include a note of all receipts in the minutes including bank interest.                                       |
|                            | Is income reported to full Council?   | Income is reported to full Council. See note above.<br>Bank interest was however, separately recorded in the bank reconciliation.   |
|                            | Does the Precept recorded agree to the Council Tax Authority's notification?  | The precept recorded agrees to the Council Tax Authorities notification.  |
|                            | If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?  | N/A   |
| <b>7. Petty Cash</b>       | Is a petty cash in operation?<br><br>If so, is there an adequate control system in place.   | No petty cash held.   |
| <b>8. Payroll controls</b> | Do all employees have contracts of employment?  | The clerk is a volunteer, there are no employees.   |
|                            | Are arrangements in place for authorising of the payroll and payments by the Council?<br><br>Verifying the process for agreeing rates of pay to be applied. | N/A   |

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|                                | Do salary payments include deductions for PAYE/NIC?<br>Is PAYE/NIC paid promptly to HMRC?                       | N/A   |
|                                | Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation? | N/A   |
|                                | Are other payments to employees reasonable and approved by the Council?   | N/A   |
| <b>9. Asset control</b>        | Verifying the Council maintains an Asset Register in accordance with proper practises                           | The asset register is maintained in accordance with proper practices and covers the fixed assets owned by the Council. Council has assets recorded as totalling £4610.  |
|                                | Verifying that the Asset Register is reviewed annually  | The asset register was revised and updated on 6/3/19.   |
|                                | Cross checking of Insurance cover   | Items from the asset register were cross checked against the items declared under insurance and were found to be in order.  |
| <b>10. Bank reconciliation</b> | Regularly completed and reconciled with cash book   | A full bank reconciliation is completed annually however very few payments are made.  |
|                                | Confirm bank balances agree with bank statements  | The bank balances agree with bank statements.<br>Barclays Community Account : £3056.94<br>Barclays Business Premium Account : £1051.70  |
|                                | Regular reporting of bank balances at council meetings  | Bank balances are regularly reported at Council meetings.   |
| <b>11. Year-end procedures</b> | Appropriate accounting procedures used  | Receipts and Payments method used.  |
|                                | Financial trail from records to presented accounts  | A sample of payments and receipts from the cashbook to bank statements, invoices, receipts, minutes, cheque stubs were found to be in order. The Council demonstrates good financial control by ensuring that receipts and payments are listed in the Council's minutes as part of the smaller authorities financial control. |

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|   | Has the appropriate end of year AGAR documents been completed?   | The Council has completed the appropriate end of year AGAR documents:<br>The Certificate of Exemption; Section 1 The Annual Governance Statement; Section 2 The Account Statement.   |
|   | Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt? | The authority correctly certified exempt in 2017 having both gross income and expenditure of less that £25,000.  |
|   | Was there the opportunity provided for the exercise of electors' rights?   | The opportunity was provided for the exercise of public rights.  |
|   | Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015                         | The authority has complied with the Audit and Accounts Regulations by publishing the following on its website: <ul style="list-style-type: none"> <li>• Certificate of Exemption;</li> <li>• Annual Internal Audit Report;</li> <li>• Section 1 – Annual Governance Statement;</li> <li>• Section 2 – Accounting Statements;</li> <li>• Bank reconciliation;</li> <li>• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015</li> </ul> |
| <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 audit report was considered by the Council on 13/6/18.  |
|   | Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit               | The following items were raised and have not been actioned:<br>Agendas and minutes not published on website;<br>Standing Orders not up to date; Invoices not initialled by 2 members.<br><b>Recommendation: to enable Council to positively answer assertion 7 in the AGAR, Council should consider internal and external audit reports and if applicable decide what action it needs to take to prevent recurrence of the issues raised.</b>  |
|   | Confirmation of appointment of Internal Auditor  | SALC appointed as internal auditor 6/3/19.   |



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| <b>13.External audit for the year ending 31 March 2018</b> | Verifying that the external audit report has been considered by the Council   | N/A as Council declared itself exempt.  |
|  | Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit                                  | N/A   |
| <b>14. Additional Comments</b>                             | Annual meeting - held in accordance with legislation  | The Council's annual meeting was run without a Chairman.<br><b>Recommendation : To comply with the Local Government Act 1972, the first business on the agenda for the Council's Annual General Meeting, must be the election of the Chairman.</b>  |
|  | Correct identification of trustee responsibilities  | None held.  |
|  | Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation | Under the Smaller Authorities Transparency code the following items must be published on a website: <ul style="list-style-type: none"> <li>• all items of expenditure above £100-not published</li> <li>• end of year accounts (annually)-yes</li> <li>• annual governance statement (annually)-yes</li> <li>• internal audit report (annually)-yes</li> <li>• list of councillor or member -responsibilities (annually)-yes</li> <li>• the details of public land and building assets (annually)-not published</li> <li>• Minutes, agendas and meeting papers of formal meetings (minutes within a month of the meeting and agendas no later than 3 days prior to the meeting date)-minutes published but not agendas.</li> </ul> <b>Recommendation: to comply with the Transparency Code the council must publish their agendas, a list of items of</b> |

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|  | expenditure over £100 and details of public land and building assets (asset register).  |
| Verifying that the council is registered with the ICO  | Evidence seen of the direct debit paid to the ICO.  |
| Verifying that the Council is compliant with the General Data Protection Regulation requirements | There is no evidence that the council is aware of its responsibilities under the General Data Protection Regulations. Recommendation: Council should publish on their website the following documents which have been adopted by the Council: <ul style="list-style-type: none"> <li>• Audit / Impact Assessment</li> <li>• Privacy Notices</li> <li>• Procedures for dealing with Subject Access Requests</li> <li>• Procedure for dealing with Data Breaches</li> <li>• Data Retention &amp; Disposal Policies</li> </ul> |

Signed.....Linda Harley.....

Date of Internal Audit Visit .....9/6/9..... Date of Internal Audit Report.....9/6/19.....

On behalf of Suffolk Association of Local Councils