



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Barham Parish Council
Income:	£30,228.66
Expenditure:	£26,091.46
Precept Figure:	£24,692
General Reserve:	£10,000
Earmarked Reserves:	£25,000



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	Excel spreadsheet used.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is well maintained, with a separate cashbook for each bank account. Comment: Council could include all items under 1 cashbook.
	Correct arithmetic and balancing	Arithmetic and balancing were correct.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	It was minuted that Standing Orders were reviewed 1/10/18 with procurement information being up to date.
	Evidence that Financial Regulations have been adopted and reviewed regularly	It was minuted that the Financial Regulations were reviewed 3/12/18. Comment: The procurement information is now out of date and needs amending.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	A Responsible Financial Officer was appointed and this was minuted on 2/7/19.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council. Comment: It is good practice to remove the brackets[] where Council have inserted information.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments was selected and cross checked against chequebook, cashbook, bank statements, invoices and minutes. All were found to be in order. Payments are approved by the finance committee and this is confirmed in their terms of reference. Only the total amount of payments made were listed in the minutes with a note to see the appended Credits and Payments document, which is checked and signed by 2 Councillors. This list was not appended to the minutes on the website. It is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense,

		<p>thereby it is a requirement that the council ensures that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires. Legal powers were not identified in the minutes or the cashbook.</p> <p>Information in NALC's legal briefing L-01-18 relate to providing financial assistance to the church. The Council are aware of this document as they currently pay for grass cutting at the Church and maintenance.</p> <p>Comment : SALC are waiting for clarification relating to Parish Council's providing financial assistance to the church and will update clerks once it is received.</p> <p>Recommendation : Council should ensure the list of receipts and payments form is always appended to and therefore forms part of the minutes.</p> <p>Recommendation: That powers are recorded in the minutes or cashbook so that the council can consider the legality of payments and agree that they have only acted within powers, for the Annual Governance Statement.</p>
	Internet Banking transactions properly recorded/approved	The Council set up internet banking on 4/5/18 as 'read only'.
	VAT correctly identified and reclaimed within time limits	VAT reclaimed from 1/4/18 to 25/3/19 £2328.24. VAT reclaimed from 1.4.2016 to 31/3/2018 minuted 14/5/18 £1466.57
	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	No payments have been made under S137.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	N/A
4. Risk Management	Is there evidence of risk assessment documentation.	Risk assessment documentation identifies and assesses a number of risks associated with its actions and decisions being taken by the Council.

		Recommendation: To comply with their Financial Regulations (Item 17), Council may wish to implement financial risk assessment procedures.
	Evidence that risks are being identified and managed.	Council has implemented a number of controls to ensure that appropriate measures are in place to mitigate and manage identified risks relating to assets. Comment: See note above relating to financial risk assessment documentation.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with £10 million of cover for both Public and Employer's Liability. Fidelity cover of £150,000 also in place, which covers the recommended guidelines of year end balance + 50% of precept.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance is adequate when compared to the Council's asset register. There is no evidence in the minutes that the Council has reviewed their insurance in this financial year. Recommendation: 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.
	Evidence that internal controls are documented and regularly reviewed	The Council's internal control document was reviewed 5/11/18 by the finance committee and presented to full council on 3/12/18.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The Council's Internal Controls Document does not reference any measures relating to the internal audit. 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.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Evidence seen of the budgeting process. At the meetings on 6/11/17 & 8/1/18 it was noted in the minutes that the Council agreed the budget and precept but no amount was minuted. Recommendation: Council should ensure that the amount of the budget and the precept are included in the minutes – this item was also raised in the last internal audit and has not been actioned.

	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Precept was agreed and minuted 8/1/19 but the precept amount was not included in the minutes. Comment: See note above regarding recording the precept figure in the minutes.
	Regular reporting of expenditure and variances from budget	Quarterly budget sheets with details of receipts and payment costs and comparison to budget were presented with the audit but there is no note in the minutes to say that they have been presented to the Council. The Annual budget form shows variances from 2017/18-2018/19. Expenditure is reported at each meeting with only the total amount being minuted and referenced to an attached list, which is included with the audit documents. Council should minute that the quarterly budget sheets, with details of expenditure compared to budgets were presented to the Council meeting.
	Reserves held General and Earmarked.	The following reserves are held: General: £10,000 Earmarked: £25,000
6. Income controls	Is income properly recorded and promptly banked?	Income is correctly recorded and promptly banked.
	Is income reported to full Council?	Income is reported to Council either in the minutes or included on the payments sheet.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The Precept of £24,692 was minuted on 9/4/18 as being received and agrees with the Council Tax Authorities notification.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	N/A
7. Petty Cash	Is a petty cash in operation?	No petty cash held.

	If so, is there an adequate control system in place.	
8. Payroll controls	Do all employees have contracts of employment?	Contract seen for J Culley dated 2017. There are no other employees.
	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.	PAYE is operated in accordance with HM Revenue and Customs guidelines and is provided by an outsourced company. Council approved Clerk's salary on 4/6/18 as £9.81 per hour.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Deductions are made for PAYE and NIC where appropriate. PAYE is paid to HMRC in accordance with the agreed timescales.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Evidence seen that Council is aware of its pension responsibilities. The Clerk does not meet the criteria to join the scheme.
	Are other payments to employees reasonable and approved by the Council?	All other payments to employees are reasonable and approved by the Council with receipts being provided for expenses.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	Up to date asset register seen which covers the fixed assets owned by the Council recorded as totalling £17,220.
	Verifying that the Asset Register is reviewed annually	No evidence seen in the minutes that the asset register has been reviewed in this financial year. Recommendation: On an annual basis the Council should minute that the asset register has been reviewed to ensure that the asset register is maintained in accordance with proper practices and covers all the fixed assets owned by the Council.
	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. Assets were listed under all risks as Street Furniture and not listed individually.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed monthly for each account and clearly minuted.

		Recommendation: The annual bank reconciliation amount for total payments of £26,091.46 does not agree with the AGAR figure of £26,126. The difference of £35 relates to the item raised by the external auditor and detailed later in this report. The clerk is aware of this and may change the figures on the bank reconciliation and cashbook to agree with the AGAR figure for total payments.
	Confirm bank balances agree with bank statements	The bank statements were examined and agree with the end-of-year accounts : Barclays Premium Account : £14,598.64 Barclays Community Account : £30,544.42 Total balances : £45,143.06
	Regular reporting of bank balances at council meetings	Bank balances are reported at each meeting.
11. Year-end procedures	Appropriate accounting procedures used	Receipts and Payments procedures used.
	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 authorities financial control.
	Has the appropriate end of year AGAR documents been completed?	Section 1 the Annual Governance Statement and Section 2 the Accounting Statements have been completed.
	Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt?	N/A
	Was there the opportunity provided for the exercise of electors' rights?	The Council is aware of its responsibilities and has set dates for the exercise of public rights from 12/6/19 to 23/7/19.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has published the following on their website: <ul style="list-style-type: none"> • Section 1 – Annual Governance Statement 2017/18, page 4 • Section 2 – Accounting Statements 2017/18, page 5 • Section 3 – The External Auditor Report and Certificate 2017/18, page 6

		<ul style="list-style-type: none"> • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015 <p>Comment: to be fully compliant the Council also needs to publish the Internal Audit report of the AGAR.</p>
12.Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	<p>Council considered the internal audit at their meeting on 14/5/18 with a note that there were questions to raise with auditor.</p> <p>Minutes from 14/5/18 state that ‘the accounts which had been through internal audit and signed off at the Annual Parish Meeting’.</p> <p>Recommendation: Any resolutions made at the Annual Parish Meeting are persuasive only and the Parish Council may legally disregard them. Accounts should be signed off at a full Council meeting. Clerk is aware of this and this had been dealt with correctly in April 2019.</p>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Some items raised in the internal audit have been actioned.
	Confirmation of appointment of Internal Auditor	SALC was appointed as the internal auditor on 6/11/17 for the following financial year.
13.External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	<p>It was noted in the minutes that the external audit report was considered on 1/10/18 and 5/11/18.</p> <p>Advice from the external auditor on changes to amounts in boxes 6,7 and 8 of the AGAR have been acted on.</p> <p>The unpaid direct debits of £35 which were incorrectly included as items of expenditure and as reconciling items in the bank reconciliation, have been removed from the figures on the AGAR but not included in the cashbook for 2018/19. Therefore the figure for total payments in the cashbook is £35 short.</p> <p>Recommendation: Council should add the amounts totalling £35 for the unpaid direct debits, raised by the external auditor, to their 2018/19 cashbook so that the figure for total payments agrees with the AGAR.</p>

	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Items raised in the external audit report have been action but please see note above.
14. Additional Comments	Annual meeting - held in accordance with legislation	Annual Council meeting was held on 14/5/18 with the 1 st item to elect chairman.
	Correct identification of trustee responsibilities	N/A
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	Relevant items have been published but please see comment under item 11 year end procedures.
	Verifying that the council is registered with the ICO	The Council is registered with the ICO reference: ZA325006
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	The Council is partially compliant with the General Data Protection Regulation requirements. To be fully compliant they should also publish the following documents: <ul style="list-style-type: none"> • Audit / Impact Assessment • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies

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

Date of Internal Audit Visit20/5/19.....

Date of Internal Audit Report.....20/5/19.....

On behalf of Suffolk Association of Local Councils