

Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Exning Parish Council
Income:	£127,487
Expenditure:	£157,189
Precept Figure:	£54,900
General Reserve:	£27,450
Earmarked Reserves:	£27,212

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 spreadsheets are used as the cashbook.
	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	The Council's Standing Orders, reviewed on 26 th March 2018 are based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013. Standing Orders are in parts tailored to the Council.
	Evidence that Financial Regulations have been adopted and reviewed regularly	<i>Comment: Council might wish to consider ensuring at the next annual review that the Standing Orders are tailored to the Parish Council by removing the square brackets [] as this creates ambiguity.</i>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Council's Financial Regulations, reviewed on 26 th March 2019 are based on the Model Financial Regulations produced by NALC and have been adapted to reflect recent changes in legislation concerning Procurement. The Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, confirmed in its Financial Risk Assessment Statement, as adopted by full Council at its meeting of 27 th March 2019 that the Clerk was the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.
3. Payment controls	Evidence that Financial Regulations have been tailored to the Council	Council has ensured that its Financial Regulations are tailored to the Parish Council by removing those items not currently relevant to the Parish Council.
	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were examined and found to be in order with a full audit trail evidenced.

Internet Banking transactions properly recorded/approved		<p>It is noted that the Council's Financial Regulation 6.3 states that all payments shall be effected by cheque, BACS or other instructions to the council's bankers, or otherwise, in accordance with a resolution of Council. Council follows its own Financial Regulations as to the manner in which payments are to be lodged and authorised and has ensured that there is a system in place to reduce the risks of error or fraud and where electronic banking is used, arrangements are in place to ensure that at least 2 people are involved in any transaction, one of which must be a member.</p> <p>Recommendation: within Financial Regulation 5.c the Clerk has authority for fund transfers within the council's banking arrangements up to the sum of £10,000, provided that a list of such payments shall be submitted to the next appropriate meeting of council. Council should consider expanding the Financial Report to ensure that this item is submitted to each relevant meeting.</p>
VAT correctly identified and reclaimed within time limits		<p>VAT is identified in the cash book. The RFO ensures that claims are submitted on a quarterly basis during the year covering the period 1st April to 31st March 2019. Spot checks were carried out on the claims submitted and cross referenced to the cashbook and found to be in order.</p>
Legal Powers identified in minutes and/or cashbook		<p>There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137.</p> <p><i>Comment: Council might wish to refer to the Financial Risk Assessment as approved at the meeting of 27th March 2019, noting that it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense, and reference the exact power being used to ensure 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.</i></p>
S137 separately recorded, minuted and within statutory limits		<p>Payments made under this power for the year under review totalled £1,250 and were made in accordance with legislation and limit.</p>

	<p>Payments of interest and principal sums in respect of loans, are paid in accordance with agreements</p> <p>Is there evidence of risk assessment documentation.</p>	<p>The Council has no Public Works Loan and as such incurred no interest payments for the period under review.</p> <p>The risk assessment documentation, in the files submitted for internal audit, were reviewed by full Council at its meeting of 11th February 2019.</p>
<p>4. Risk Management</p>	<p>Evidence that risks are being identified and managed.</p> <p>Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.</p> <p>Evidence that insurance is adequate and has been reviewed on an annual basis.</p> <p>Evidence that internal controls are documented and regularly reviewed</p> <p>Evidence that a review of the effectiveness of internal audit has been carried out during the year</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 27th March 2019 and found that they were adequate, effective and appropriate for the affairs of the Council.</p> <p>Appropriate Insurance cover is in place: Employers Liability £10million Public Liability £10million With cover included for the Cemetery Chapel and Cemetery Outhouses.</p> <p>The Fidelity Guarantee (Employee Dishonesty) cover stands at £250,000, which meets 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.</p> <p>The RFO, in accordance with Financial Regulation 15.1 carried out a review of Council's Annual Insurance in terms of cover provided throughout the year. It is noted that, at renewal, Council has entered into a 3-year long-term agreement with Zurich Insurance.</p> <p>In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting of 27th March 2019. It was approved by Council that its systems of internal controls were adequate, effective and wholly appropriate for the affairs of the Council.</p> <p>In accordance with the Accounts and Audit Regulations 2015, Council reviewed the scope of Internal Audit at its meeting of 27th March 2019 and deemed it to be appropriate for the Parish Council.</p>
<p>5. Budgetary controls</p>	<p>Verifying that the budget has been properly prepared, and agreed</p>	<p>The Budget for the year 2018-2019 in the sum of £68,000 was adopted by full Council at its meeting of 22nd November 2017. Budget papers to support the budget being set were seen.</p>

	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	The Precept in the sum of £54,900 was also agreed at the same meeting with the amount being clearly evidenced in the paperwork seen.
	Regular reporting of expenditure and variances from budget	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.
	Reserves held. General and Earmarked.	Council's final accounts show general reserves in the sum of £27,450 with earmarked reserves in the sum of £27,212. It is noted that there is a reserve bank account which has a balance of £51,292.90. <i>Comment: during the year 2018 /19 Council complied with Financial Regulation 4.2 and ensured that where expenditure was to exceed the amount provided in the revenue budget for that class of expenditure, a virement from reserves into the revenue budget would be made following a resolution of the council.</i>
6. Income controls	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 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?	The precept recorded in the cashbook was evidenced by the remittance advice showing the precept to be paid and receipt of same in the Council's Bank Accounts.
7. Petty Cash	Is a petty cash in operation?	Council does not operate a petty cash system.
8. Payroll controls	Do all employees have contracts of employment?	Contracts of Employment were not submitted for the Annual Internal Audit.
	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.	At year-end Council has three employees on its payroll. PAYE is operated in accordance with HM Revenue and Customs guidelines. Payments to employees are made in accordance with Council's Financial Regulations with salary rates as agreed by the Council. Such payments are reported to Council on a monthly basis in accordance with Financial Regulation 7.4.
	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.

		<p>It is noted that on the Employer Payment Record there is a note showing an underpayment of £100 for the year 2018-19.</p> <p>Recommendation: To ensure that daily interest is not incurred on unpaid amounts from the due and payable date to the date of payment Council might want to consider ensuring that the balancing payment is made to clear the account within a reasonable period of time and lodged against the 2018-19 tax year.</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>Council is aware of its pension responsibilities and confirmation was provided in 2017 that Council had auto-enrolled with the Pension Regulator.</p>
	<p>Are other payments to employees reasonable and approved by the Council?</p>	<p>All expenses paid are against itemised invoices submitted to the Council.</p>
<p>9. Asset control</p>	<p>Verifying the Council maintains an Asset Register in accordance with proper practises</p>	<p>An Asset Register is maintained and covers the fixed assets owned by the Council. Council has assets recorded as totalling £334,819 which shows additions in the year of £32,378.</p>
	<p>Verifying that the Asset Register is reviewed annually</p>	<p>The Asset Register for the period ending 31st March 2019 was reviewed during Internal Audit.</p>
	<p>Cross checking of Insurance cover</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.</p>
	<p>Regularly completed and reconciled with cash book</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>Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets.</p> <p><i>Comment: Council might wish to implement a system whereby the bank reconciliations are independently verified by a Councillor which not only safeguards the Responsible Financial Officer but also fulfills an internal control objective.</i></p>

	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: overall balance of £54,661.86 Current Account: £770.56 Saver Account: £53,904.75 <i>Unpresented cheques: £13.45</i>
	Regular reporting of bank balances at council meetings	In accordance with Financial Regulation 5.1 (banking arrangements), Council approved the closure of the Cambridge Building Society at a meeting of full Council on 24 th October 2018. Bank balances are reported to Council at each council meeting along with the current financial position. Details of the year to date receipts and payment summary figures along with the bank reconciliations are provided to all Councillors prior to each meeting.
10. 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 good financial control by ensuring that receipts and payments are listed in the Council's Minutes as part of the smaller authority's financial control and there is agreement between the Accounting Statements and the underlying Final Records.
	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 £6.5 million it has completed Part 3 of the AGAR. The smaller authority has completed the Accounting Statement – Section 2 of the AGAR which was unsigned at the time of Internal Audit.
	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 able to find the details of the arrangements for the exercise of public rights for the period ending 31st March 2018 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 and published the following on a public website for the year 2017/18 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – The External Auditor Report and Certificate The following were not found on the Council's website: Annual Internal Audit Report of the AGAR <i>Comment: as stated on the AGAR Part 3 – to avoid potential confusion by electors and interested parties - Council might wish to consider publishing the Annual Internal Audit Report – page 3 of the AGAR.</i>
11. Internal audit for the year ending 31 March 2018	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 25 th April 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following matters arising from the Internal Audit Report were discussed and actions agreed at the above meeting: 1. Councillor interests – provide link to District website or place on own website – OUTSTANDING 2. Review insurance cover for GDPR, Corporate Manslaughter and Homicide – actioned 3. Review insurance for items on asset register - actioned
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 17 April 2019.
12. External audit for the year ending 31 March 2018	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 26 th September 2019
	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. 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.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 23 rd 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.
	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: ZA271589
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	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. <i>Comment: further input will be required from Council to ensure compliance with GDPR and Council should ensure that Privacy Notices are readily available on its website.</i>

Signed *Tos M Ogilvie*

Date of Internal Audit: 25.04.2019

Date of Internal Audit Report: 25.04.2019

On behalf of Suffolk Association of Local Councils

Response to the internal Audit Report by Suffolk Association of Local Councils for Financial Year 2018/2019
Action Plan against Recommendations/Comments

REQUIREMENT	COMMENTS/RECOMMENDATIONS (IA – SALC)	ACTION PLAN (CLERK – EPC)
Evidence that standing orders have been adopted and reviewed regularly	Comment: Council might wish to consider ensuring at the next annual review that the Standing Orders are tailored to the Parish Council by removing the square brackets [] as this creates ambiguity.	The Standing Orders document has been amended to remove this administrative typing error. 4/5/19 ✓
Internet Banking transactions properly recorded/approved	Recommendation: within Financial Regulation 5.c the Clerk has authority for fund transfers within the councils banking arrangements up to the sum of £10,000, provided that a list of such payments shall be submitted to the next appropriate meeting of council. Council should consider expanding the Financial Report to ensure that this item is submitted to each relevant meeting.	A Transfer of Funds report will be added to the monthly Financial Report as recommended. This will be scrutinised and initialled by two councillors. To start 15/5/19 ✓
Legal Powers identified in minutes and/or cashbook	There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137. Comment: Council might wish to refer to the Financial Risk Assessment as approved at the meeting of 27th March 2019, noting that it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense, and reference the exact power being used to ensure 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.	In the absence of Exning Parish Council holding the Power of Competency (ie. Having a CILCA qualified Clerk), the exact power being used will be recorded next to all payments being made. To start 15/5/19 ✓
Is PAYE/NIC paid promptly to HMRC?	Recommendation: To ensure that daily interest is not incurred on unpaid amounts from the due and payable date to the date of payment Council might want to consider ensuring that the balancing payment is made to clear the account within a reasonable period of time and lodged against the 2018-19 tax year.	On the one occasion a calculation error was made for the Q4 2017/18 payment; this was immediately rectified in April 2018 and no penalties or interest were incurred. ✓

to report completed 17/7/19

Response to the Internal Audit Report by Suffolk Association of Local Councils for Financial Year 2018/2019

Action Plan against Recommendations/Comments

REQUIREMENT	COMMENTS/RECOMMENDATIONS (IA – SALC)	ACTION PLAN (CLERK – EPC)
Regularly completed and reconciled with cash book [Cash Assets]	Comment: Council might wish 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.	End of month bank reconciliations will be verified by the Chairman at or before council meetings. This fact will be minuted. To start 15/5/19 Agenda Item 26 June 2019 17/7/19
Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Comment: as stated on the AGAR Part 3 – to avoid potential confusion by electors and interested parties - Council might wish to consider publishing the Annual Internal Audit Report – page 3 of the AGAR.	This was not done for 2017/18 due to non-access to the council website. It will be done for 2018/19 audit. (usman rec'd from PC)
Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	Comment: further input will be required from Council to ensure compliance with GDPR and Council should ensure that Privacy Notices are readily available on its website.	Privacy Notices were not put on the website due to non-access to the council website. It will be done as soon as practically possible in May/June 2019. 17/7/19

one new website transferred for

Cathy Whitaker
Clerk to Exning Parish Council

4/5/19