



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

<b>Name of Council:</b>	Debenham Parish Council
<b>Income:</b>	£98,314.75
<b>Expenditure:</b>	£86,567.77
<b>Precept Figure:</b>	£71,637.00
<b>General Reserve:</b>	£103,037.31
<b>Earmarked Reserves:</b>	£63,976.21



## 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 the RBS Alpha accounting package which produces reports on an Receipts and Payments basis. Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.
	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.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Council at its meeting of 18 <sup>th</sup> March 2019 carried out an annual review of its own Standing Orders and adopted the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations, reviewed at a meeting of 18 <sup>th</sup> March 2019 are based on the Model Financial Regulations produced by NALC and have been adapted to reflect recent changes in legislation concerning Procurement.
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	The appointment of the Clerk as RFO was confirmed at the meeting of 18 <sup>th</sup> March 2019.  <i>Comment: in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, the Council has appointed a person responsible for the financial administration of the authority.</i>
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are fully tailored to the council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were cross checked against cheque book, cash book, bank statement, invoice and list of cheque payments for approval. All cheque stubs and invoices were initialled.

		All were found to be recorded/ authorised in accordance with Proper Practices.
	VAT correctly identified and reclaimed within time limits	VAT is identified within the financial reports produced by the accounting system used by the council. The Detailed Cashbook was analysed, and transactions found to be in order. The year-end position at 31 <sup>st</sup> March 2019 is recorded at £3,310.39 which is still to be reclaimed.
	Legal Powers identified in minutes and/or cashbook	There is limited identification of the powers used in either the cashbook or minutes.  <b>Recommendation: Council might wish to note that it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense and as such might wish to refer to 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.</b>
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £200 and were in accordance with legislation and limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none for the period under review.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	The risk assessment documentation, in the files submitted for internal audit, was reviewed by full Council at its meeting of 18 <sup>th</sup> March 2019.
	Evidence that risks are being identified and managed.	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.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate Insurance cover is in place with core cover: Employers Liability £10million Public Liability £10million Fidelity Guarantee £150K

		<i>Comment: in accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance.</i>
	Evidence that insurance is adequate and has been reviewed on an annual basis.	Council renewed its Annual Insurance in terms of cover provided at its meeting of 18 <sup>th</sup> March 2019.
	Evidence that internal controls are documented and regularly reviewed	With reference to the Accounts and Audit Regulations 2015, Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money. Within the review of the Council's internal controls, as approved at a meeting of full council of 18 <sup>th</sup> March 2019, Council has reviewed its arrangements to protect public money.
	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, full council formally reviewed the scope and effectiveness of its internal audit arrangements and considered that its current arrangements were appropriate for the council at its meeting of 18 <sup>th</sup> March 2019.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of expenditure of £110,913 was adopted by full Council at its meeting of 15 <sup>th</sup> January 2018. 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 £71,637 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 financial 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 £103,037.31 with earmarked reserves in the sum of £63976.21. In accordance with guidance from the external auditor, an explanation was provided for the levels of reserves held by the Council as Box 7 (Balances carried forward) is more than twice Box 2 (Precept).

<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 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.
<b>7. Petty Cash</b>	Is a petty cash in operation?	Council does not operate petty cash. There is a satisfactory expense system in place and Council ensures that all expense claim forms are accompanied by receipts.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	The Clerk's Contract of Employment was not seen at the time of 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.	PAYE is operated in accordance with HM Revenue and Customs guidelines. The review of salary and hours of work of the Clerk are carried out and approved by full Council.
	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. Cross-checks were completed on a number of items each of salary, PAYE and pension contributions and these were all found to be in order. In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.  <i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. There are robust payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities.</i>
	Is there evidence that the Council is aware of its pension responsibilities?	Council is aware of its pension responsibilities and has enrolled the Clerk in the NEST Pension 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 £171,096.42 on the asset register.
	Verifying that the Asset Register is reviewed annually	<p>The Asset Register for the period ending 31<sup>st</sup> March 2019 was seen and approved by the Council at its meeting of 15<sup>th</sup> April 2019.</p> <p>Upon further analysis there appears to be a difference in the brought forward balance on the asset register to that which is stated on the AGAR for 2017/18. The AGAR for 2017/18 shows an asset balance of £165,826 (rounded) whereas the Council's Asset Register shows a balance brought forward of £164,905.35.</p> <p><b>Recommendation: council should review the opening balance (as of 1<sup>st</sup> April 2018) of the asset register being mindful that Proper Practices states that the value of the cell at Line 9 is taken from the authority's asset register which is up to date at 31 March and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. Authorities need to apply a reasonable approach to asset valuation which is consistent from year to year. Where an authority changes its method of asset valuation during a financial year, it will need to restate the prior year's figure in Line 9 of the Annual Governance and Accountability Return.</b></p>
	Cross checking of Insurance cover	<p>A number of items as listed under the Asset Register were reviewed against items under insurance and all were found to be in order.</p> <p><i>Comment: the RFO has ensured that Council is aware 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>

<p><b>10. Bank Reconciliations</b></p>	<p>Regularly completed and reconciled with cash book</p>	<p>Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets. Overall there is regular reporting of bank balances within the financial reports submitted to the Parish Council meetings.</p> <p><i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.</i></p> <p><b>Recommendation: Council should, in accordance with Proper Practices, implement a system whereby the bank reconciliation is formally signed off by the authority or the chair of finance or another authority nominee which is not only good practice but is also a safeguard for the RFO.</b></p>
	<p>Confirm bank balances agree with bank statements</p>	<p>The year-end bank statements agree with the cash-book reconciliation: overall balance: £167,013.58</p> <p>Woodland current account £ 1,148.50  Woodland deposit account £ 6,177.41  Current account £ 3,726.15  Outstanding cheques -£ 4,531.22  Deposit account £160,492.74</p> <p><i>Comments:</i></p> <p>1. It is noted that the year-end balance in the current account stands at -£805.07. It is anticipated that a transfer from the deposit account was made after the year-end to ensure that there were sufficient funds available to cover the cheques written.</p> <p>2. Council should ensure that it complies with its own Financial Regulation 5.5c which states that the Clerk/RFO has delegated authority to fund transfers within the council's banking arrangements up to the sum of £10k, provided that a list of such</p>



		<i>payments shall be submitted to the next appropriate meeting of council.</i>
<b>10. Year-end procedures</b>	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 £6.5million it has completed Part 3 of the AGAR.  The smaller authority has completed the following pages which were signed and authorised by full Council at its meeting of 15 <sup>th</sup> April 2019: Governance Statement Accounting Statements
	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 confirm that the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2018 were 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 as it has published the following on its website: <ul style="list-style-type: none"> <li>• Notice of the period for the exercise of public rights for the previous year</li> <li>• Section 1 – Annual Governance Statement of the AGAR</li> <li>• Section 2 – Annual Accounting Statements of the AGAR</li> <li>• Section 3 – External Auditor's Report and Certificate</li> </ul>

		<ul style="list-style-type: none"> <li>• Conclusion of the External Audit</li> <li>• Sections 1 and 2 of the AGAR, including any amendments as a result of the limited assurance review.</li> </ul> <p><i>Comment: council might wish to note the comment on the first page of the AGAR which recommends, as best practise to avoid any potential confusion by local electors and interested parties, that the Annual Internal Audit Report is also published.</i></p>
<b>11. Internal audit for the year ending 31 March 2018</b>	Verifying that the previous internal audit reports have been considered by the Council	The Council considered and approved the Annual Internal Audit Report at its meeting of 17 <sup>th</sup> September 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following recommendations arising from the Internal Audit Report were approved:</p> <ol style="list-style-type: none"> <li>1. Review FR and incorporate the changes in procurement values for contracts as per 2015 regulations - completed</li> <li>2. Tailor FR to the Parish Council - completed</li> <li>3. Minute that an annual review of insurance has been carried out by the RFO - completed</li> <li>4. Assets - restate the figure shown under the previous year to ensure a consistent approach from year to year - completed</li> </ol>
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 18 <sup>th</sup> March 2019.
<b>12. 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 15 <sup>th</sup> October 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	<p>The external auditor has stated in its Final Auditor Report and Certificate dated 29<sup>th</sup> September 2018, that there were no matters which came to their attention giving cause for concern that relevant legislation and regulatory requirements had not been met.</p> <p>Under other matters not affecting their opinion, the external auditors have stated that the AGAR was not accurately completed before submission for review as the parish council had not restated that 2016/17 figure when revaluing assets in</p>

		Section 2, Box 9. noted that the smaller authority did not make proper provision during the year 2018/19 for exercise of public rights.
<b>13. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 14 <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	The minutes of the parish council are not consecutively numbered.  <i>Comment : in accordance with the Local Government Act 1972 Schedule 12 para 41 (2), Council should follow guidance which states that the minutes of the proceedings of meetings of a local authority may be recorded on loose leaves consecutively numbered, the minutes of the proceedings of any meeting being signed, and each leaf comprising those minutes being initialled, at the same or next suitable meeting of the authority, by the person presiding thereat, and any minute purporting to be so signed shall be received in evidence without further proof.</i>
	Minutes – treatment of apologies	The signed minutes submitted for internal audit merely record apologies received but do not state whether the apologies have been accepted by council.  <i>Comment: council should be aware that a councillor cannot continue in office if he/she fails to attend a meeting of the whole council, a committee or sub-committee for a period of six consecutive months and the reason for the absence has not been formally approved before the expiry of the six-month period (LGA 1972 s85).</i>
	Correct identification of trustee responsibilities	The Parish Council does have any trustee responsibilities.
	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: Z9006055.

	<p>Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements</p>	<p>Council has taken steps to ensure compliancy with the GDPR requirements and has carried out a review of the data the council is processing, what it is used for, where it is located and who has access to it. Council is monitoring matters to ensure the process is managed at all times.</p> <p><i>Comment: 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.</i></p>
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Signed *T S Waples*

Date Internal Audit files received: 12.08.2019

Date of Internal Audit: 15.08.2019

Date of Internal Audit Report: 16.08.2019

On behalf of Suffolk Association of Local Councils