



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Trimley St Martin Parish Council
Income:	£41,605.03
Expenditure:	£34,051.79
Precept Figure:	£28,250.00
General Reserve:	£14,464 (rounded)
Earmarked Reserves:	£41,200 (rounded) £ 4,039 (ring-fenced – CIL)



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	Cashbook spreadsheets are used.
	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	Council at its meeting of 5 th May 2018 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 5 th May 2018 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 has been appointed with specific duties	The Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, has appointed the Clerk as the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are fully tailored to the council.
3. Payment controls	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>Spot checks on a number of payments were cross checked against cheque book (where applicable), cash book, bank statement, invoices and minutes. All were found to be recorded/authorised correctly and in accordance with Council's own FR 6.4 and 6.5.</p> <p>Within Financial Regulation 5.5b 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.</p>

		<p>It is noted that a transfer of £20,000 was affected between the Current Account and the Deposit Account in March 2019.</p> <p>Recommendation: Council should consider expanding the Financial Report to ensure that this item is submitted to each relevant meeting in accordance with the above Financial Regulation.</p>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. A claim in the sum of £2,723.17 for the period 22 nd March 2018 to 1 st February 2019 was submitted in April 2019 and repaid in May 2019.
	Legal Powers identified in minutes and/or cashbook	The Clerk ensures that Councillors are able to satisfy themselves that they have the appropriate legal power to incur expense by referring 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.
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £500 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.
4. Risk Management	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 5 th 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 £500K Buildings are covered under Insurance with Material Damage cover for 1 buildings and premises with Business Interruption.

		<p>All Risks cover is non-location specific on outside street furniture.</p> <p><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></p>
	Evidence that insurance is adequate and has been reviewed on an annual basis.	Council renewed its Annual Insurance in terms of cover provided throughout the year and at renewal agreed to continuation of its long-term agreement until 30 th September 2019.
	Evidence that internal controls are documented and regularly reviewed	<p>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.</p> <p>Within the review of the Council's internal controls, as approved at a meeting of full council of 5th March 2019, Council has reviewed its arrangements to protect public money.</p>
	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 5 th March 2019.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2018-2019 in the sum of £31,645 was adopted by full Council at its meeting of 5 th December 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 £28,250 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 £10,425.18 with earmarked reserves in the sum of £41,200 with ringfenced reserves (CIL) in the sum of £4,038.82.

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?	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.	CIL Funds received for the year under review totals £2019.41. <i>Comment: in accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds in 2017-2018 has ensured that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent. This was viewed on the Parish Council's website.</i>
7. Petty Cash	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.
8. Payroll controls	Do all employees have contracts of employment?	The Clerk's Contract of Employment was verified at the Annual Internal Audit as carried out on 9 th June 2019.
	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 the completed Declaration of Compliance dated 3 rd April 2017 was verified at the time of internal audit.
	Are other payments to employees reasonable and approved by the Council?	All expenses paid are against itemised invoices submitted to the Council.
9. Asset control	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 £10,940.64 which shows disposals during the year of 2 bus shelters during the year under review.
	Verifying that the Asset Register is reviewed annually	The Asset Register for the period ending 31 st March 2019 was seen and approved by the Council at its meeting of 5 th March 2019.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance. Cover is generic under the heading street furniture. <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>
	Regularly completed and reconciled with cash book	Regular bank reconciliations were carried out during the year under review. Recommendation: Council might wish to consider, in accordance with Proper Practices, implementing 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.
	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: overall balance of £55,663.89 Current Account: £17,232.26 Deposit Account: £38,431.63
	Regular reporting of bank balances at council meetings	In accordance with Council's own Standing Orders 17c, the balances held at the end of each quarter being reported are presented within the financial report to full Council.
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 £6.5million it has completed Part 3 of the AGAR. The smaller authority has completed the following pages which are still to be signed and authorised by full Council: Governance Statement Accounting Statements
	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 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 st 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

		<p>and expenditure exceeding £25,000 and published the following on a public website:</p> <p>Notice of the period for the exercise of public rights for the previous year</p> <p>Section 1 – Annual Governance Statement of the AGAR</p> <p>Section 2 – Annual Accounting Statements of the AGAR</p> <p>Notice of exclusion of audit</p> <p>Section 3 – The External Auditor Report and Certificate</p> <p>The Annual Internal Audit Report</p>
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 5 th June 2018.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following matters arising from the Internal Audit Report were discussed and actions agreed at the above meeting:</p> <ol style="list-style-type: none"> 1. Review of Standing Orders - CLOSED 2. Review of Financial Regulations - CLOSED 3. Review of the Asset Register to record disposals in the year under review - CLOSED
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 3 rd July 2018.
12. External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	<p>Council considered and accepted the External Audit Report and Certificate at its meeting of 2nd October 2018.</p> <p>In accordance with the Accounts and Audit Regulations 2018, the Clerk has advertised the conclusion of the audit on the council's website.</p>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	<p>The external auditor has stated in its Auditor Report and Certificate under other matters not affecting their opinion, that the AGAR was not accurately completed before submission for review as Box 8 did not agree to the cash book figure on the bank reconciliation due to the non-inclusion of an un-presented cheque.</p> <p>In accordance with guidance from the external auditor, Council has ensured that the relevant payment figure is increased by £195 and the figure in Box 8 is increased to £48,111.</p>

13. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 1 st 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 acts as Corporate Trustee of the Trimley St. Martin Hall, minutes of which were provided for internal audit review.
	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: ZA130355.
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	<p>Council has taken steps to ensure compliancy with the GDPR requirements and has produced an action plan and carried out a 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. Council is monitoring matters to ensure the process is managed at all times. At its meeting of 3rd April 2018 Local Council Public Advisory Service (LCPAS) was appointed to act as the Council's advisory Protection Officer.</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>

Signed *P S Waples*

Date of Internal Audit: 09.06.2019

Date of Internal Audit Report: 09.06.2019

On behalf of Suffolk Association of Local Councils