



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Tostock Parish Council
Income:	£26,087
Expenditure:	£26,821
Precept Figure:	£8285
General Reserve:	£6556
Earmarked Reserves:	£27,700



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 kept up to date and verified against bank statements.
	Correct arithmetic and balancing	Both arithmetic and balancing are correct.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	NALC model Standing Orders 2018 have been adopted and reviewed 30.5.18.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations have been adopted and reviewed 30.5.18.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	There is no evidence of the appointment of a Responsible Financial Officer, however a temporary Clerk and RFO is in place. Comment: Once a permanent RFO is appointed, Council should include evidence in their minutes of their annual appointment. Relevant information available in the Local Government Act 1972 Section 151.
	Evidence that Financial Regulations have been tailored to the Council	Evidence seen that Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	Evidence seen to support paperwork for payments and appropriate authorisation. Payment amounts are individually included in the minutes and individually noted in the cashbook which means that a full audit trail could be verified. A spot check of payments against the minutes, bank statements, cheque book, cash book, invoices and VAT records showed everything to be in order.
	Internet Banking transactions properly recorded/approved	Internet banking is not used.

	VAT correctly identified and reclaimed within time limits	VAT is identified, noted in the cashbook and reclaimed within HMRC's time limits. The minutes from 30.5.18 confirm a receipt from reclaimed VAT.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The council has not adopted the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	No payments were made in this audit year, 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.
	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.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with £10 million of both public and employer's liability cover. Fidelity cover of £25,000 is in place. Comment: As the Council currently holds balances at year end of £34,990 the Council may wish to increase their fidelity cover.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council has fully reviewed its insurance policy which covers an up-to-date and accurate asset register and this has been noted in the minutes on 10.09.18.
	Evidence that internal controls are documented and regularly reviewed	Evidence seen of a separate statement of internal controls which was reviewed by the Council 10.10.2018.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Evidence seen that the effectiveness of internal audit has been reviewed during the audit year.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The budget was discussed and agreed by full Council at £8285 on 13.12.17 & 17.1.18.

	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Full Council agreed the precept amount of £8285 on 17.1.18 and this was minuted.
	Regular reporting of expenditure and variances from budget	Councillors are regularly advised of expenditure against budget and this was minuted on 10/10/18 and 12/12/18.
	Reserves held General and Earmarked.	General reserves: £6556 Earmarked reserves: £5000 speed indicator devices £1200 Election costs £500 Royal Event £10,500 village hall amenities (CIL) £10,500 village hall enhancement (CIL) Total reserves of £32,456
6. Income controls	Is income properly recorded and promptly banked?	Income is property recorded in the cashbook and minutes and promptly banked.
	Is income reported to full Council?	Yes – a spot check of receipts confirmed that all income is included in the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Yes – the precept recorded agrees to Mid Suffolk District Council's notification of £8285.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	CIL payments of £15,900.88 were received in this audit year and this was noted in the cash book and in Council minutes. CIL funds are kept in a separate earmarked reserve. Comment: In accordance with the regulations, the Parish Council having received a proportion of CIL funds will need to comply with its duty to produce an annual report that details the amount of CIL funds received and spent by 31 st December of the following reported year giving details on the total CIL received, how it was spent and unspent funds. This should then be published on their website.
7. Petty Cash	Is a petty cash in operation? If so, is there an adequate control system in place.	No system of petty cash in operation.

8. Payroll controls	Do all employees have contracts of employment?	A temporary Clerk is covering the role following staff illness.
	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. Current Clerk is a locum clerk covering for a period of long term sickness.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Salary payments include deductions for PAYE and NIC. 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?	Pension responsibilities were noted during the year – Clerk is on sick leave. A declaration of compliance with the pensions regulator has been completed with no staff being automatically enrolled.
	Are other payments to employees reasonable and approved by the Council?	All payments to employees are reasonable and approved by the Council.
9. Asset control	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 £35,400.47
	Verifying that the Asset Register is reviewed annually	Asset register was reviewed and minuted on 10/10/18 by Full Council.
	Cross checking of Insurance cover	Items from the asset register were cross checked against the items declared under insurance and found to be in order.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations were completed during the year and at year end and reconciled with the cash book.
	Confirm bank balances agree with bank statements	The bank statements were examined and agree with the end-of-year accounts stated as: Nat West current account £18022.71 Nat west business reserve account £17,439.33

	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 accounting system was used.
	Financial trail from records to presented accounts	The Council demonstrates good financial control and a spot check of payments against invoices, cashbook, bank statements and cheque books were found to be in order.
	Has the appropriate end of year AGAR documents been completed?	The appropriate end of year AGAR documents have been completed being: Section 1 – The Annual Governance Statement Section 2 – Accounting Statement The Council is not exempt from an external audit this year as both income and expenditure are over £25,000.00. This was noted in the minutes.
	Where an authority certified itself exempt in 2017/18, did it meet the exemption criteria and correctly declare itself exempt?	The Council's gross income and expenditure in 2017/18 was under £25,000 and therefore the Council met the criteria.
	Was there the opportunity provided for the exercise of electors' rights?	The opportunity was provided for the exercise of public rights from 2 nd July to 10 th August 2018.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has met the requirements by publishing on a public website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities the following: <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Annual Internal Audit Report 2017/18, page 4 • Section 1 – Annual Governance Statement 2017/18, page 5 • Section 2 – Accounting Statements 2017/18, page 6 • Analysis of variances • Bank reconciliation

		<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.
12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	Yes the previous internal audit report was considered by the Council and minuted on 11/7/18.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Although the previous internal audit report was not available, items raised and subsequent action were noted in the minutes.
	Confirmation of appointment of Internal Auditor	LCPAS was appointed as auditor and minuted on 9.01.19 however the Clerk was unable to contact them and therefore SALC were subsequently appointed.
13. External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	N/A for audit year 2017/18.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	Council's Annual Meeting held on 30/5/19 with the first item on the agenda being the election of 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	The information has been published in line with current legislation.
	Verifying that the council is registered with the ICO	Evidence seen in the minutes that the Council is registered with the ICO.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Council is fully compliant with the General Data Protection Regulations and the following are in place:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests

		<ul style="list-style-type: none"> • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies
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Signed.....*Linda Harley*.....

Date of Internal Audit Visit2/5/19..... Date of Internal Audit Report.....2/5/19.....

On behalf of Suffolk Association of Local Councils