



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Denham Parish Council
Income:	£5609.68
Expenditure:	£5495.73
Precept Figure:	£3000
General Reserve:	£1360
Earmarked Reserves:	£0



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 computerised.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is kept up to date and referenced to provide an audit trail to bank statements and cheque book counterfoils. Bank balances are noted on the reconciliations.
	Correct arithmetic and balancing	Spot checks were made and found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Standing orders were seen on the website and were reviewed at a meeting of 23 May 2018
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were seen on the website and were reviewed at a meeting of 23 May 2018 however the procurement values do not match Standing Orders. <i>Comment: During the Council's annual review of its Financial Regulations, Council should consider incorporating the changes in procurement values for contracting authorities as per the 2015 Regulations. Council should ensure that Financial Regulations reflect the thresholds as set by Article 4 of the Public Contracts Directive (Regulation 5(1) of the 2015 Regulations)</i>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It is assumed that the Clerk is also the Financial Officer as there is no separate minute to confirm. Recommendation: Council should include evidence annually in the minutes of the annual appointment of their Responsible Financial Officer. Relevant information available in the Local Government Act 1972 Section 151
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were selected, and cross checked against chequebook, cashbook, bank statements, invoices and minutes and were found to be in order.

	Internet Banking transactions properly recorded/approved	N/A
	VAT correctly identified and reclaimed within time limits	VAT correctly identified it was noted VAT was reclaimed for £471.90 on 25 March 2019
	Has Council adopted the General Power of Competence and is it being correctly applied?	Council declares that payments are made under the General Power of Competence. The Internal Auditor was unable to verify that the Council was able to use the General Power of Competence as there was no resolution in the minutes confirming that the eligibility criteria had been met. Recommendation: Councillors should satisfy themselves that the appropriate legal power to incur expense is used. It is a requirement that the Council ensures 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	No payments made under S.137 were made in the year under review.
	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 carried out at a meeting of 23 May 2018
	Evidence that risks are being identified and managed.	Within the Risk Assessment document there are controls to ensure the 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: Public liability £10m Employee Dishonesty £25,000 Employers Liability £10m It is noted the x2 grit bins are not insured
	Evidence that insurance is adequate and has been reviewed on an annual basis	There is no evidence of an annual insurance review. Recommendation: Council should ensure that it fully reviews its insurance policy on an annual basis and any adjustments should be made to cover an up-to-date asset register and noted in the minutes.

	Evidence that internal controls are documented and regularly reviewed	The Risk Assessment Document does have limited internal controls however there is not a minute reference to show that a review of the system of internal controls was carried out during the year under review. Recommendation: Council must ensure, in accordance with the Accounts and Audit Regulations 2015 (Regulation 6 (1A)) a review by full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, is undertaken and both must be clearly minuted as having taken place.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No evidence seen of a review of the effectiveness of internal audit. Recommendation: Council should ensure that a review of the effectiveness of internal audit is carried out and a minute reference is made.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The budget was agreed by full Council at a meeting of 24 January 2018.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was agreed by full Council at a meeting of 24 January 2018 of £3000.
	Regular reporting of expenditure and variances from budget	At each meeting a financial report is submitted detailing bank reconciliations, receipts and payments.
	Reserves held General and Earmarked.	General Reserves: £1360 Earmarked Reserves: £0
6. Income controls	Is income properly recorded and promptly banked?	Income is properly recorded and banked.
	Is income reported to full Council?	Income is included on the bank reconciliations which are reported to full 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 Charing Authority, to remittance advice showing the Precept to be paid and receipt of same in the Council's bank account.
	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? If so, is there an adequate control system in place.	Council does not operate a petty cash system.
8. Payroll controls	Do all employees have contracts of employment?	No evidence seen of a contract of employment
	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 has one employee on its payroll. It is presumed the NALC pay scale is applied.
	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 agreed timescales. P60 for year under review was seen by the internal auditor.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	No evidence was seen that Council is aware of its pension responsibilities. <i>Comment: Council may wish to note in the minutes on an annual basis its responsibilities under the legislation for work place pensions and note if they have completed a Declaration of Compliance under The Pensions Act 2008.</i>
	Are other payments to employees reasonable and approved by the Council?	Council operates a reasonable expenses policy with all expenses approved by full Council.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The asset register for year ended 31 March 2019 shows no movement for the year under review.

	Verifying that the Asset Register is reviewed annually	The asset register was reviewed at a meeting of full Council on 23 May 2018
	Cross checking of Insurance cover	The insurance cover was cross checked, it was noted the grit bins were not covered.
10.Bank reconciliation	Regularly completed and reconciled with cash book	Bank balances reconcile to the cash book.
	Confirm bank balances agree with bank statements	Year end bank statements agree with the cash book reconciliation.
	Regular reporting of bank balances at council meetings	Bank balances are reported at each meeting of Council.
11.Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	Spot checks were carried out and all were found to be in order.
	Has the appropriate end of year AGAR documents been completed?	As the Council is a smaller authority with gross income and expenditure of £25,000 or less it meets the criteria to certify itself as exempt from a limited assurance review. As such the Council has completed Part 2 of the AGAR which is still to be presented to full Council.
	Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt?	The Council correctly declared itself exempt in 2017/18.
	Was there the opportunity provided for the exercise of electors' rights?	Opportunity has been provided for the exercise of the electors' rights from 2 July to 10 August 2018.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The publication requirements of the Audit and Accounts Regulations have been met except for the: <ul style="list-style-type: none"> • Analysis of Variances Recommendation: The Analysis of Variance must be published on the website

12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	The Internal Audit report was considered by Council on 25 July 2018
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	It is noted bank reconciliation now includes 'budget tracking' section and powers under which payments are made have been implemented. However, it is noted the following recommendations have not been fully met: <ul style="list-style-type: none"> • Evidence that internal controls are documented and regularly reviewed
	Confirmation of appointment of Internal Auditor	SALC appointed as Internal Auditor at a meeting of Council on 28 November 2018
13. External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	Council declared itself exempt from the external audit.
	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	The Annual Meeting was held on 23 May 2019 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.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council has published items on their website required by the Transparency Code for Smaller Authorities.
	Verifying that the council is registered with the ICO	The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller which expire 1 June 2019
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council is partially compliant with the General Data Protection Regulations having published the Privacy Notices. Recommendation: Council should adopt the following: <ul style="list-style-type: none"> • Audit/impact assessment • Procedure for dealing with Subject Access Requests

		<ul style="list-style-type: none">• Procedure for dealing with Data Breach• Data Retention & Disposal policies
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Signed: *S.J. Brown*

Date of Internal Audit Visit: 26th April 2019

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On behalf of Suffolk Association of Local Councils