

Internal Audit Report Year ending: 31st March 2019

Name of Council:	Hundon Parish Council
Other Income:	£3,434
Expenditure:	£16,453
Precept Figure:	£15,930
General Reserve:	£32,942
Earmarked Reserves:	£-



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:

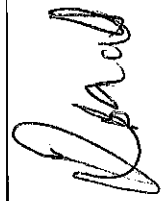
- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2017/18 of the Annual Governance and Accountability Return (AGAR)
- Review the reliability and 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	<p>Type of cash book or ledger used</p> <p>Cash book kept up to date and regularly verified against bank statement</p> <p>Correct arithmetic and balancing</p>	<p>The Council uses Receipts and Payments.</p> <p>The cash book is reconciled on a monthly basis.</p> <p>No errors were found in the sample payments tested.</p>
2. Financial Regulations & Standing Orders	<p>Evidence that standing orders have been adopted and reviewed regularly</p> <p>Evidence that Financial Regulations have been adopted and reviewed regularly</p> <p>Evidence that a Responsible Financial Officer has been appointed with specific duties</p> <p>Evidence that Financial Regulations (FR) have been tailored to the Council</p>	<p>Standing orders were last updated in November 2016, indicated within progress reports rather than as a resolution of the council. Reference to the need to adopt standing orders occurs in the Action Plan in March 2018, although not subsequently minuted as having taken place during 2018/19. Recommendation: Standing Orders must be regularly reviewed to ensure that the procedures of the Council remains lawful and following best practice. Adaption and adoption of the model standing orders provided by NALC makes this a straightforward procedure.</p> <p>See above comments and recommendations on Standing Orders, the same applies. The Council is currently working on this matter.</p> <p>The Acting Clerk appointed 21/8/19 has RFO as part of their duties</p> <p>The model regulations reflect the general requirements of <i>Governance and Accountability</i> to suit 8000+ parish councils. It is important to adapt the FR to suit the council's processes, so long as the safeguards intended to protect public money are not weakened in doing so.</p>



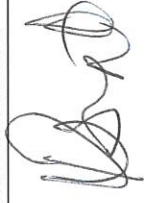
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	Payments were cross checked against BACS, cash book, bank statement, invoice and payment list. The required approvals were present.
	Internet Banking transactions properly recorded/approved	The system for approval of internet payments is unclear Recommendation: Councils need to develop clear, approved, written system for approving payments at meetings, setting up of BACS payments and authorising them. This is essential to protect both the RFO and the Council, as well as proper stewardship of public funds. This should be set out in the Finance Regulations.
	VAT correctly identified and reclaimed within time limits	VAT was not identified separately in the cashbook. No evidence of VAT reclaims having been made was found since 2015. Recommendation: Recovery of VAT paid should be reclaimed annually. This must be addressed as a matter of urgency to avoid loss of VAT to the council.
	Has Council adopted the General Power of Competence and is it being correctly applied? S137 separately recorded, minuted and within statutory limits Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	N/A in 2018/19 but the Council will adopt this as following the appointment of the Acting Clerk in August 2019 it is now eligible. Yes – £1,600 shown in the accounts Electorate estimated 852 x £7.86, headroom £6,700. N/A PWL/B completed circa 2016
4. Risk Management	Is there evidence of risk assessment documentation. Evidence that risks are being identified and managed. Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Risk assessment following the BDO template was signed as adopted on 17/2/16 The council will review this and remove irrelevant entries Insurances are being reviewed to ensure that physical assets are insured. As at 31/5/18 Employers Liability = £10m Public Liability = £10m Employee Dishonesty Insurance = £150,000

	Evidence that insurance is adequate and has been reviewed on an annual basis	<p>Insurances were mentioned in the correspondence list attached to the minutes of 16/5/18, but not marked as having been discussed. There is no mention in the 2018/19 minutes that Councillors have checked or approved insurances.</p> <p>Recommendation: The insurances must be approved by the Full Council as adequate on an annual basis, with a report from the clerk confirming the insurances have been reviewed with the broker.</p>
	Evidence that internal controls are documented and regularly reviewed	An Internal control statement was adopted 21/8/19 (minute 19/017)
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The Council will carry out a review in autumn 2019 Recommendation – the effectiveness of internal audit must be minuted as having been carried out annually.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The draft budget for 2018/19 was considered and approved at the full council meeting held on 17/1/18. The minutes did not disclose any details and refer to an 'attached spreadsheet', which is not attached, so it is not possible to verify the figures presented as the 2018/19 budget were those approved by the Council.</p> <p>Recommendation – The minutes should specify the actual income and expenditure budgets approved in order to demonstrate what figures were approved.</p>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	<p>The precept was also approved on 17/1/18.</p> <p>The minutes did not disclose any details as to what precept was agreed by Council, The minutes do record that the Chair and RFO had been authorised to submit the subsequent precept demand to the (then) Borough Council.</p> <p>Recommendation – The minutes should specify the precept approved, what that means as far as Band D Council tax is concerned and what percentage and actual change it represents.</p> <p>The 2019/20 precept was on the agenda for the meeting held 16/1/19. It is not mentioned in the minutes and there is no</p>



	Regular reporting of expenditure and variances from budget	budget discussion. However, a copy of a precept demand was attached and dated as having been signed at the meeting. However, the minutes do not mention the precept. Recommendation: the minutes are the only legal record of the business transacted at a parish council meeting. It is imperative that the minutes accurately reflect what took place. Approval of the minutes of the previous meeting is the opportunity for Councillors to fulfil their role in ensuring minutes are accurate.
	Reserves held	Financial reports have been submitted to the Council including payments and income, plus reported bank balances. Variances were not reported. Recommendation: At least half-yearly financial reporting, with reporting of variances, should be sufficient.
	General and Earmarked.	General reserves as at 31/3/19 = £32,942 Recommendation: The <u>general</u> reserves are significantly higher than good practice (up to 12 months) and it is unlawful for a council to hold funds for which it has no use. This is normally an indicator that the Council is saving or holding funds for a specific purpose, in which case an <u>earmarked</u> reserve should be created in the accounts and the relevant funds allocated to it. These reserves should be reviewed regularly. An alternative is to find a number of good uses of these funds within the parish.
6. Income controls	Is income properly recorded and promptly banked?	Yes – advertising income is paid by BACS
	Is income reported to full Council?	Income is reported at each meeting where relevant.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Yes. The Precept demand was served 17/01/18, for £15,930. The payment of £15,930 was received 30/4/19.
	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?	N/A

	If so, is there an adequate control system in place.	
8. Payroll controls	<p>Do all employees have contracts of employment?</p> <p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p> <p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p> <p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p> <p>Are other payments to employees reasonable and approved by the Council?</p>	<p>The Acting Clerk has a new contract being prepared.</p> <p>Payment to the Clerk is authorised along with other payments at full council. The Chair signs the pay claim to signify authorisation to make the payment. There is no evidence relating to pensions, PAYE or national insurance payments. Recommendation: This needs to be checked and proper practice followed in respect of payroll, pension and Making Tax Digital.</p> <p>The Council adopted the NALC pay scales for the remuneration of the new Acting Clerk.</p> <p>Not during 2018/19</p> <p>See above. Recommendation: This will need to be addressed in relation to the new Acting Clerk</p> <p>No Recommendation: This will need to be addressed in relation to the new Acting Clerk</p> <p>N/A</p>
9. Asset control	<p>Verifying the Council maintains an Asset Register in accordance with proper practises</p> <p>Verifying that the Asset Register is reviewed annually</p>	<p>An Asset register dated 18/3/15 was seen with a nominal value on acquisition of £788 and insurance value of £33,629 shown. Recommendation: The asset register doesn't show an acquisition value for the Sports Pavilion. The council needs to verify ownership and amend the insurances/asset register accordingly.</p> <p>Not done. The latest Asset Register found is dated <u>18/3/15</u>. There have been additional acquisitions since then.</p>



	Cross checking of Insurance cover	The current insurance information and certificates were not available at the time of audit, therefore the insurance expired 31/5/18 was checked. As the Asset register was also out of date, it was not possible to cross-check with any surety. Recommendation: The Council needs to update the asset register and insurance register to ensure they cross-check.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are not reported although appear to have been done in the completion of the annual accounts.
	Confirm bank balances agree with bank statements	5/4/19 – Barclays Community A/C 6516: £2,301.93 5/4/19 – Barclays Business Premium A/C6664: £30,640.12 Total £32,942.05
	Regular reporting of bank balances at council meetings	Yes. Recommendation: Bank reconciliation should include confirmation that the original bank statements have been seen by a <u>Councillor</u> at a meeting. This mitigates against fraud and confirms that the funds reported are there.
11. Year-end procedures	Appropriate accounting procedures used	Yes – receipts and payments
	Financial trail from records to presented accounts	Yes
	Has the appropriate end of year AGAR documents been completed?	Yes, but due to the interregnum this has been done unavoidably late.
	Where an authority certified itself exempt in 2017/18, did it meet the exemption criteria and correctly declared itself exempt?	Yes, but very late and without a minuted resolution approving the certification. Recommendation: Submissions to the External Auditor are from the whole Council, not the Chair and Clerk alone. A clear resolution must be recorded in the minute book

	<p>Was there the opportunity provided for the exercise of electors' rights?</p> <p>Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015</p>	<p>Due to the interregnum surrounding the loss of Clerk/RFO and delay in recruiting a replacement, the opportunity for electors to exercise their rights has only just started.</p> <p>The Council is reconstructing its information on the website.</p> <p>Recommendation: The Council is advised to publish on the website all information except that which is exempt under the Data Protection Act</p>
<p>12. Internal audit for the year ending 31 March 2018</p>	<p>Verifying that the previous internal audit reports have been considered by the Council</p> <p>Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit</p>	<p>There is no evidence in the minutes of an internal audit having taken place in 2018/19, however there is an AIAR signed by Edward Cox, dated 1/8/18 in the council files. The receipt of this is not minuted.</p> <p>Recommendation: The Internal Audit is a report to the whole Council and must be received and considered, with a clear minute confirming this and a resolution accepting the report. The Internal Auditor must be independent, i.e. not a relative of councillors or clerk.</p> <p>No written report was found.</p>
<p>13. External audit for the year ending 31 March 2018</p>	<p>Confirmation of appointment of Internal Auditor</p> <p>Verifying that the external audit report has been considered by the Council</p>	<p>The Internal Auditor for 2018/19 was appointed 21/08/19</p> <p>The Annual Return for 2017/18 is signed and dated as having been approved at the meeting held 16/5/18, 'Minute No 12'. There is no such minute, minutes are in any case not numbered and the annual return is not on the agenda for that meeting.</p> <p>The Council was chased for non-submission on 27/7/18 by PKF, the external auditor. A Certificate of Exemption has been prepared and presumably submitted, dated 9/8/18. There is no evidence that a meeting took place to approve the signing of an exemption certificate.</p> <p>There is no mention in the minutes that correspondence had been received from the external auditor and the incurrence of a penalty fee was not reported. PKF have confirmed this penalty fee remains unpaid.</p>

	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Recommendation: Correspondence from the external auditor is to the Council, not the Clerk and must be reported without fear or favour. Not applicable - Exempt
14. Additional Comments	Annual meeting - held in accordance with legislation	The annual meeting of the Parish Council was held on the 16 th May 2018. The election of Chairman was the first item on the agenda, however, the minutes are not in the same order as the agenda.
	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	No – The current http://hendon.onesuffolk.net/ website does not have the information required. In addition, the website linked from the parish welcome page, http://www.hendon-village.co.uk/ shows a different email address for the clerk. However the Council is working hard to get this information on the website.
	Verifying that the council is registered with the ICO	Not found on the ICO website Recommendation: The Council needs register with the Information Commissioner.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	The correspondence log refers to GDPR, but at this stage the Council is working towards compliance. Recommendation: A NALC toolkit is available to assist the Council in this matter

Thank you to Vicky Phillips and Philip Impey for your assistance in completing this audit

Signed 

Date of Internal Audit Visit

10th September 2019

Date of Internal Audit Report..

10th September 2019