



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Combs Parish Council
Income:	£18,458.88
Expenditure:	£12,508.49
Precept Figure:	£7250
General Reserve:	£0
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	Excel spreadsheet
	Cash book kept up to date and regularly verified against bank statement	The cashbook was well maintained and kept up to date. Comment: Bank interest of £6.69 will need to be added to the ledger and included in the total credits figure. This was included on the bank reconciliation.
	Correct arithmetic and balancing	A check of arithmetic and balancing found everything in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders have not been reviewed in this financial year however a covering letter states that they will be reviewed in April 2019. Comment: Council should include evidence in their minutes of the annual review of their Standing Orders. Procurement information will need to be updated.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations have not been reviewed in this financial year however a covering letter states that they will be reviewed in April 2019. Comment: Council should include evidence in their minutes of the annual review of their Financial Regulations. Procurement information will need to be updated.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	There is no evidence of the appointment of a financial officer in this financial year. Comment: Council should be mindful that all authorities must annually appoint an officer to be responsible for the financial administration of the authority in accordance with Section 151 of the LGA 1972.
	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	Evidence seen to support paperwork for payments and appropriate authorisation.

		Comment: Some payments included in the minutes gave details of the payment (e.g. grass cutting) and not the name of the payee. Council should ensure the name of the cheque payee is included in the minutes.
	Internet Banking transactions properly recorded/approved	N/A
	VAT correctly identified and reclaimed within time limits	Council has reclaimed VAT for the period 1/3/2016-31.10.18 of £4115.90 on 04/12/18. Recommendation: Council should add a VAT column to their cashbook to clearly show amounts being reclaimed in each financial year.
	Has Council adopted the General Power of Competence and is it being correctly applied?	N/A
	S137 separately recorded, minuted and within statutory limits	Payments made under S137 were noted in the cashbook and in the minutes. They were of direct benefit to the electorate and within the statutory limit.
	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.	Council has a risk assessment document published on the website.
	Evidence that risks are being identified and managed.	Evidence seen of specific risk assessment for the WW1 Memorial Beacon.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with £10 million for both public and employer's liability insurance and £2,5000 for fidelity guarantee.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance is adequate and assets are individually listed under all risks. The Insurance was reviewed and minuted 10/9/18.
	Evidence that internal controls are documented and regularly reviewed	No evidence seen of a specific internal controls document however Council have indicated that this is being formalised in May 2019. Comment: Council should ensure that in accordance with the Accounts and Audit Regulations 2015 (6(1A)) a review by the 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 however Council have indicated that this is being formalised in May 2019. Comment: Council should ensure that in accordance with the Accounts and Audit Regulations 2015 (6(1A)) a review by the 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.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The budget was approved by the Council and minuted on 12/12/18.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount of £7250 was agreed in full, approved by the Council on 12/12/18 and minuted.
	Regular reporting of expenditure and variances from budget	A budget analysis is reviewed and accepted by the Council at each meeting, which clearly shows payments against budget.
	Reserves held General and Earmarked.	No reserves are held.
6. Income controls	Is income properly recorded and promptly banked?	In general income is properly recorded and promptly banked however credit interest of £6.69 from the business savings account has not been shown in the spreadsheet. Council is aware of this entry as it is shown as a separate amount on the bank reconciliation. Comment: Council should ensure all receipts are entered in the cashbook and minuted.
	Is income reported to full Council?	Income is reported to Council and minuted. Auditor is unable to carry out a full audit trail for credits as receipts for

		interment fees, which are kept in the cemetery file were not included with audit paperwork . Comment: Please ensure all paperwork relating to receipts and payments are included for the audit.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept of £7250 agrees with Mid Suffolk District Council's notification.
	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.	No petty cash in operation.
8. Payroll controls	Do all employees have contracts of employment?	Contract of employment seen for the Clerk.
	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.	The clerk was paid annually in March 2019 and the invoice was checked by 2 Councillors.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	The salary payment included deductions for PAYE/NIC which was paid promptly to HMRC.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Yes – It was minuted on 11/2/19 that the Declaration of Compliance has been lodged with the Pensions Regulator.
	Are other payments to employees reasonable and approved by the Council?	All expenses are supported by invoices.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Council maintains a register of its assets to the value of £28,454 which was checked.

	Verifying that the Asset Register is reviewed annually	The Clerk advised that although a formal review of the asset register has not taken place, assets are checked regularly by Councillors and a formal review of the register will take place at April's meeting.
	Cross checking of Insurance cover	Items were checked against the asset register and insurance cover and were found to be in order.
10. Bank reconciliation	Regularly completed and reconciled with cash book	The annual bank reconciliation agrees with the cashbook and bank statements.
	Confirm bank balances agree with bank statements	Bank balances at 31/3/19 agree with bank statements: Santander Business Account £12183.18 Santander Business Savings Account £1907.79
	Regular reporting of bank balances at council meetings	Bank balances are reported to Council at each meeting.
11. 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 financial control by ensuring that receipts and payments are listed in the Council's minutes as part of the smaller authorities' financial control.
	Has the appropriate end of year AGAR documents been completed?	The appropriate AGAR documents have been completed: Section 1 the Annual Governance Statement Section 2 the Accounting Statement Certificate of Exemption Comment: The Certificate of Exemption has the incorrect figure of £18452 as income. £6.69 bank interest which was also omitted from the cashbook needs to be included and the figure amended to £18,459
	Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt?	Council meets the qualifying criteria as set out in the Certificate of Exemption and are exempt from sending the completed AGAR to the external auditor for a limited assurance review. Comment: Council needs to publish the Certificate of Exemption and the internal audit report on their website as stated on the guidance notes for completing the annual return.

	Was there the opportunity provided for the exercise of electors' rights?	Yes – It was minuted on 11/6/18 that the period for the exercise of elector's rights is 30 days from 29/6/18.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Partially – Sections 1 and 2 of the AGAR and the inspection rights have been published on the Council's website. Comment: to fully meet the publication requirements the Council should also publish their Certificate of exemption, internal audit report, analysis of variances and the annual bank reconciliation.
12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	Council reviewed the internal audit report and minuted this.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The internal audit report made recommendations on the following topics: Adoption of new Standing Orders and Financial Regulations, invoices available for all payments, Standing Orders/Direct Debit payment schedule approved and included in minutes; VAT separately identified in spreadsheet; note of power to pay; risk assessment review carried out annually; adequate controls in place to manage risks; Statement of Internal Control adopted; reporting of expenditure/income and variances against budget are minuted; asset register reviewed; internal audit report presented to Council and minuted. Comment: Council has actioned some of these items and is working towards completing the outstanding items. Council should ensure that all items raised in the internal audit are acted upon in the following audit year.
	Confirmation of appointment of Internal Auditor	SALC were appointed as the internal auditor on 11/3/19.
13. External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	N/A
	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 14/5/18 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	As part of the Transparency Code, smaller authorities must publish on a website: Certificate of Exemption – page 3 Annual Internal Audit report – page 4 Section 1 Annual Governance Statement – page 5 Section 2 – Accounting Statements 2017/18 – page 6 Analysis of variances Bank reconciliation Notice for the period for the exercise of public rights Comment: The Council should ensure all of these items are published on its website.
	Verifying that the council is registered with the ICO	The Council is registered with the ICO reference: Z2964169
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	The Council is not compliant with the General Data \Protection Regulation requirements. Recommendation: Council should adopt the following policies and display them on their website: <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies

Signed.....*Linda Harley*.....

Date of Internal Audit Visit13/5/19.....

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On behalf of Suffolk Association of Local Councils