



**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2019**

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| <b>Name of Council:</b>    | Walberswick Parish Council |
| <b>Income:</b>             | £36,395.22                 |
| <b>Expenditure:</b>        | £26,931.95                 |
| <b>Precept Figure:</b>     | £23,000.00                 |
| <b>General Reserve:</b>    | £10,516.03                 |
| <b>Earmarked Reserves:</b> | £18,948.19                 |



## 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  |
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| <b>1. Proper Book-keeping</b>                         | 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.   |
| <b>2. Financial Regulations &amp; Standing Orders</b> | Evidence that standing orders have been adopted and reviewed regularly                | Council at its meeting of 10 <sup>th</sup> July 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 14 <sup>th</sup> January 2019 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 | <p>The Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, employed the Clerk as the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.</p> <p>At the meeting of 10<sup>th</sup> December 2018, it was agreed to split the roles of Clerk and RFO between 2 people and that the Standing Orders and Financial Regulations would need to be amended to reflect the split roles.</p> <p>Following a recruitment process, Council agreed at a meeting of 11<sup>th</sup> February 2019, based on the recommendation of the Employment Working Group to make an offer of employment to the preferred candidate for the role of RFO. It is noted that the Clerk's contract would be reduced to 5 hours per week effective 1<sup>st</sup> April 2019 to reflect this change.</p> |

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|                            | Evidence that Financial Regulations have been tailored to the Council | Financial Regulations are tailored to the council.  |
| <b>3. Payment controls</b> | Supporting paperwork for payments, and appropriate authorisation      | <p>A sample of payments were examined and whilst there was an audit trail between the invoices being presented for payment, the authorised amounts approved; the cheques raised and the cash-sheets, the following comments are made to not only protect the RFO but to also fulfil an internal control objective to ensure the safeguarding of public money.</p> <p><i>Comment: Council should consider ensuring that all authorisation to pay slips are signed off and that there is a clear indication on the sheet as to which payments are being authorised retrospectively. Council's Financial Regulation (FR) 5.2 states that the approved schedule shall be ruled off and initialled by the Chairman of the meeting whilst Financial Regulation 6.6 gives clear guidance that where a payment is made between the meeting then any signatures obtained away from such meeting shall be reported to the Council at the next convenient meeting.</i></p> |
|                            | Contracts issued in accordance with Financial Regulations.            | <p>During the year under review Council awarded a contract for repairs under the play equipment on the Village Green having only considered 2 quotations obtained. It is noted in the minutes of 8<sup>th</sup> October 2018 that only 2 companies had been prepared to quote for the works. Council's FR 11h states that "(a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply);" if the limit is below £25,000 and above £5,000.</p> <p><i>Comment: where Council is unable to comply with its own set Financial Regulations which has a limit for the purchase of goods and services above which three estimates or quotes should be invited from persons or firms competent to do the work, it should follow FR 18.2 and, by resolution of the council duly notified prior to the relevant meeting of council, suspend any part of these Financial Regulations provided that reasons for the suspension</i></p>       |

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|                           |   | <i>are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all members of the council.</i>  |
|                           | Internet Banking transactions properly recorded/approved  | Internal banking is not used by the Council.   |
|                           | VAT correctly identified and reclaimed within time limits   | VAT is identified in the cash book and reclaimed within the regulatory limits.   |
|                           | Legal Powers identified in minutes and/or cashbook  | The legal powers used to incur expenditure are clearly referenced in the cashbook.<br><br><i>Comment: 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.</i>   |
|                           | S137 separately recorded, minuted and within statutory limits                                       | There was no payment made under this power for the year under review.  |
|                           | Payments of interest and principal sums in respect of loans, are paid in accordance with agreements | There were none for the period under review.   |
| <b>4. Risk Management</b> | Is there evidence of risk assessment documentation.   | The risk assessment documentation, in the files submitted for internal audit, was reviewed and accepted by full Council at its meeting of 11 <sup>th</sup> March 2019.<br><br>It is noted that at the meeting of 9 <sup>th</sup> July 2018 – safety checks concerning the Pavilion and the Heritage Hut were submitted and discussed. A number of remedial actions had been taken on the latter with regards to findings of the health and safety report. The Pavilion was assessed as no longer being safe for use or any purpose and it was agreed to take it out of use and all to be informed of the changed status of the pavilion. |
|                           | Evidence that risks are being identified and managed.   | With reference to the Accounts and Audit Regulations, Council carried out an assessment on the financial management of the Council in terms of internal controls, insurance cover and internal audit at the meeting of 21st March 2019 and found that  |

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|                              |  | they were adequate, effective and appropriate for the affairs of the Council.   |
|                              | Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.      | <p>Appropriate Insurance cover is in place with core cover:<br/>Employers Liability £10million<br/>Public Liability £10million<br/>Fidelity Guarantee £25K</p> <p>The Fidelity Guarantee (Employee Dishonesty) cover stands at £25,000 which, given the Council's year-end balances is lower than the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.</p> <p><i>Comment: Council might wish to review the level of Fidelity Guarantee once balances are known to ensure sufficient cover is in place.</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.  |
|                              | Evidence that internal controls are documented and regularly reviewed                              | <p>An annual review of the council's internal controls was carried out by a non-signatory councillor with a written report submitted to council for approval at the meeting of 11<sup>th</sup> March 2019. The minutes record that such a review was carried out.</p> <p><i>Comment: Council complied with the Accounts and Audit Regulations 2015, by carrying out a review of the effectiveness of the system of internal control.</i></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, Council reviewed the scope of Internal Audit at its meeting of 14 <sup>th</sup> May 2018 and deemed it to be appropriate for the Parish Council.  |
| <b>5. Budgetary controls</b> | Verifying that the budget has been properly prepared, and agreed                                   | The Budget for the year 2018-2019 in the sum of £20,022.84 was adopted by full Council at its meeting of 12 <sup>th</sup> February 2018. Budget papers to support the budget being set were seen.   |

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|                            | Verifying that the Precept amount has been agreed in full Council and clearly minuted.  | The Precept in the sum of £23,000.00 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 budget report showing period and year-to-date variances and bank account movement is discussed by 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 £10,516.03 with earmarked reserves in the sum of £18,948.19.  |
| <b>6. Income controls</b>  | 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 to date totals £2,078.34 - £1,037.46 received in April 2018 and £1,040.88 received in October 2018.<br><br><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> |
| <b>7. Petty Cash</b>       | Is a petty cash in operation?   | Council does not operate petty cash.   |
| <b>8. Payroll controls</b> | Do all employees have contracts of employment?  | The Clerk's Contract of Employment was verified at the Annual Internal Audit as carried out on 8 <sup>th</sup> May 2019.   |
|                            | Are arrangements in place for authorising of the payroll and payments by the Council?<br>Verifying the process for agreeing rates of pay to be applied. | PAYE is operated in accordance with HM Revenue and Customs guidelines. S.A.L.C. is contracted to carry out the payroll function on behalf of the council. Salaries are paid in accordance with the payslips produced.  |

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|                         | Do salary payments include deductions for PAYE/NIC?<br>Is PAYE/NIC paid promptly to HMRC?                       | PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales. P60 End of Year Certificate 2018/19 was seen by the Internal Auditor.   |
|                         | Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation? | Council is aware of its pension responsibilities and no pensions is offered to either the Clerk or the RFO as both salaries are below the regulatory limit.  |
|                         | Are other payments to employees reasonable and approved by the Council?   | All expenses paid are against itemised invoices submitted to the Council.  |
| <b>9. Asset control</b> | 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.<br>Council has assets recorded as totalling £48,841 which shows additions during the year of £550.   |
|                         | Verifying that the Asset Register is reviewed annually  | The Asset Register for the period ending 31 <sup>st</sup> March 2019 was seen and approved by the Council at its meeting of 10 <sup>th</sup> September 2018.   |
|                         | Cross checking of Insurance cover   | A number of items as listed under the Asset Register were reviewed against items under insurance and cover was deemed to be appropriate.<br><br><i>Comment: the RFO might wish to consider reporting back to Council 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 are carried out and Council has ensured good financial practice, by implementing a system whereby the bank reconciliations are independently verified by a Councillor with a copy of the bank statement attached to the bank reconciliation.<br><br><i>Comment: the above procedure shows good practice which not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i> |
|                         | Confirm bank balances agree with bank statements  | The year-end bank statements agree with the cash-book reconciliation: overall balance of £29,464.22  |



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|                                |  | Heritage Hut & Scroll Account: £15,859.58<br>Treasurer's Account: £13,664.64<br>Less outstanding cheques: £60.00   |
|                                | Regular reporting of bank balances at council meetings   | Bank balances are reported to Council at each council meeting as part of the Financial Report.   |
| <b>10. Year-end procedures</b> | 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 which are awaiting approval by full Council.   |
|                                | Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt? | As the Council was a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5million 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 <sup>st</sup> 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 and expenditure exceeding £25,000 and published the following on a public website:<br>Section 1 – Annual Governance Statement of the AGAR<br>Section 2 – Annual Accounting Statements of the AGAR<br>Section 3 – The External Auditor Letter<br>The Annual Internal Audit Report |
|                                | 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 11 <sup>th</sup> July 2018.   |

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| <b>11. Internal audit for the year ending 31 March 2018</b> | Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit | The following matters arising from the Internal Audit Report were discussed and actions agreed at the above meeting: <ol style="list-style-type: none"> <li>1. Use of powers for expenditure</li> <li>2. Separate cashbook for PC Heritage Hut and Scroll</li> <li>3. Registration with ICO Review of Standing Orders</li> </ol>  |
|   | Confirmation of appointment of Internal Auditor  | The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 14 <sup>th</sup> May 2018.  |
| <b>12. External audit for the year ending 31 March 2018</b> | Verifying that the external audit report has been considered by the Council                                      | It is noted that as per the External Audit Certificate dated 24 <sup>th</sup> September 2018, the external auditors have stated that they cannot complete the external audit due to challenged correspondence as correspondence needed to be considered before certifying the completion of the review and discharging the responsibilities of the external auditor. Council considered and accepted the External Audit Report and Certificate as produced by the external auditors at its meeting of 11 <sup>th</sup> December 2018. |
|   | Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit | At the meeting of 14 <sup>th</sup> January 2019 - following a direction from the external auditor to maintain confidentiality at that stage in the process, Council resolved to accept a written response to the objections to the audit and that this should be forwarded to the external audits for consideration of the 2017/18 audit.   |
| <b>14. Additional Comments</b>                              | Annual meeting - held in accordance with legislation   | The Annual Meeting was held on 14 <sup>th</sup> 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 does not act as sole trustee for any Trust Funds.  |
|   | 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: ZA437200  |
|   | Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements          | Council has taken steps to ensure compliancy with the GDPR requirements and has reviewed the purposes of its processing activities, documented its decision on which lawful basis demonstrates compliance, checked that the processing is necessary for the relevant purpose and reviewed and adopted   |

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|  |  | <p>policies for data protection and data breaches. Information on privacy notices for staff, members and the website are in place.</p> <p><i>Comment: Council should be aware that the above are living documents and should be reviewed on a regular basis to ensure compliance with GDPR – a cookie policy for example should be readily available on its website.</i></p> |
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Signed *T S Waples*

Date of Internal Audit: 09.05.2019

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On behalf of Suffolk Association of Local Councils