



Internal Audit Report
Year ending: 31st March 2019

Name of Council:	Nedging with Naughton
Income:	£5419.98
Expenditure:	£4957.66
Precept Figure:	£4915.00
General Reserve:	£4285.56
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 used.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and regular bank reconciliations are carried out.
	Correct arithmetic and balancing	Arithmetic and balancing are correct.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	NALC Standing Orders 2018 have been adopted and were reviewed on 8/5/18
	Evidence that Financial Regulations have been adopted and reviewed regularly	NALC Financial Regulations have been adopted and were reviewed on 8/5/18
	Evidence that a Responsible Financial Officer has been appointed with specific duties	A Responsible Financial Officer has been appointed for this audit year on 8/5/18
	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. Individual invoices are not initialled but all payments are made by internet banking. A comprehensive list authorising all on-line banking payments made, signed by 2 councillors. Legal Powers correctly identified in the cash book.
	Internet Banking transactions properly recorded/approved	Yes – see note above.
	VAT correctly identified and reclaimed within time limits	Evidence of VAT reclaim from 29/9/17 to 31/7/2018 for £394.35
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of competence has not been adopted.

	S137 separately recorded, minuted and within statutory limits	No payments made 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.	Internal Controls regularly noted in the minutes. Annual risk assessment review undertaken 8/5/18
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with £10 million of both employment and public liability. £25,000 of fidelity cover is in place, which is within guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance is adequate and evidence seen in their internal control document for 2018/19 that it has been reviewed. Comment: Council could note in their minutes the annual review of their insurance policy.
	Evidence that internal controls are documented and regularly reviewed	Evidence seen of the internal control document with regular notes in the minutes that internal controls are being under taken.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Although the Council has a comprehensive internal control document, there is no evidence of a review of the effectiveness of their internal audit. Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Evidence of budget seen for £4915.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Precept amount agreed on 9/1/18 for £4915 and minuted.
	Regular reporting of expenditure and variances from budget	There is regular reporting of expenditure noted in the minutes. Clerk completes a statement of variances from at year end.
	Reserves held	General : £4,285.56

	General and Earmarked.	Earmarked : £0
6. Income controls	Is income properly recorded and promptly banked?	A sample audit trail showed income is recorded in the minutes and cashbook with evidence of receipts seen.
	Is income reported to full Council?	Income is reported to full Council and this is noted in the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded of £4915 agrees to the Council Tax Authority'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 system in place.
8. Payroll controls	Do all employees have contracts of employment?	Evidence of contract of employment for Clerk seen in internal control document.
	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 1 employee on its payroll. Salary for Clerk agreed on 8/1/19 at £9.77
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Salary payments show no obligations to pay PAYE/NIC
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Council is aware of its pension obligations and clerk declined to join scheme.

	Are other payments to employees reasonable and approved by the Council?	All other payments to employees are reasonable and supported by invoices.
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 £4366.01
	Verifying that the Asset Register is reviewed annually	The asset register is reviewed annually by the Council.
	Cross checking of Insurance cover	Items from the asset register were cross checked against the items declared under insurance. All were found to be in order with individual items listed under 'All risks'.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Evidence of monthly bank reconciliations seen.
	Confirm bank balances agree with bank statements	The following bank balances agree with bank statements: Barclays Community Account: £23.59 Barclays Savings Account : £4261.97
	Regular reporting of bank balances at council meetings	Bank balances are reported at each Council meeting and noted in the minutes.
11. Year-end procedures	Appropriate accounting procedures used	The Receipts and Payments accounting method is used.
	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 authorities financial control. A sample trail of payments made against bank statements, cashbook and invoices found all to be in order.
	Has the appropriate end of year AGAR documents been completed?	Council has correctly completed Section 1 – The Annual Governance Statement, Section 2 – the Accounting Statement and the Certificate of Exemption. However, the figure for staff costs on the AGAR is recorded as £2511 incorrectly, the figure should be £2404. The figure for other payments is recorded as £2447 and this should be amended to £2554.

		Recommendation: Clerk amends the figures in boxes 4 and 6 of the AGAR to correctly reflect the staff costs and other payments for 2018/19. Items included in box 4, staff costs are: salaries, PAYE/NIC, pension contributions and employment expenses.
	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 as both its gross income and expenditure were under £25,000.
	Was there the opportunity provided for the exercise of electors' rights?	Opportunity was provided for the exercise of electors' rights.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>Councils with an income/expenditure of under £25,000 must publish 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.</p> <ul style="list-style-type: none"> • Certificate of Exemption, page 3-published • Annual Internal Audit Report 2017/18, page 4-published • Section 1 – Annual Governance Statement 2017/18, page 5-published • Section 2 – Accounting Statements 2017/18, page 6-published • Analysis of variances-published • Bank reconciliation-published • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015 – published <p>The publication requirements have therefore been met.</p>
12.Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	Evidence seen that the previous internal audit report has been reviewed by Council and an audit plan put in place.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following items were raised: Information in Standing Orders to be completed that include brackets or 'or' options – Actioned.

		Review of Financial Regs for procurement information – Actioned. Review requirements to join ICO – Actioned. Publication of information under Transparency Code - Actioned.
	Confirmation of appointment of Internal Auditor	SALC was appointed as the auditor and minuted 8/5/18.
13.External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	Council has declared itself exempt from an 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 Council's Annual General Meeting was held on 8/5/18 with the 1 st item on the agenda being the election of chairman.
	Correct identification of trustee responsibilities	No trustee responsibilities held.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Transparency Code has been correctly applied.
	Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA455855
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	Council is aware of its responsibilities under the General Data Protection Regulation requirements and has published the following on it's 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 Comment : To be fully compliant the Council needs to publish their Data Retention & Disposal Policy.

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

Date of Internal Audit Visit1/6/19..... Date of Internal Audit Report.....1/6/19.....

On behalf of Suffolk Association of Local Councils