



Internal Audit Report
Year ending: 31st March 2018

Name of Council:	Withersfield Parish Council
Income:	£ 11,751.33
Expenditure:	£ 10,030.13
Precept Figure:	£ 8,052.00
General Reserve:	£ 12,509.14
Earmarked Reserves:	£ 7,023.00



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 complies
- 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 the bank statements and cheque book counterfoils.
	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	<p>Standing Orders were adopted /amended at a meeting of 17th May 2016.</p> <p>It is noted that Standing Order 3I has not been replaced in line with changes made under the Public Bodies (Admission to Meetings) Act 1960 on the right to report at council and committee meetings.</p> <p>Recommendation: during the Council's annual review of its Standing Orders, Council should bear in mind that new Model Standing Orders have been produced by NALC and take into account changes in legislation since those produced in 2013 - L04-18 Model Standing Orders refers and should ensure that such amendments, as covered by legislation, are incorporated.</p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	<p>Financial Regulations as adopted in May 2017, were submitted at the time of audit.</p> <p>Recommendation: 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) - LTN 87 refers.</p>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	<p>It is noted that the Clerk to the Parish Council's Job Description states that the post holder is also the Responsible Financial Officer.</p> <p><i>Comment: in accordance with proper practises, Council has appointed an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972.</i></p>

	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 examined and found to be in order. However, there is limited reporting of items submitted for approval as the minutes merely state "presentation of monthly accounts". <i>Comment: in accordance with Proper Practices, Council might want to record in the minutes the payments being approved along with all payments made since the last meeting.</i>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and the claim for £194.38 for the year under review is still to be submitted.
	Legal powers identified in minutes and/or cashbook.	The cashbook does not show reference to the legal powers used for items of expenditure incurred. <i>Comment: Council might want to consider introducing the powers identifying the Parish Council's authority to spend thereby ensuring 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	Details of payments under S137 are referenced in the cashbook and within statutory limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none applicable for the year under review.
4. Risk Management	Is there evidence of risk assessment documentation?	Council reviewed its Risk Assessment Document at its meeting of 21 st November 2017 and has identified and assessed the risks associated with the actions and decisions being taken by the Council.
	Evidence that risks are being identified and managed.	Council has implemented a number of controls to ensure that 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 Employers Liability £10m Public Liability £10m

		<p>Fidelity Guarantee £25K just within recommended guidelines of year-end balances plus anticipated balances at end of April following.</p> <p>All Risks for specified items and Impact only for the War Memorial. There is separate insurance under a Village Hall Policy for the Withersfield Sports Ground; Wicket Mower and Roller with cover for</p> <p>Public Liability at £ 10m Employers Liability 10m</p>
	Evidence that internal controls are documented and regularly reviewed	<p>Whilst there is an Internal Control Document in the Council's files which shows that a review of the system of internal control has been carried out by the Clerk and Chairman, there is no corresponding minute to show that such a review was carried out.</p> <p>Recommendation: Council should ensure that, in accordance with the Accounts and Audit Regulations 2015 (Regulation 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.</p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	<p>Whilst the Internal Control Document covers the effectiveness of internal audit there is no corresponding minute to reflect that such a review was carried out.</p> <p>Recommendation: in accordance with Proper Practices, Council should carry out a review of the effectiveness of their overall internal audit arrangements. This review should take place at least once every three years and also in the year of any change of internal audit provider.</p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2017-2018 in the sum of £11,648.00 was discussed and agreed in full Council at meetings of at its meeting of 15 th November 2016 and 24 th January 2017 respectively. Budget papers to support the budget being set were seen by the Internal Auditor.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept in the sum of £8,052 was also agreed at the same meeting.

	Regular reporting of expenditure and variances from budget	At each meeting, a financial report is submitted detailing bank reconciliations, receipts and payments. Budget reports are submitted, and Councillors confirm the accuracy of such reports when confirming the current financial position.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £12,509 and earmarked reserves of £7,023 The General Reserves held by the Parish Council at the year-end were deemed by the Council to be appropriate to its needs with sufficient reserves being held as contingency sums to meet, within reason, any unforeseen items of expense that may occur. A breakdown of the Earmarked Reserves was seen with an explanation for such reserves submitted at a meeting of 6 th May 2018 at which the Draft Annual accounts were discussed.
6. Income controls	Is income properly recorded and promptly banked?	Income is promptly banked and reported at each meeting within the financial report.
	Verifying that the Precept recorded agrees 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.
7. Petty Cash	Is a petty cash in operation?	Council does not operate a petty cash system
8. Payroll controls	Do all employees have contracts of employment?	The Clerk's Contract of Employment was seen and verified at the Annual Internal Audit as carried out on 4 th June 2018.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC	PAYE is operated in accordance with HM Revenue and Customs guidelines. PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales.
	Is there evidence that the Council is aware of its pension responsibilities	It was reported at meeting of 3 rd October 2017 that the requirements of Pension Regulator had been fulfilled.
	Are other payments to employees reasonable and approved by the Council	Council operates a reasonable expense policy which ensures all expenses are approved by the Council in accordance with its Financial Regulations.

9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset & Responsibility Register is maintained in accordance with proper practises and covers the fixed assets owned by the Council. Council has assets recorded as totalling £26,806.
	Verifying that the Asset Register is reviewed annually	The Asset Register has been reviewed regularly throughout the year with the Asset Register being formally approved by full Council at its meeting of 15 th May 2018 as an accurate record of the assets held by the Council.
	Cross checking of Insurance cover	Items were examined on a sample basis against those declared on the insurance schedule and found to be in order.
10. Bank reconciliation	Regularly completed, reconciled with cash book	Financial Summaries are presented to Council meetings.
	Confirm bank balances agree with bank statements	The bank statements agree with the end-of-year accounts stated: £19,532.14 Current Account: £3,886.79 Less Outstanding Cheques £1,663.14 Deposit Account: £17,308.49
11. Year-end procedures	Appropriate accounting procedures used	Accounts are produced on a receipt and payments basis. All were found to be in order. There is an underlying financial trail from financial records to the accounts produced.
	Financial trail from records to presented accounts	The End-of-Year Accounts and supporting documentation were extremely well presented for the Internal Audit review.
	Has the appropriate end of year Annual Governance and Accountability (AGAR) document been completed	As Council is a smaller authority with neither gross income nor expenditure exceeding £25,000 it has completed Part 2 of the AGAR. The smaller authority has completed Pages 5 and 6 of the AGAR which are signed at the time of audit. The Exemption Certificate has also been completed and signed. The Internal Auditor has completed the relevant page of this form.
12. Recommendations from previous internal audit for the year ending 31 March 2017	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 18 th July 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The minor recommendations made by the previous auditor were agreed and implemented by the Council.

	Appointment of Internal Auditor	Suffolk Association of Local Councils was appointed as the Internal Auditor at a meeting of 23 rd January 2018.
13. Recommendations from previous external audit for the year ending 31 March 2017	Verifying that the external audit report has been considered by the Council	The certified annual report following the external audit was considered and approved by the Council at its meeting on 21 st November 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	The Issue Arising Report, which covered minor issues - comparative figures in section 2 did not agree to the audited figures for the previous year - was noted by the Council.
14. Additional Comments	Annual meeting	The Annual Meeting was held on 16 ^h May 2017 with the Election of the Chair being the 5th item on the Agenda. Recommendation: Council should be aware that in accordance with the 1972 Act ss 15(2) and 34 (2), the Election of the Chair should be the first item on the agenda of the Annual (Parish) Council Meeting.
	Minutes consecutively numbered and each page initialled	Whilst the minutes submitted for internal audit were signed they were not consecutively numbered. <i>Commet: in accordance with the Local Government Act 1972 Schedule 12 para 41 (1), Council should follow guidance which states that looseleaf minutes are consecutively numbered and initialled by the person signing the minutes at the time of signature.</i>
	Any trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	Publication Requirements	The Council partially complied with the requirements of the Accounts and Audit Regulations 2015 and published the following on its website: List of Councillor Responsibilities Minutes, agendas and meeting papers of formal meetings Recommendation: in accordance with the code, the following should be published: Section 1 - Annual Governance Statement 2016/17 Section 2 - Accounting Statements 2016/17

		<p>Notice of the period for the exercise of public rights and other information required by Regulation 15(2) Accounts and Audit Regulations 2015.</p> <p><i>Comment: Council should note that for the year ending 31st March 2018, in accordance with the Accounts and Audit Regulations 2015, smaller authorities with either income or expenditure exceeding £25,000 must publish the following on a public website:</i></p> <p><i>Section 1 – Annual Governance Statement of the AGAR</i></p> <p><i>Section 2 – Accounting Statements of the AGAR</i></p> <p><i>Section 3 – External Auditor Report and Certificate</i></p> <p><i>Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.</i></p> <p><i>Annual Internal Audit Report of the AGAR</i></p>
	Verifying that the council is registered with the ICO	The Council is correctly registered with the Information Commissioner’s Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Registration No. ZA 339849 refers.
	Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	Council is aware of GDPR requirements and is taking steps towards ensuring compliance.

Signed.....

Date of Internal Audit Visit 21.05.2018

Date of Internal Audit Report 21st May 2018

On behalf of Suffolk Association of Local Councils