



**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2018**

<b>Name of Council:</b>	Shimpling Parish Council
<b>Income:</b>	£8,212.70
<b>Expenditure:</b>	£11,539.48
<b>Precept Figure:</b>	£7001.32
<b>General Reserve:</b>	£3,501.79
<b>Earmarked Reserves:</b>	£2,000



## 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 particular 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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	Computerised Spreadsheet.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and includes a running total of the bank balance against each receipt and each payment.
	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	Standing Orders were reviewed at a Council meeting of 8.5.17. Comment: 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 which take into account changes in legislation since those produced in 2013 – L04-18 Model Standing Orders refers.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were reviewed at a Council meeting of 8.5.17. Comment: During Council's annual review of its financial regulations Council should consider incorporating the changes in Procurement values for contracting and reflect the thresholds set by Article 4 of the Public Contracts Directive (Regulation 5(1) of the 2015 Regulations) – LTN 87 refers.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It is presumed by the Internal Auditor the Clerk is also the Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against cheque book, cash book, bank statements, invoices and minutes. Payments are not always included in the Minutes and no payment schedule forms part of the Minutes. <b>Recommend: Council should consider either including payments within the Minutes or attaching a payment schedule to the Minutes.</b>

	Internet Banking transactions properly recorded/approved	Internet banking not carried out.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and a reclaim of £871.73 was received on 3.1.18.
	Legal Powers identified in minutes and/or cashbook	Legal powers not identified. <b>Recommend: To ensure that all payments made are within its powers and that it is not acting outside of its legal power, the Council should consider adding a reference as to the power being used in either the Minutes or the Cashbook.</b>
	Has Council adopted the General Power of Competence and is it being correctly applied?	Not adopted.
	S137 separately recorded, minuted and within statutory limits	S.137 recorded separately on cashbook and within statutory limits.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	None shown.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	Risk Assessment & Financial Management reviewed at Council meeting of 8.5.17 however the Risk Assessment & Financial Management document seen by the Internal Auditor was dated 2016-17. <b>Recommend: Council should ensure documents are kept updated.</b>
	Evidence that risks are being identified and managed.	Annual play inspection carried out and Minuted at Council meeting of 8.1.18.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Insurance cover was in place in the year. Public Liability £10 million Employers Liability £10 million Fidelity Guarantee £25,000 Play equipment £42,000 It was noted the Parish Council has paid the Village Hall insurance for the year and it was noted 2 insurance payments were made in the year under review. It is assumed by the Internal Auditor the payment made on 3.4.17 was a late payment.
	Evidence that insurance is adequate and has been reviewed	Insurance was reviewed at a meeting at a Council meeting of

	on an annual basis	8.5.17
	Evidence that internal controls are documented and regularly reviewed	Whilst there is evidence of internal controls within the Financial Risk Management document these are limited in scope. <b>Recommend: In accordance with the Accounts and Audit Regulations 2015 (Regulation 6 (1A) a review by 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 clearly minuted.</b>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The effectiveness and scope of the internal audit was carried out at a Council meeting of 14.5.18.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	In the absence of a Clerk/RFO the Council discussed the setting of a budget and considered a precept figure to apply.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	At the time of applying for the 2017/18 Precept the Council was without a Clerk/RFO and a temporary administrator submitted the precept application. There was some confusion over actual figures as a result the Precept was set higher than expected (an increase of 4%). The error was noted after the Precept was submitted. The Council took into consideration the error when it set the Precept for 2018/19 Minute reference 13.11.17 item 17.
	Regular reporting of expenditure and variances from budget	It is noted the Council receives a bi-monthly Financial Report which includes income, expenditure and balances and budget summary however they have not been presented to the Internal Auditor. <b>Recommend: Council should consider including the bi-monthly reports within the Minutes.</b>
	Reserves held  General and Earmarked.	General Reserves £3,501.79 Earmarked Reserves £2,000
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	It is noted Council receives a financial report with includes income received not seen by Internal Auditor. Please see

		comment above item 5.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	The Precept served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council's bank account.
<b>7. Petty Cash</b>	Is a petty cash in operation?  If so is there an adequate control system in place.	No petty cash held.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Contracts of employment not seen by the Internal Auditor.
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC  Is there evidence that the Council is aware of its pension responsibilities	PAYE operated in accordance with HMRC guidelines.  PAYE/NIC payments made where appropriate.  No evidence seen by the Internal Auditor that a Declaration of Compliance had been carried out. Further information if needed can be found on the pension regulator website: <a href="http://www.thepensionsregulator.gov.uk">www.thepensionsregulator.gov.uk</a>
	Are other payments to employees reasonable and approved by the Council	Expenses claimed and approved by Council with supporting paperwork.
	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register presented to Internal Auditor is headed 31 March 2016 and displays a total value of £362,207.60 which shows downward movement through the year of £855. It is noted in the year under review a projector for the village hall was purchased, the internal auditor presumes the old projector was disposed of, a new laptop was also purchased in the year under review. The Internal Auditor noted in the issues arising report for year 2016/17 from BDO have not been addressed. <b>Recommend: Council may wish to re-look at Box 9 of Section 2 of the AGAR to ensure the correct figure is displayed. Council should address the issues arising in regards Fixed</b>
<b>9. Asset control</b>		

		<b>Assets from the external auditors BDO for year 2016/17.</b>
	Verifying that the Asset Register is reviewed annually	The Asset Register was reviewed at a Council meeting of 8.5.17.
	Cross checking of Insurance cover	The Insurance was reviewed at a Council meeting of 8.5.17.
<b>10.Bank reconciliation</b>	Regularly completed, reconciled with cash book	Regular bank reconciliations are carried out.
	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliations:  Lloyds Treasurers Account £562.62 Lloyds Business Bank Account £4,985.37
	Regular reporting of bank balances at council meetings?	It was noted Council receives a bi-monthly financial report not seen by the internal auditor. See comment in item 5.
<b>11.Year-end procedures</b>	Appropriate accounting procedures used	Council operates on a Receipts and Payment basis.
	Financial trail from records to presented accounts	A detailed Cashbook for 2017/18 in spreadsheet form was presented to the Internal Audit.
	Has the appropriate end of year AGAR documents been completed	As Council is a smaller authority with gross income and expenditure of £25,000 or less, it meets the criteria to certify itself as exempt from a limited assurance review. As such the smaller authority has completed pages 2,3, 5 & 6 of the AGAR which are unsigned by the Chairman at time of audit awaiting presentation to Council. The Internal Auditor notes the figures have been changed in Box 7 for year ending 31 March 2017 from the Annual Return for 2016/17. <b>Recommend: Council may wish to verify these are the correct figures.</b> The Internal Auditor has completed the relevant page of this form.
<b>12.Recommendations</b>	Verifying that the previous internal audit reports have been	The internal audit report was considered by Council at its

<b>from previous internal audit for the year ending 31 March 2017</b>	considered by the Council	meeting of 10.7.17.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The recommendations contained within the report were submitted to Council at its meeting of 10.7.17: <ul style="list-style-type: none"> <li>• VAT within cashbook – completed</li> <li>• Clerks expenses – completed</li> <li>• Cheque book initial – completed</li> <li>• Standing Orders – outstanding</li> <li>• Asset Register - outstanding</li> </ul>
	Appointment of Internal Auditor	The internal auditor was appointed by Council at its meeting of 8.5.17.
<b>13.Recommendations from previous external audit for the year ending 31 March 2017</b>	Verifying that the external audit report has been considered by the Council	External Audit reported to a Council meeting of 13.11.17. It was noted at a Council meeting of 11.9.17 two queries from the External Auditor were received.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	In the Audit for year ended 31 <sup>st</sup> March 2017, the External Auditor issued an Issues Arising Report and a number of recommendations were made.
<b>14. Additional Comments</b>	Annual meeting	Annual Parish Council meeting was held on 8 <sup>th</sup> May 2017 with the election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Any trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Fund.
	Verifying that the Transparency Code for Smaller Authorities has been correctly applied	Council is aware of the mandatory requirements under the Transparency Code for Smaller Authorities (2015 Regulations) to ensure certain data is published on a freely accessible website.
	Verifying that the council is registered with the ICO	Council is correctly registered with the Information Commissioner’s Office (ICO) Registration reference: ZA174927
	Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	Council is aware of GDPR requirements and are taking steps towards compliance.

Signed.....

**Date of Internal Audit Visit: 14<sup>th</sup> June, 2018**

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**On behalf of Suffolk Association of Local Councils**