



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

<b>Name of Council:</b>	Sibton Parish Council
<b>Income:</b>	£ 1,753.13
<b>Expenditure:</b>	£ 969.33
<b>Precept Figure:</b>	£ 1,750.00
<b>General Reserve:</b>	£ 3,400.00
<b>Earmarked Reserves:</b>	£ 12,159.21



## 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	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 a good audit trail to the bank statements and cheque book counterfoils.
	Correct arithmetic and balancing	Spot checks were made and found to be in order.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	<p>Standing Orders were reviewed at a meeting of 19<sup>th</sup> December 2017 and incorporate or reflect changes in legislation since 2013.</p> <p><i>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 and take into account changes in legislation since those produced in 2013 - L04-18 Model Standing Orders refers. It is recommended that such amendments, as covered by legislation, are incorporated. Council also might want to consider ensuring that the Standing Orders are tailored to the Parish Council by removing the alternative options for a council and in particular removing the square brackets [] as this creates ambiguity.</i></p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	<p>Financial Regulations were reviewed at a meeting of full Council of 19<sup>th</sup> December 2017.</p> <p><i>Comment: 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.</i></p>
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	The Clerk to the Parish Council, as employed effective 1 <sup>st</sup> November 2017, is also the Responsible Financial Officer.

		<i>Comment: in accordance with section 151 of the Local Government Act 1972, Council has appointed an officer to be responsible for the financial administration of the authority.</i>
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are in parts tailored to the Council.  <b>Recommendation: Council should ensure that the Financial Regulations are tailored to the Parish Council by removing the alternative options for a council and in particular removing the square brackets [] as this creates ambiguity.</b>
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were examined and found to be in order with a full audit trail evidenced.
	S137 separately recorded and minuted.	Details of payments made under S137 of the 1972 Act are referenced in the cashbook. All such expenditure is approved by full Council and is in accordance with the statutory limit for such expenditure.
	Legal powers identified in minutes and/or cashbook.	The legal powers showing the Parish Council's authority to spend are evidence in the cashbook. This ensures that all financial decisions or payments being made are in accordance with statute and that Council does not undertake any decisions or payments that are ultra vires.
	VAT correctly identified and reclaimed within time limits	VAT is correctly identified within the cashbook.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	Council carried out a review of its Financial Risk Assessment Document at its meeting of 26 <sup>th</sup> February 2018 and agreed to adopt the procedures as identified in the document.
	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 Fidelity Guarantee £25K which is within recommended guidelines.

	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its Annual Insurance in terms of cover during the year.  Council's 5-year long term agreement ceases on 30 <sup>th</sup> September 2021.
	Evidence that internal controls are documented and regularly reviewed	Council's Internal Controls were reviewed and approved by the Council at its meetings of 12 <sup>th</sup> June 2017.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The scope and effectiveness of Internal Audit was also considered by the Council at its meeting of 12 <sup>th</sup> June 2017.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Whilst the Budget was agreed in full Council at a meeting of 5 <sup>th</sup> December 2016 there is no minute to reflect the amount agreed.  <b>Recommendation: the minutes should reflect the budget agreed and budget papers should be attached to the minutes for referencing purposes.</b>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	The Precept to be served upon the Charging Authority in the sum of £1,750 was agreed at the meeting of 5 <sup>th</sup> December 2016 with the amount being clearly evidenced in the minutes.
	Regular reporting of expenditure and variances from budget	There was no reporting of expenditure and variances from budget during the year under review.  <b>Recommendation: in accordance with Council's own Standing Orders, Council should receive and consider a report submitted by the Responsible Financial Officer as soon as practicable after 30 June, 30 September and 31 December which contains a statement to summarize:</b> i. the council's receipts and payments for each quarter; ii. the council's aggregate receipts and payments for the year to date; iii. the balances held at the end of the quarter being report <b>and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.</b>
	Reserves held	Overall Reserves are stated as £15,559.21.

	General and Earmarked.	<p>A breakdown was submitted at time of internal audit as follows:  General Reserves: £3,400  Earmarked: £12,159.21</p> <p><i>Comment: the general reserve figure is slightly higher than would be expected to be held by the smaller relevant body as Councils have no legal power to hold revenue reserves other than to cover the general running costs of the body or for specifically earmarked purposes. It is generally recommended that each year the Council reviews its reserves and ensures that they are appropriate to the budget being set and any future commitments and considers the use of allocating earmarked reserves for specific projects that can be funded. Council should ensure that its reserves are considered as a source of income to be used instead of the precept when undertaking the budget setting process.</i></p>
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income received is reported at each meeting.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	Evidence was provided showing the Precept to be paid and receipt of same in the Council's Bank Accounts.
<b>7. Petty Cash</b>	Is a petty cash in operation?	Council does not operate a petty cash system.
<b>8. Payroll Controls</b>	Do salary payments include deductions for PAYE/NIC?	PAYE is being operated in accordance with HM Revenue and Customs guidelines and is provided by an outsourced company. Council has 1 employee on its payroll.
	Is PAYE/NIC paid promptly to HMRC?	No PAYE was applicable for the period under review.
	Is there evidence that the Council is aware of its pension responsibilities?	Council is aware of its pension responsibilities with a Declaration of Compliance having been received by the Parish Clerk dated 13 <sup>th</sup> April 2018.
	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.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	Asset Register seen for the period ending 31 <sup>st</sup> March 2018 which shows fixed assets to the value of £6,360.00 and is maintained in accordance with proper practices.

	Verifying that the Asset Register is reviewed annually	The Asset Register has been reviewed throughout the year and shows nil movement for the year under review.
	Cross checking of Insurance cover	The items under insurance were crossed checked against the asset register dated 31 <sup>st</sup> March 2018 and found to be in order.
<b>10. Bank reconciliation</b>	Regularly completed, reconciled with cash book.	Bank balances reconcile to the cash book.
	Confirm bank balances agree with bank statements	Year end bank statements agree with the cash-book reconciliation: HSBC Parish Council Account: £9,304.98 Less outstanding cheques: £337.56 HSBC Business Money Manager Account: £6,591.79
	Regular reporting of bank balances at council meetings?	There is regular reporting of bank balances to the Council.  <i>Comment: to ensure good financial practice is demonstrated by the Council, bank reconciliations should be independently verified by the Chair which not only safeguards the Responsible Financial Officer but would also fulfil an internal control objective.</i>
<b>11. 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.
	Has the appropriate end of year Annual Governance and Accountability Return (AGAR) documents been completed	As the 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 Part 2 of the AGAR which was approved and signed at the Parish Council's meeting of 14 <sup>th</sup> May 2018.  The Internal Auditor has completed the relevant page of this form.
<b>12. Internal audit for the year ending 31 March 2017</b>	Verifying that the previous internal audit reports have been considered by the Council	The Annual Internal Audit Report was considered at a Parish Council Meeting of 2 <sup>nd</sup> October 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The recommendations contained within the report were presented to and accepted by the Council. In summary they were: 1. Submit Financial Regulations for Internal Audit for 2017-18 - ACTIONED

		<p>2. Comply with the requirements of the Transparency Code - PARTIALLY ACTIONED</p> <p>3. Attach budget papers to minutes for referencing purposes - OUTSTANDING</p> <p>4. Hold the Annual Council Meeting in accordance with timescales as per 1972 Legislation - OUTSTANDING</p> <p>5. To keep consecutively numbered minute pages in a loose-leaf format - ACTIONED</p>
	Appointment of Internal Auditor	Suffolk Association of Local Councils was confirmed as the Council's Internal Auditor at its meeting of 26 <sup>th</sup> February 2018.
<b>13. External audit for the year ending 31 March 2017.</b>	Verifying that the external audit report has been considered by the Council.	The external audit report was presented to and accepted by the Council at its meeting of 2 <sup>nd</sup> October 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	The Issues Arising Report relating to a breach of Proper Practices, regulations or legislation was noted by the Council at the meeting of 2 <sup>nd</sup> October 2017 with agreement to implement the recommendations contained within the report.
<b>14. Additional Comments</b>	Annual meeting	<p>The Council failed to hold its Annual (Parish) Council Meeting during the year under review.</p> <p><b>Recommendation: as this is an outstanding audit point from 2016-2017, Council must be aware that it is a requirement of the 1972 ACT that the Council must hold its Annual (Parish) Council Meeting during the month of May. The first item on the agenda shall be the Election of the Chair for the coming year.</b></p>
	Any trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	Verifying that the Transparency Code for Smaller Authorities has been correctly applied	<p>The Council has partially complied with the requirements of the Transparency Code and published the following on its website in accordance with the Code's Requirements:</p> <p>Annual Governance Statement for 2017</p> <p>Accounting Statements for 2017</p> <p>Annual Internal Report for 2017</p> <p>Minutes, agendas and meeting papers of formal meetings</p> <p>It should be noted that the following should also be published:</p> <p>All Items of expenditure above £100</p>



		<p>List of Councillor Responsibilities  Details of Public Land and Building Assets (in form of Asset Register)</p> <p><i>Comment: Council should note that for the year under review (the year ending 31<sup>st</sup> March 2018), in accordance with the Accounts and Audit Regulations 2015, smaller authorities with neither income or expenditure exceeding £25,000 must publish the following on a public website:</i></p> <p><i>Certificate of Exemption - page 3</i>  <i>Annual Internal Audit Report - page 4</i>  <i>Section 1 – Annual Governance Statement of the AGAR - Page 5</i>  <i>Section 2 – Accounting Statements of the AGAR - Page 6</i>  <i>Analysis of variances</i>  <i>Bank reconciliation</i>  <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>
	Verifying that the council is registered with the ICO	<p>The Council is not currently registered with the Information Commissioner’s Office (ICO) as a Data Controller.</p> <p><b>Recommendation: the Data Protection Act 1998 requires every organisation that processes personal information to register with the Information Commissioner’s Office (ICO), unless they are exempt. Council should ensure that as a data controller, it fully understands the requirement to register with the ICO.</b></p>
	Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	<p>Council is aware of GDPR requirements and is taking steps towards ensuring compliance.</p>

Signed.....

Date of Internal Audit Visit: 25.05.2018

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On behalf of Suffolk Association of Local Councils