



Internal Audit Report
Year ending: 31st March 2018

Name of Council:	Walberswick Parish Council
Income:	£27,972 (rounded)
Expenditure:	£19,840 (rounded)
Precept Figure:	£12,000.00
General Reserve:	£ 6,514 (rounded)
Earmarked Reserves:	£ 13,556 (rounded)



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
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 a good audit trail to the bank statements and cheque book counterfoils
	Correct arithmetic and balancing	Yes
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders are in place. It is noted that the Parish Council will be carrying out an annual review of its Standing Orders during 2018 and Council might want to note that new Model Standing Orders have been produced by NALC and take into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations are in place. It is noted that the Parish Council will be carrying out an annual review of the Financial Regulations during 2018 and it should be noted that LTN 87 Procurement details 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).
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Clerk to the Council has overall responsibility for the production of the Council's financial affairs in accordance with proper practices.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are 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 with a full audit trail evidenced.

	VAT correctly identified and reclaimed within time limits	VAT is correctly identified within the cashbook with a claim for the year ending 31 st March 2018 still to be submitted.
	Has Council adopted the General Power of Competence and is it being correctly applied?	Not adopted.
	S137 separately recorded, minuted and within statutory limits	There were no identifiable payments in the cash book recorded under this power
	Legal powers identified in minutes and/or cashbook.	<p>Whilst Council provides the justification for expenditure there is no recording of the legal power used to incur such expenditure.</p> <p>Recommendation: in order to ensure that Council is not acting ultra vires, it is recommended that the legal power used for the justification for expenditure is recorded in either the cashbook or the minutes.</p>
4. Risk Management	Is there evidence of risk assessment documentation?	Council reviewed its Risk Assessment Register at its meeting of 12 th March 2018. The Register identifies and assesses the risks associated with the smaller authority's 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.	<p>Appropriate Insurance cover is in place with core cover:</p> <p>Employers Liability £10m Public & Products Liability £10m Fidelity Guarantee £25K which is within recommended guidelines.</p> <p>Additional items: Public Liability for Playground Equipment for 17 items £10m All risks as per itemised list.</p>
	Evidence that insurance is adequate and has been reviewed	Council reviewed its Annual Insurance in terms of cover

	on an annual basis	provided at full Council meeting of 17 th July 2017.
	Evidence that internal controls are documented and regularly reviewed	Overall, the Council reviewed the system of internal control as part of its annual risk assessment as evidenced in its Internal Control and Policy Checklist Documentation. Council, in accordance with good practice, has nominated a non-signatory councillor to carry out a review of the Council's financial administration.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The scope of Internal Audit was considered by the Council during the review of its system of internal controls.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2017-2018 was agreed in full Council at a meeting of 23 rd November 2016. Budget papers to support the budget set were seen.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept in the sum of £12,000 was agreed at full Council meeting of 23 rd November 2016 with the amount being clearly evidenced. The form issued to the Charging Authority was produced and payment verified.
	Regular reporting of expenditure and variances from budget	In accordance with Council's own Standing Orders, the budget including variances are discussed at the full Council meetings.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £6,838.49 and earmarked reserves (Heritage Hut and Scroll Account) in the sum of £13,556.25
6. Income controls	Is income properly recorded and promptly banked?	Income is promptly banked once received. Spot checks of income received were checked against paying-in book, cash book, bank statement and receipts. All were found to be in order. During the year under review Council's income (non- precept)

		<p>was in the form of allotment rents, bank interest, CIL payments, transparency fund income, grants and grants for the Heritage Hut.</p> <p>All income is banked as and when received and included within the budget reports submitted to the Council at its meetings.</p>
	<p>Verifying that the Precept recorded agrees to the Council Tax Authority's notification</p>	<p>Evidence seen showing a full audit trail from Precept being discussed and approved at the meeting of 23rd November 2016 to remittance advice showing the Precept to be paid and receipt of same in the Council's Bank Account.</p> <p><i>Comment: Council should ensure that Box 2 of Section 2 of the Accounting Statements contains the total amount of the precept only and that CIL payments should be recorded in Box 3 Total Other Receipts.</i></p>
	<p>CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.</p>	<p>The Parish Council received CIL payments in the sum of £1,010.27 (as stated on the accounts presented at internal audit) during the year ending 31st March 2018.</p> <p><i>Comment 1: Councils should ensure that CIL income transactions are clearly recorded within the cashbook along with supporting documentation to provide a complete audit trail.</i></p> <p><i>Comment 2: Council should be aware that, in accordance with the regulations, the Parish Council having received a proportion of CIL funds will need to comply with its duty to produce an annual report that details the amount of CIL funds received and spent by 31st December of the following reported year giving details on the total CIL received, how it was spent and unspent funds.</i></p>
7. Petty Cash	<p>Is a petty cash in operation?</p>	<p>Council does not operate a petty cash system.</p>
8. Payroll controls	<p>Do all employees have contracts of employment?</p>	<p>The Clerk's Contract of Employment was verified at the Annual Internal Audit as carried out on 18th May 2018.</p>

	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC</p> <p>Is there evidence that the Council is aware of its pension responsibilities</p>	<p>PAYE is operated in accordance with HM Revenue and Customs guidelines.</p> <p>PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales.</p> <p>Under workplace pensions legislation, the Council will have pension duties for its employees. Information can be found on the pension regulator website: http://www.thepensionsregulator.gov.uk/</p>
	<p>Are other payments to employees reasonable and approved by the Council</p>	<p>Council operates a reasonable expense policy which ensures all expenses are approved by the Council in accordance with its Financial Regulations.</p>
9. Asset control	<p>Verifying the Council maintains an Asset Register in accordance with proper practises</p>	<p>Asset Register seen for the period ending 31st March 2018 which shows fixed assets to the value of £74,191. Although this is still to be signed off by the Council at its meeting in May 2018, this is the figure stated upon the partially completed Annual Governance and Accountability Return and reflects the figure stated in the Council's Asset Register as signed off at the council's internal audit review of 18th February 2018. This shows nil movement for the year under review.</p>
	<p>Verifying that the Asset Register is reviewed annually</p>	<p>The Asset Register has been reviewed throughout the year.</p>
	<p>Cross checking of Insurance cover</p>	<p>All items under insurance were cross checked against the asset register and found to be in order. Furthermore, at its meeting of 5th September 2017, Council agreed that the Pavilion should be included within its insurance schedule as it was an asset of the Council.</p> <p>Council also resolved, at the same meeting to enter into a 5-year agreement with the Council's insurers.</p>
10. Bank reconciliation	<p>Regularly completed, reconciled with cash book</p>	<p>Income is promptly banked once received.</p>

	Confirm bank balances agree with bank statements	<p>Year-end bank balances total £20,069.94 and are as shown below:</p> <p>Lloyds Community Account: £6,838.49 Less o/s cheques: £324.80 PC Heritage Hut & Scroll Account: £13,556.25</p> <p>Recommendation: whilst income was seen on the Bank Statements for the PC Heritage Hut and Scroll, the RFO should ensure that there is a cashbook which acts as an accounting record and covers all entries day of all sums of money received and expended by the council along with the matters to which the receipts and payments relate.</p>
	Regular reporting of bank balances at council meetings?	<p>There is regular reporting of bank balances to the Council.</p> <p><i>Comment: good financial practice is demonstrated by the Council with bank reconciliations being independently verified by a Councillor which not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i></p>
11. Year-end procedures	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 presented to the Council at its meeting are clearly displayed on the Council's website. and forms part of the smaller authority's overall financial control.
	Has the appropriate end of year AGAR documents been completed	<p>Although Council is a smaller authority with gross income and expenditure of £25,000 or less, it has not certified itself as exempt from requesting a limited assurance review and as such the smaller authority has partially completed Page 5 of Part 3 of the AGAR which is unsigned at time of audit awaiting completion prior to presentation to full Council.</p> <p>The Internal Auditor has completed the relevant page of this</p>

		<p>form.</p> <p>The unaudited Accounting Statements for the Year 2017/18 show the balances brought forward Box 1 as £10,555. Council should be aware that the audited figures for 2016/17 show the carried forward figure as £11,938 and this is the figure that should be stated at Box 1.</p> <p><i>Comment: Council should be aware that the Governance and Accountability for Smaller Authorities in England 2017 states that Box 1 should show the opening figure for the summary of the smaller authority's annual accounts. It is the closing balance carried forward from the previous year's accounting statements. The amount in the current year cell in Box 1 should be the same figure as the 'balances carried forward' figure in the prior year column at Line 7.</i></p>
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 the Annual Internal Audit Report at its meeting of 15 th August 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>Recommendations made within the previous Internal Audit Report are as summarised below:</p> <ol style="list-style-type: none"> 1. The Council's Standing Orders should be up-dated during 2017/18 to include reference to the Public Contract Regulations 2015 - OUSTANDING 2. A reference as to the power being used should be identified in either the Minutes or Cashbook - OUSTANDING FROM 2015-2016
	Appointment of Internal Auditor	Suffolk Association of Local Councils has been appointed the Council's Internal Auditor is part of an ongoing contract.
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 External Audit Report was considered at a meeting of 12 th February 2018 at which the Clerk/RFO submitted a paper detailing the measures that the Parish Council would undertake to address the Issues Arising Report as submitted by BDO on the Audit for the Year Ending 31 st March 2017.

	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	<p>In accordance with Schedule 7 of the Local Audit and Accountability Act 2014, the Council must consider the items raised in the Issues Arising Report and must hold a meeting in accordance with Schedule 7 para(5)5of the Act.</p> <p>At the meeting of 12th February 2018, the 10 issues as raised in the Issues Arising Report were discussed and an action plan to remedy the issues raised was discussed and approved. The Council resolved to send the Action Plan to the External Auditors for Approval and once accepted by the External Auditors, the Action Plan would be made public on the Council's website. It was further agreed that progress against the Action Plan would be monitored on a quarterly basis in June, September and January.</p> <p>The Internal Auditor can verify that the Issues Arising Report for 2016-17 and the Parish Council's Action Plan to the IAR Report for 2016-17 are on the website.</p> <p>At the Internal Audit for 2018-19, there will be the opportunity of carrying out checks to verify that the Action Plan was reviewed during the year 2018-2019.</p>
14. Additional Comments	Annual meeting	The Annual Meeting was held on 15 th 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 Funds.
	Verifying that the Transparency Code for Smaller Authorities has been correctly applied	<p>The Council complied with the requirements of the Transparency Code and published the following on its website in accordance with the Code's Requirements:</p> <p>All Items of expenditure above £100 Annual Governance Statement for 2017 Accounting Statements for 2017</p>

		Annual Internal Report for 2017 List of Councillor Responsibilities Details of Public Land and Building Assets (in form of Asset Register) Minutes, agendas and meeting papers of formal meetings
	Verifying that the council is registered with the ICO	The Council is not currently registered with the Information Commissioner's Office (ICO) as a Data Controller. 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 understand the requirement to register with the ICO.
	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: *Victoria S Waples*

Date of Internal Audit Visits: 18.05.2018 & 04.06.2018

Date of Internal Audit Report: 04.06.2018

On behalf of Suffolk Association of Local Councils