



**Internal Audit Report
Year ending: 31st March 2016**

| | |
|----------------------------|--|
| Name of Council: | Walberswick Parish Council |
| Income: | £8,221 |
| Expenditure: | £3,819 |
| Precept figure: | £8,000 |
| General Reserve: | £18,831 |
| Earmarked Reserves: | None identified – although noted at the meeting of 7 th March 2016 that funds would need to be allocated for Play Equipment Repairs and to the 20mph Scheme |

| Subject | Requirements | Comments/Recommendations |
|-------------------------------|--|---|
| 1. Proper Book-keeping | Type of cash book or ledger used. | Spreadsheets seen for payments and receipts. |
| | Cash book kept up to date and regularly verified against bank statement. | All were found to be in order. |
| | Correct arithmetic and balancing. | All entries were investigated and verified apart from those entries relating to receipt of 2 nd instalment of precept from SCDC (September 2015) and 2 receipts of interest for March 2016 & January 2016 as bank statements were missing from the file. All payments on the Treasurers Bank Account were checked and verified. |
| 2 Payment controls | Supporting paperwork for payments, and appropriate authorisation. | All payments were checked against cheque book, cash book, bank statement and invoices. At the meeting on 7 March 2016 a complete list of all payments and receipts for the year was issued by a Councillor as no RFO or Clerk in post and approval given for payment of outstanding invoices. |
| | S137 separately recorded and minuted. | None made for the year under review. |
| | VAT identified and reclaimed. | No claim submitted for period under review or for the previous year. Recommendation: Parish Councils can recover VAT on costs relating to non-business activities using VAT Act 1994 s.33. There is a three year time limit on claims so the council could recover VAT for payments made from 2014 onwards. VAT is identified correctly within cashbook. |
| | Are payments of interest & principal sums in respect of loans in accordance with agreements? | There were none for the year under review. |
| | Legal Powers identified in minutes and/or cashbook? | No reference is made to the legal powers under which payments are made. Recommendation: to ensure that all payments made are within its powers and that it is not acting outside of its legal power, a reference as to the power being used should be identified in either the minutes or cashbook. |

| | | |
|--|---|--|
| 3. Financial Regulations, Standing Orders | Evidence that standing orders have been adopted and reviewed regularly. | There is no evidence that Standing Orders have been reviewed in the last 2 years. Recommendation: That standing orders are reviewed / adopted with reference to the NALC Legal Briefing L05-15 and minuted during the next financial year with particular reference to Procurement of Contracts. |
| | Evidence that Financial Regulations have been adopted and reviewed regularly. | Financial Regulations dated November 2014 were seen but these do not take into account the latest changes in legislation. Recommendation: that financial regulations are reviewed /adopted with reference to NALC Financial Briefing F01E-16 and particular reference to the procedures for issuing contracts, and minuted during the next financial year. |
| | Evidence that Financial Regulations have been tailored to the Council. | Financial Regulations are in parts tailored to the Council. Recommendation: to ensure that the Financial Regulations are fully tailored to the Council, it might want to consider removing the [square brackets] around financial regulations to avoid ambiguity. |
| 4. Petty cash/expenses procedure | Established system in place, and associated supporting documents | No petty cash held. Expenses submitted were claimed and approved by full council. |
| 5. Risk management | Evidence that risks are being identified and managed. | Council due to not being quorate did not review its Risk Management Policy Document . Recommendation: That the council completes, and reviews annually a risk assessment that should cover all matters which could possibly prevent a smaller relevant body from functioning; ie. Loss of financial data, change of clerk, damage to play equipment, or other assets owned by the council. Council should also record in the council minutes the findings of its risk assessment which shows that it has identified, recorded and evaluated the risks associated with the actions and decisions it has |

| | | |
|------------------------------|--|--|
| | | taken or considered as per the guidelines in the Governance and Accountability for Smaller Authorities in England – March 2016 |
| | Appropriate Insurance cover for employment, public liability and fidelity guarantee. | There was no insurance review for the year as Council was not quorate however the insurance was renewed in September 2015. Fidelity Guarantee (Officials Indemnity) is £25,000 |
| 4. Budgetary controls | Verifying that the budget has been properly prepared, and agreed. | There is no apparent budgeting process. At a meeting of 1 December 2014, minute reference Item 6 mentions that a redraft budget in accordance with points made was to be presented at the next meeting. The Internal Auditor can see no evidence that this happened. Recommendation: The setting of the budget is covered in the Local Government Finance Act 1992 which requires that a council demanding a precept, should do so after undertaking a proper budgeting exercise which takes into account total anticipated expenditure; total income expected and reserves currently held. It is important that once a budget has been established it should be reviewed regularly during the year. |
| | Regular reporting of expenditure and variances from budget. | Reporting of Income/expenditure against budget was not minuted during the year due to Council not being quorate. Recommendation: that such a report should form part of the minutes as regular reporting of income expected and expenditure incurred would show robust monitoring procedures are in place and would highlight any variations in both income and expenditure. |

| | | |
|----------------------------|--|---|
| 6. Income controls | Monitoring of precept and any other Income. | <p>The Council received precept in the sum of £8000 - 1st instalment verified by the bank statement and 2nd instalment assumed as received as statement missing but future month's bank balances reflect receipt of such sums.</p> <p>There is no minute to reflect the receipt of the precept for the year under review as Council was not quorate.</p> <p>Council should noted that as part of its Financial Risk Assessment regular reporting of income expected and received would show robust monitoring measures are in place and would highlight any variations in expected income.</p> <p>Income in the sum of £8.16 for interest was accounted for and seen on bank statements. Income collected from allotment holders in the sum of £213.30 for the year ending 31.03.2016 is still to be banked.</p> |
| | Reserves: | <p>General:18,831.12 Earmarked: None but noted at meeting on 7 March 2016 that sums would need to be allocated for Play Equipment Repairs and the 20mph Scheme.</p> <p>The general reserve figure is more than would be expected to be held by a smaller relevant body. 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. It is recommended that reserves are split out between restricted (capital) reserves, earmarked reserves and general reserves.</p> |
| 7. Payroll controls | Salary payments include deductions for PAYE/ NIC. PAYE/NIC paid promptly to HMRC. | Whilst there was a Clerk in place for a couple of months – it is noted that the salary associated with the role was paid over to Walberswick Parochial Church in accordance with the Clerk's wishes. It is assumed that the Council |

| | | |
|-------------------------|--|--|
| | Evidence that Council is aware of it's pension responsibilities. | <p>sanctioned this transaction.</p> <p>There was no evidence to show that Council understood its duties as an employer and that PAYE was operated in accordance with HMRC guidelines.</p> <p>The council should be aware that a parish clerk is an office holder, and as such all office holders are subject to PAYE. Parish councils must register as an employer with HMRC and operate PAYE on the income the clerk earns.</p> <p>Payments to staff members should be split into:</p> <ul style="list-style-type: none"> • Salary cost, employer • National Insurance cost, • and employer pension cost. <p>Associated budgets should show amounts for each of these categories.</p> <p>There is no evidence that Council is aware of it's pension responsibilities.</p> <p>Under new regulations the Council will have pension duties for its employees. Information can be found on the pension regulator website :</p> <p>http://www.thepensionsregulator.gov.uk/</p> |
| 8. Asset control | Inspection of Asset register. | <p>For the year ending 31 March 2014 the asset register was noted officially by the Internal Auditor at a value of £70,191. As the accounts were not audited for the year ending 31 March 2015 an assumption is made that the asset register still stands at £70,191 as no capital payments were made during the year under review. This is the figure that has been declared by the Council and noted by the Internal Auditor for the year under review.</p> <p>Recommendation: Council might want to consider reworking the asset register in line with current guidance to show description, location, date acquired and value with further columns for acquisitions and disposals.</p> |
| | Asset register reviewed annually. | Asset register was not reviewed during the year due to Council not being quorate. |

| | | |
|--------------------------------|--|--|
| | Cross checking of Insurance cover. | <p>Insurance cover was not reviewed during the year under consideration due to Council not being quorate. As the Insurance was due in September 2016 it was noted that this was paid by Suffolk Coastal District Council. The agreement entered into was that the Council would repay SCDC this sum when it became quorate. This happened in March 2016 and the sum was repaid accordingly against an invoice raised.</p> <p>A cross check of all items on the asset register with the insurance document was carried out - all were found to be in order. The asset register values reflect those as documented on the insurance policy document.</p> <p>The Annual Play Inspection was carried out in September 2015 with a number of items being declared as faulty. It is noted that repairs were undertaken in July 2016 and the relevant invoice paid and ratified in August 2016. A further Play Inspection has been undertaken and the area has been passed with a certificate having been produced to this effect</p> |
| 9. Bank reconciliation | <p>Regularly completed, reconciled with cash book.</p> <p>Confirm bank balances agree with bank statements.</p> <p>Regular reporting of bank balances at council meetings?</p> | <p>No bank reconciliations were undertaken during the year apart from the annual reconciliation at year-end.</p> <p>Overall Bank Balances at 31.03.2016: £19,503.70 Business Instant Account: £19,038.56 Treasurers Account: £465.14 Less o/s cheques – SCDC £885.88 Plus unbanked cash £213.30</p> <p>As the Council was not quorate and did not meet until 7 March 2016, bank balances were only reported at this meeting.</p> |
| 10. Year-end procedures | Appropriate accounting procedures used. Financial trail from records to presented accounts. | <p>Receipts and payments.</p> <p>Overall bank balances agree with year-end statements.</p> |

| | | |
|--|---|--|
| <p>11. Annual return</p> | <p>Completion of sections of Annual return.</p> | <p>Section 1 and 2 were uncompleted and not signed at the time of audit It is noted that no accounts were submitted for audit for 2014-2015. The Internal Auditor noted that the unaudited accounts for 2014-2015 show a carried forward balance of £14428.76 and that this figure has been used as the brought forward figure for 2015-2016.</p> <p>The External Auditor is aware of the late submission of the Annual Return for External Audit.</p> |
| <p>12. Review internal controls</p> | <p>Date review completed.</p> <p>Previous internal and external reports minuted and considered by Council</p> | <p>Section 4 was completed by the Internal Auditor</p> <p>No review of its Internal Control Document was undertaken during the year under review.</p> <p>Under the Accounts and Audit Regulations 2015 – Regulation 3 states that a smaller authority must ensure that it has a sound system of internal control. It must also ensure that each financial year it conducts a review of the effectiveness of the system of internal control as required in Regulation 3 (Regulation 6 (1)). Council should note that the findings of the review must be considered by the members of the smaller authority as a whole and the members must approve the annual governance statement.</p> <p>No internal or external audits were undertaken for the previous year so there were none available for consideration by the Council.</p> |
| <p>13. Recommendations from previous internal audit of 31 March 2015.</p> | <p>Date reviewed and action plan agreed.</p> | <p>There was no internal audit undertaken for the year ending 31 March 2015</p> |
| <p>14. Additional comments</p> | <p>Annual meeting:</p> | <p>There are no minutes on file to suggest this took place. In accordance with the 1972 Act the Annual Meeting in an election year must be held within 14 days after that election and in any other year a day in May which the parish council may determine.</p> |
| | <p>Appointment of internal auditor:</p> | <p>Ratified 16 May 2016</p> |

| | | |
|--|--|--|
| | Any trustee responsibilities: | None |
| | Arrangements in place for the public inspection of council's records | <p>None made that the Clerk is aware of.</p> <p>Note re period for the exercise of public rights: Period for the exercise of public rights is 30 working days. These 30 working days must include the first 10 working days in July (Regulation 14 and 15 of the Accounts and Audit Accountability 2015). Noted that the Council's commencement date for the exercise of the public rights should have been 1 July. External Auditor is aware of the late submission of the Annual Return for External Audit.</p> |
| | Is the council registered with the ICO: | Yes |
| | Minutes | <p>PC not quorate for most of year. The only set of minutes are from 7 March 2016 which are unsigned as it would appear that the signed copy has been mislaid. These minutes are to be resigned at the next meeting which is scheduled for 22 August 2016</p> <p>Recommendation: looseleaf minutes are only lawful provided that the pages are consecutively numbered and initialled by the person signing the minutes at the time of signature (LGA1972 Sch 12, para 41(2) - Council should ensure that this practise is implemented</p> |

Signed *V S Waples*

Date 11.08.2016

On behalf of Suffolk Association of Local Councils