



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

<b>Name of Council:</b>	STONHAM ASPAL PARISH COUNCIL
<b>Income:</b>	£9,954.45
<b>Expenditure:</b>	£11,142.15
<b>Precept Figure:</b>	£7,000
<b>General Reserve:</b>	£3,000
<b>Earmarked Reserves:</b>	£9,959.76



## 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 spreadsheets
	Cash book kept up to date and regularly verified against bank statement	The cashbook for the year under review was found to be in order.
	Correct arithmetic and balancing	Spot checks for the year under review were made and found to be correct.
<b>2. Financial Regulations&amp;Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders were reviewed at a meeting of full Council on 10 October 2017. <b>Recommendation: At the next annual review Council should be aware of updating Standing Orders that were issued in April 2018.</b>
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were reviewed at a meeting of full Council on 10 October 2017. <b>Recommendation: At the next annual review Council should consider Legal Topic Note 87 Procurement.</b>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It is presumed the Clerk is the Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are 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. A list of payments for authorisation is submitted at each Council meeting and signed by 2 Councillors.
	Internet Banking transactions properly recorded/approved	Internet banking not carried out.
	VAT correctly identified and reclaimed within time limits	VAT is identified within the cashbooks. Whilst the VAT for the period ending 31 March 2018 was stated as £1,025.84 there is no evidence it has been reclaimed for year-end 31.3.18. It was noted a third claim for VAT of £152.47 for year ending March 2017.

	Has Council adopted the General Power of Competence and is it being correctly applied?	Council has not adopted the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £100.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none made during the year under review.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	Financial risk management register seen by internal auditor. Safety risk assessment seen by internal auditor on website.
	Evidence that risks are being identified and managed.	Financial risk management reviewed at full Council meeting on 17 October 2017. <b>Recommendation: Safety risk assessment review due in March 2018 did not appear to have taken place this should take place at least annually. Annual play inspection took place but it is recommended a weekly visual inspection takes place if not already carried out.</b>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Insurance cover is in place and is a Parish Council Policy Schedule with core cover for Public Liability; Employer's Liability, All Risks with additional cover for Public Liability for Playground Equipment. Insurance cover is part of a 5 Year Long Term Undertaking which ceases on 30 <sup>th</sup> September 2019. Fidelity guarantee insurance cover is £25,000.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Reviewed at a meeting of the full Council on 19 September 2017.
	Evidence that internal controls are documented and regularly reviewed	Documentation covering Internal Control 2017/18 has been seen by internal auditor and was reviewed at full Council meeting 16 January 2018.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Presented to full Council meeting on 16 May 2017.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The budget was discussed at a meeting of full Council on 21 November 2017.

		<b>Recommended: No budget papers were seen it is assumed the budget is the same as the precept demanded. It is recommended there should be a minute to reflect the budget set.</b>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was agreed at a meeting of full Council on 21 November 2017 and the minutes reflect the sum to be served on the Charging Authority.
	Regular reporting of expenditure and variances from budget	Regular reporting of income/expenditure against budget at each meeting.
	Reserves held	£3000
	General and Earmarked.	£9,959.76
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income recorded properly and presented to Council.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	Precept recorded agrees to the Council's tax authority notification.
<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?	No contract of employment seen by internal auditor. <b>Recommendation: All employees must have a contract of employment.</b>
	Do salary payments include deductions for PAYE/NIC?	PAYE operated in accordance with HMRC guidance.
	Is PAYE/NIC paid promptly to HMRC	PAYE/NIC paid to HMRC.
	Is there evidence that the Council is aware of its pension responsibilities	Declaration to the Pension Regulator seen dated 20 September 2016.
	Are other payments to employees reasonable and approved by the Council	Expenses claimed and approved by full Council with supporting paperwork.

<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	Asset register seen for period 31.03.18 which show assets to the value of £31,542 which shows overall movement through the year of £41 (additions in the sum of £41)
	Verifying that the Asset Register is reviewed annually	Asset register is reviewed annually.
	Cross checking of Insurance cover	Insurance cover was reviewed during the year under review.
<b>10. Bank reconciliation</b>	Regularly completed, reconciled with cash book	Bank reconciliations reviewed and agreed at each meeting and signed off by 2 Councillors.
	Confirm bank balances agree with bank statements	Bank balances as at 31.3.18: Barclays Community Account £4,960.93 Barclays Business Premium Account £7,860.93
	Regular reporting of bank balances at council meetings?	Financial report is given at each meeting and forms part of the minutes.
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Receipts and payments.
	Financial trail from records to presented accounts	Overall bank balances agree with year-end statement.
	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 authority has completed part 2 of the AGAR and is unsigned at the time of audit awaiting presentation to full Council. The internal auditor has completed the relevant page of this form.
<b>12. Recommendations from previous internal audit for the year ending 31 March 2017</b>	Verifying that the previous internal audit reports have been considered by the Council	Internal audit report considered by full Council meeting minutes
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Minutes of full Council meeting 20 June 2017.
	Appointment of Internal Auditor	Agreed at meeting of full Council 16 January 2018.

<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	Minutes of meeting of full Council 19 September 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	It was noted a query from external auditor was dealt with at full Council meeting on 18 July 2017.
<b>14. Additional Comments</b>	Annual meeting	The Annual Parish Council meeting took place on 16 May 2017.
	Any trustee responsibilities	None.
	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	Yes minutes of full Council meeting 20 June 2017.
	Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	Council are aware of GDPR requirements and are taking steps towards compliance.

Signed.....

Date of Internal Audit Visit: Thursday, 19<sup>th</sup> April 2018 Date of Internal Audit Report: Thursday, 19<sup>th</sup> April 2018

On behalf of Suffolk Association of Local Councils