

## 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



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

<b>Name of Council:</b>	Great Blakenham Parish Council
<b>Income:</b>	£46,590.69
<b>Expenditure:</b>	£28,011.36
<b>Precept Figure:</b>	£39,000.00
<b>General Reserve:</b>	£17,500.00
<b>Earmarked Reserves:</b>	£52,750.00



<b>Subject</b>	<b>Requirements</b>	<b>Comments/Recommendations</b>
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	Excel spreadsheet
	Cash book kept up to date and regularly verified against bank statement	Yes the cashbook is kept up to date and monthly financial reports show payments and bank balances.
	Correct arithmetic and balancing	Arithmetic and balancing is correct.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders reviewed 10.5.17 and are up to date
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations reviewed 10.5.17 and are up to date.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	Minuted on 10.5.17 that the Clerk has been appointed as the RFO for 2017/18 financial year.
	Evidence that Financial Regulations have been tailored to the Council	Evidence seen that Financial regulations have been tailored to the Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A cross reference of payments against invoices and cheque stubs found that appropriate authorisation was in order.
	Internet Banking transactions properly recorded/approved	N/A
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cashbook and noted as being reclaimed 24.4.17.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	Yes – on 21.2.18 It was minuted that £50 was donated to Suffolk Neighbourhood watch under S137 and recorded in the cashbook.



	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	N/A
	Legal Powers to pay identified in the minutes and cash book	Legal powers to pay are identified in the minutes.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	Evidence seen of some risk assessment documentation.
	Evidence that risks are being identified and managed.	There is no evidence that any risks have been identified and/or managed.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	£50,000 of fidelity insurance in place which is within guidelines. Appropriate employment and public liability insurance in place.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Evidence seen that insurance is adequate and approved on 11.10.17 however there is no evidence that the insurance policy has been reviewed. Comment: Council may wish to minute that their insurance is reviewed on an annual basis.
	Evidence that internal controls are documented and regularly reviewed	Internal Financial Controls reviewed in July 2017 and document seen.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No evidence seen that a review of the effectiveness of internal audit has been carried out during the year. <b>Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5.</b>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Evidence seen of the budget for 2017/18 and minuted that the Council has agreed the amount.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Council minutes that the budget had been prepared and agreed 19.1.17
	Regular reporting of expenditure and variances from budget	Monthly financial reports detail expenditure. No evidence seen of any variances from budget.
	Reserves held  General and Earmarked.	General Reserve of £17,500 Earmarked Reserve of £52,750 Reserve breakdowns given at each meeting.



<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is properly recorded and promptly banked.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	The precept recorded agrees to the Council Tax Authority's notification of £39,000.00.
<b>7. Petty Cash</b>	Is a petty cash in operation?  If so is there an adequate control system in place.	No petty cash in operation.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Yes – contract seen for Janet Gobey
	Do salary payments include deductions for PAYE/NIC?	Yes – SALC contracted to complete payroll.
	Is PAYE/NIC paid promptly to HMRC	Payments are made promptly to HMRC.
	Is there evidence that the Council is aware of its pension responsibilities	Council minuted 8.11.17 that the required letter regarding pension arrangements and enrolment had been issued to the Clerk.
	Are other payments to employees reasonable and approved by the Council	All other payments to employees are reasonable and approved by the Council. Expenses have invoices attached.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	An asset register showing assets of £16,416 is in place. Comment: Council's all risk items on the insurance schedule cover items to the value of £10,126. 4 notice boards are included on the asset register but only 3 on the insurance schedule. Council may wish to review their insurance policy on an annual basis, to ensure that all items owned by the Council are insured.
	Verifying that the Asset Register is reviewed annually	There is no evidence that the asset register is reviewed annually. Comment: Council may wish to review their policy as per comments above.




	Cross checking of Insurance cover	There is no evidence that the insurance policy has been cross checked against the asset register.
<b>10.Bank reconciliation</b>	Regularly completed, reconciled with cash book	The bank reconciliation is completed annually. Comment: Council may wish to complete a bank reconciliation more frequently.
	Confirm bank balances agree with bank statements	Bank balances agree with bank statements and are reported monthly.
	Regular reporting of bank balances at council meetings?	Bank balances noted in the minutes each month.
<b>11.Year-end procedures</b>	Appropriate accounting procedures used	Receipts and Payments used.
	Financial trail from records to presented accounts	A cross check of payments from bank statements, invoices, cheque stubs, cashbook & VAT records shows payments to be in order.
	Has the appropriate end of year AGAR documents been completed	Section 2 of the AGAR, the Accounting Statement, has been completed and not signed. Section 1 of the AGAR, the Annual Governance Statement, has not been completed. <b>Recommendation: Council should ensure the AGAR Sections 1 and 2 have been approved and signed by the Council by 2<sup>nd</sup> July 2018 or they cannot begin the period for the exercise of electors rights.</b>
<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	The internal audit report was considered by the Council and minutes on 14.3.18.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Action has been taken regarding recommendations raised in reports from the internal audit.
	Appointment of Internal Auditor	SALC were appointed on 10.01.18
	<b>Recommendation: in accordance with Council's own Standing Orders, Council should ensure that a report</b>	Actioned.



	detailing receipts and payments for each quarter is submitted to Council which shows total expenditure against budget along with bank balances in all accounts. This report should be signed off by both the Chairman and Responsible Financial Officer and should form part of the Council's minutes.	
	<b>Recommendation: Council should recognise that under current legislation it has pension duties for its employees and should ensure compliance with its duties as per the information on the pensions regulator website.</b>	Actioned.
	<b>Recommendation: It has been noted that the opening balances do not agree to those as declared on the audited accounts for 215-16. Council should ensure that brought forward figures reflect those previously audited as carried forward figures. If there are errors in previous years these must be corrected, and the words restated used.</b>	Actioned.
<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	The external audit report has been considered by the Council on 14.3.18.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Appropriate action has been taken regarding the exercise of public rights.
	<b>Recommendation: the inspection period for the exercise of public rights did not include the first 10 working days of July</b>	Actioned.
	<b>Recommendation: The annual return opinion was not issued by 30/9 and therefore the smaller authority were unable to publicise completion by that date.</b>	Unable to comment if this has been actioned at this time.
<b>14. Additional Comments</b>	Annual meeting	Annual meeting held 10.5.17 with the first item on the agenda being the appointment of the Chairman.
	Any trustee responsibilities	No trustee responsibilities.
	Verifying that the Transparency Code for Smaller Authorities has been correctly applied	<b>The Council has not published items on their website required by the Transparency Code for Smaller Authorities.</b>



		<p><b>Recommendation: For 2016-2017 the Council must publish in accordance with the Accounts and Audit Regulations 2015, Annual Return:</b>  <b>Section 1 – Annual Governance Statement</b>  <b>Section 2 – Accounting Statements</b>  <b>Section 3 – The External Auditor Report and Certificate</b>  <b>Section 4 – The Internal Auditor Report</b>  <b>Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</b></p> <p><b>For 2017-18 Smaller authorities with either income or expenditure exceeding £25,000 must publish on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return:</b></p> <ul style="list-style-type: none"> <li>• Section 1 – Annual Governance Statement 2017/18, page 4</li> <li>• Section 2 – Accounting Statements 2017/18, page 5</li> <li>• Section 3 – The External Auditor Report and Certificate 2017/18, page 6</li> <li>• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015</li> </ul>
	Verifying that the council is registered with the ICO	The Council is registered with the ICO reference: ZA238658
	Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	Council is making progress towards meeting the General Data Protection Regulation requirements and regularly minutes updates.

Signed.....

Date of Internal Audit Visit ..... 26/6/18 .....

Date of Internal Audit Report..... 26/6/18 .....

On behalf of Suffolk Association of Local Councils