

Internal Audit Report
Year ending: 31st March 2016

Name of Council:	Shotley
Income:	£64,057.13
Expenditure:	£71,386.54
Precept figure:	£54,727.00
General Reserve:	£28,683.06
Earmarked Reserves:	£25,000.00

Subject	Requirements	Comments/Recommendations
1. Proper Book-keeping	Type of cash book or ledger used.	RBS Computerised package used.
	Cash book kept up to date and regularly verified against bank statement.	All were found to be in order.
	Correct arithmetic and balancing.	Spot checks were made and found to be correct.
2 Payment controls	Supporting paperwork for payments, and appropriate authorisation.	<p>A selection of random payments were selected and cross checked against cheque book, cash book, bank statement, invoices and minutes.</p> <p>It is noted that the Council has made a number of payments without having satisfying itself that an order was officially raised or that the work was actually carried out. On two occasions the Council became liable for a 'contract/order' which had been created as the contractor had reasonably relied upon the request for work to be carried out by someone with actual or ostensible authority so to do.</p> <p>Recommendation: Council should have regard to its own Financial Regulations with regards to delegated authority for the issuing of orders for work to be carried out and that contracts should be regularly reviewed to ensure that the Council is achieving best value for money.</p> <p>It is also noted that a payment was made by local residents on behalf of the Parish Council to a contractor due to a delay in the Council's bankers processing the new bank mandate. Both the Chairman and Vice-Chairman of the Parish Council were aware of this situation and there is a letter on file explaining the process followed. The sum of money has now been repaid by the Council and the file has been submitted to the external auditor. Whilst this situation is unlikely to reoccur, Council should be more transparent in its dealings in such occasions also having mind to the Data Protection Act.</p>

	<p>S137 separately recorded and minuted.</p>	<p>Payments made under this Power totalled £1,075 and were identified as such within the cashbook. Payments made were in accordance with the requirements of the legislation.</p> <p>It is however noted that a number of donations were also made which should be included within this category: £300 to Shotley Church Heritage 700 for fee to Choir and Conductor £300 to HMS Ganges Museum £50 for A Remembrance Wreath</p> <p>Recommendation: that Council reviews the powers under which such donations are made and if appropriate ensure they are noted as payments under S137 of the 1972 Act in the cash book and minuted as such.</p>
	<p>VAT identified and reclaimed.</p>	<p>Claim submitted for period 01.04.13 to 31.03.15 in the sum of £3,427.41 was settled by HM Revenue and Customs on 28th June 2016.</p> <p>The claim for the period 01.04.15 to 31.03.16 in the sum of £4,886.46 (corrected – see below) is still to be submitted.</p> <p>Noted that VAT has been incorrectly identified in the cash book against invoice 260 dated 7th May 2015 as paid under cheque 102408</p>
	<p>Payments of interest and principal sums in respect of loans, are paid in accordance with agreements.</p>	<p>Otherwise VAT is identified correctly within cashbook.</p> <p>There were no such payments applicable for the year under review</p>
	<p>Legal Powers identified in minutes and/or cashbook?</p>	<p>No reference is made to the legal powers under which payments are made.</p> <p>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 the cashbook.</p>

3. Financial Regulations, Standing Orders	Evidence that standing orders have been adopted and reviewed regularly.	Standing Orders were seen and a minute reference from 17 th March 2016 showed that they were reviewed and adopted to show recent changes in legislation.
	Evidence that Financial Regulations have been adopted and reviewed regularly.	Financial Regulations were seen and a minute reference from 17 th March 2016 showed that they were reviewed and adopted to show recent changes in legislation.
	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 and to update FR5 and 6 in light of its Internal Control Document
4. Petty cash/expenses procedure	Established system in place, and associated supporting documents	No petty cash held. Expenses claimed are approved by full council with supporting paperwork.
5. Risk management	Evidence that risks are being identified and managed.	Council reviewed and approved its Financial Risk Assessment Document and its General Risk Assessment Document at a meeting of 14th March 2016 along with its FOI Model Publication Scheme; Electronic Communications Policy and Complaints Policy.
	Appropriate Insurance cover for employment, public liability and fidelity guarantee.	Insurance review was not carried out and Council pre-approved authorization of the payment of the Zurich Insurance premiums at a meeting of 21 st May 2015 along with a number of other regular payments. Recommendation: to ensure that Council properly approves the purchase of insurances it should ensure that it follows FR 5 and 6 Fidelity Guarantee (Officials Indemnity) is £100,000
6. Budgetary controls	Verifying that the budget has been properly prepared, and agreed.	The budget was agreed at a meeting of 15 th January 2015
	Regular reporting of expenditure and variances from budget.	At each Shotley Parish Council meeting a Finance Report is submitted to the Council which details the current bank balances. Whilst the 2 nd quarter 2015/2016 accounts were

		<p>recommended for approval to the Parish Council meeting on 28th January there were no corresponding minutes of the Finance Working Group seen.</p> <p>Recommendation: that in line with Council's Standing Order 17 c the following be adopted:</p> <p><i>"The Clerk/Responsible Financial Officer shall supply to each councillor as soon as practicable after 30 June, 30 September and 31 December in each year a statement to summarise:</i></p> <ul style="list-style-type: none"> <i>i. the council's receipts and payments for each quarter;</i> <i>ii. the council's aggregate receipts and payments for the year to date;</i> <i>iii. the balances held at the end of the quarter being reported</i> <p><i>and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends".</i></p> <p>It was also unclear as to the Terms of Reference for the Open Spaces and Amenities Committee as there appears to be inconsistency as to whether the full council or the OSAC approves certain expenditure such as the Salaries and the Chairman's Allowance which must be approved by Full Council.</p> <p>It is however noted that the Council approved Terms of Reference of the Finance Working Group at its meeting of 17th March 2016 to consider matters of a Finance Nature.</p> <p>Recommendation that Council reviews and adopts Terms of Reference for the Open Spaces and Amenities Committee ensuring that these reflect Council's own Financial Regulations and Standing Orders with reference to FR 5 and 6 and that these are compatible with the Terms of Reference of the Finance Working Group</p>
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7. Income controls	Monitoring of precept and any other Income.	The Council received precept in the sum of £54,727 and £2434.17 as council tax support grant.
		There is no minute to reflect the receipt of this sum. Recommendation: 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.
8. Payroll controls	Reserves:	All other income is accounted for and banked as appropriate General: £28,683.06 Earmarked: £25,000
	Salary payments include deductions for PAYE/ NIC. Evidence that Council is aware of it's pension responsibilities.	Evidence seen to support PAYE and payments to HMRC. Under new legislation Council will have pension responsibilities. Information can be found on the pension regulator website.
9. Asset control	Inspection of Asset register.	Asset Register seen to the value of £117,658.94 which showed movement of £5,620.31 for the year under review. The Asset Register is however limited in scope.
		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.
	Asset register reviewed annually.	Asset register is reviewed annually
	Cross checking of Insurance cover.	Insurance cover was not reviewed during the year under review although it is noted that the Council's Insurance Cover is in a Long Term Agreement with Zurich. A cross check of items on the Asset Register against insurance cover was found to be in order.
		Bank reconciliations were viewed and an annual reconciliation was seen and verified.
10. Bank reconciliation	Regularly completed, reconciled with cash book. Confirm bank balances agree with bank	Bank Balances at 31.03.2016: £53,683.04

	statements.	Current Account: £20,902.28 O/S Cheques: £11,004.46 Deposit Account: £43,328.94 Tracker Account: £456.28 Bank balances are reported at each Full Council Meeting
11. Year-end procedures	Regular reporting of bank balances at council meetings? Appropriate accounting procedures used. Financial trail from records to presented accounts.	Receipts and payments. Overall bank balances agree with year-end statements
12. Annual return	Completion of sections of Annual return.	Section 1 and 2 were completed and signed at the time of audit Section 4 was completed by the Internal Auditor
13. Review internal controls	Date review completed. Previous internal and external reports minuted and considered by Council	Council reviewed its Internal Control Document at a meeting of 17 th March 2016 along with a review of the effectiveness of internal audit Internal Audit was considered at a meeting of Full Council on 17 th September 2015 External Audit was considered by Full Council at a meeting on 22 nd October 2015
14. Recommendations from previous internal audit – 31 March 2015.	Date reviewed and action plan agreed. 1. Annual Review of Insurance 2. Authorisation of Insurance Premium 3. Verification of Budget Setting Process 4. Appointment of Internal Auditor 5. Reporting of Payments over £500 6. Registration with ICO 7. Terms of References for Open Spaces and Amenities Committee	None seen within the minutes Outstanding – see item 15 above Completed None seen Outstanding Outstanding Outstanding as not clear – terms of reference needs to reflect the scope of the committee so there is better transparency
15. Additional comments	Annual meeting:	21 st May 2015
	Appointment of internal auditor:	Note seen
	Declaration of Interests:	Whist Disclosable Pecuniary Interests were declared at the Open Spaces and Amenities Committee Meetings, it is not always apparent if the Suffolk Local Code of Conduct is

		<p>followed when these items were discussed later on in the agenda. Recommendation that the minutes reflect that the Councillor with a DPI in a matter being considered at a meeting, unless they have been granted a dispensation, leaves the room for the duration of the item and does not participate or vote in the matter under discussion – in accordance with the Suffolk Local Code of Conduct.</p>
<p>Any trustee responsibilities:</p>		<p><i>None</i></p>
<p>Arrangements in place for the public inspection of council's records</p>		<p>Yes <i>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 was Friday June 3.</i></p>
<p>Is the council registered with the ICO:</p>		<p>No As a Data Handler, Council should review LTN38 with regards to the requirement for ICO registration</p>

Signed

Date

On behalf of Suffolk Association of Local Councils