



**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2017**

<b>Name of Council:</b>	Shotley Parish Council
<b>Income:</b>	£69,416.72
<b>Expenditure:</b>	£56,139.30
<b>Precept figure:</b>	£55,955.00
<b>General Reserve:</b>	£41,960.46
<b>Earmarked Reserves:</b>	£25,000.00

Subject	Requirements	Comments/Recommendations
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used.	A computerised accounting package is being used.
	Cashbook kept up to date and regularly verified against bank statement.	All were found to be in order.
	Correct arithmetic and balancing.	Test-checks were undertaken and found to be in order.
<b>2. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation.	A random sample of payments were checked against cheque book, Cashbook, bank statements and invoices and was found to be in order.
	S137 separately recorded and minuted.	Payments made under this Power amounted to £1,923.75 and were identified as 137 Payments within the Cashbook.
	VAT identified and reclaimed.	A claim to HMRC for the amount of £3,427.41 was received at bank on 30 June 2016.  VAT is separately identified within the Cashbook in order to assist subsequent claims to HMRC.
	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?	The Internal Audit report for 2015/16 recommended that reference is made in the Minutes or in the Cashbook to the legal powers under which payments are made. This remains outstanding.
<b>3. Financial Regulations, Standing Orders</b>	Evidence that Standing Orders have been adopted and reviewed regularly.	Standing Orders are in place. They were reviewed and approved by the Council at its meeting on 16 March 2017 (Minute 8 (ii) refers).
	Evidence that Financial Regulations have been adopted and reviewed regularly.	Financial Regulations are in place. They were reviewed and approved by the Council at its meeting on 16 March 2017.

	Evidence that Financial Regulations have been tailored to the Council.	<p>Financial Regulations are tailored to the requirements of the Council.</p> <p>It is unclear from the documents presented to Internal Audit and from the Council's web-site whether the Council has adopted the most recent Suffolk Local Code of Conduct (2014). The Minutes of the Council meeting on 16 March 2017 notes that 'the Parish Council adopted the Suffolk Standards Code in June 2012 and continues to do so' (Minute 8 (xi) refers).</p> <p><b>Recommendation: If it has not already done so, the Council should formally resolve to adopt the 2014 Suffolk Local Code of Conduct (and Minute the resolution accordingly) for the purposes of (a) fully complying with the Localism Act and (b) discharging its duty to promote and maintain high standards of conduct within its area.</b></p>
<b>4. Petty cash/expenses procedure</b>	Established system in place, and associated supporting documents	No petty cash is held. An expenses system is in place; expenses claimed are approved by Council.
<b>5. Risk management</b>	Evidence that risks are being identified and managed.	The Council reviewed and approved its Financial Risk Assessment and its General Risk Assessment at the meeting held on 16 March 2017. The FOI Model Publication Scheme and Electronic Communications Policy were also approved at that meeting.
	Appropriate Insurance cover for employment, public liability and fidelity guarantee.	<p>A review of the Council's Insurance Policy was carried out by the Council at its meeting on 16 March 2017 (Minute 9 (i) refers).</p> <p>Public Liability cover stood at £10,000,000. Fidelity Guarantee cover stood at £100,000, which met the current guidelines of end of year balances plus 50% of precept.</p>

<b>6. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed.	The Budget was agreed by the Council at the meeting held on 28 January 2016. The Precept was set at £55,955 with a council tax support grant of £1,217.
	Regular reporting of expenditure and variances from budget.	Finance Reports are submitted to each Council meeting. Quarterly Accounts are delivered to Council. Current bank balances are provided at each Council meeting (unless Minuted that such information is not available at the meeting).
<b>7. Income controls</b>	Monitoring of precept and any other Income.	The Council received precept in the sum of £55,955 and £1.217 as council tax support grant.  Other income was accounted for and banked as appropriate.
	Reserves:	Overall Balance at year-end: £66,960.46 (of which £25,000 are Earmarked Reserves).
<b>8. Payroll controls</b>	Salary payments include deductions for PAYE/ NIC. PAYE/NIC paid promptly to HMRC.	Evidence seen to support PAYE and payments to HMRC. End-of-Year Returns were not presented to Internal Audit.
	Evidence that Council is aware of its pension responsibilities.	<b>Under workplace pensions legislation, the Council has pension duties for its employees. Information can be found on the pension regulator website :</b> <b><u><a href="http://www.thepensionsregulator.gov.uk/">http://www.thepensionsregulator.gov.uk/</a></u></b>
<b>9. Asset control</b>	Inspection of Asset register.	The Asset Register displays a total value of £118,284.73 and showed movement of £625.79 for the year under review. The Asset Register continues to be limited in scope. The previous Internal Audit recommended that the Council should 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.	The Asset Register is reviewed annually. The Council considered and approved the Asset Register at its meeting on 21 July 2016 and at the meeting held on 15 June 2017.
	Cross checking of Insurance cover.	Insurance cover was reviewed by the Council at its meeting on 16 March 2017. The Council's Insurance Cover relates to a Long-Term Agreement with Zurich which is active until 18 February 2019. A cross check of items on the Asset Register with the insurance document was carried out on a test check basis and found to be in order.
<b>10. Bank reconciliation</b>	<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>The Bank Reconciliation as at 31 March 2017 was confirmed. Bank Balances at 31.03.2017: £66,960.46</p> <p>Community Account £30,138.69</p> <p>Unpresented Cheques £6,980.19</p> <p>Business Base Rate Tracker Account: £43,345.50</p> <p>Business Premium Account: £456.46</p> <p>It was noted that in two instances the amount displayed on the cheque counterfoils did not agree exactly with the amounts recorded in the accounts and the end-of-year statements (cheques 102750 and 102756 refer).</p> <p>Financial Reports and Bank Balances are presented to each Council meeting by the Clerk/RFO (other than on those meetings when it is Minuted that bank balances were not available for reporting at the time of the Council meeting).</p>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used. Financial trail from records to presented accounts.	A Receipts and Payments method of accounting is in use and an audit trail is in place. Bank balances agreed with year-end statements.
<b>12. Annual return</b>	Completion of sections of Annual return.	Sections 1 and 2 are completed.

		The Internal Audit Report (Section 4) has been completed by the Internal Auditor.
<b>13. Review internal controls</b>	<p>Date review completed.</p> <p>Previous internal and external reports minuted and considered by Council</p>	<p>Council reviewed its Statement of Internal Controls at a meeting of 16 March 2017 (Minute 8 (iv) refers).</p> <p>The External Audit Report for the year 2015/16 was considered by Full Council at a meeting on 20 October 2016. The External Auditors (BDO LLP) issued a qualified report on 30 September 2016 regarding the year 2015/16. The following issues were raised by BDO:</p> <ol style="list-style-type: none"> <li>1. Accounting Statements were not approved by 30 June.</li> <li>2. The 2015/16 Accounts were approved after the commencement of the inspection period of the exercise of electors' rights.</li> <li>3. The Annual Governance Statement (Section 1 of the Annual Return) should be approved before the Accounting Statements (Section 2).</li> <li>4. The Internal Auditor's recommendations must be implemented.</li> </ol>
<b>14. Recommendations from previous internal audit of 31 March 2016</b>	<p>Date reviewed and action plan agreed:</p> <ol style="list-style-type: none"> <li>1. The 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.</li> <li>2. The Council reviews the powers under which donations are made and if appropriate ensure</li> </ol>	<p>The Internal Audit Report for the year 2015/16 was considered by Full Council at a meeting on 20 October 2016.</p> <ol style="list-style-type: none"> <li>1. An on-going requirement.</li> <li>2. This matter is being addressed.</li> </ol>

	<p>they are noted as payments under S137 of the 1972 Act in the Cashbook and Minuted as such.</p> <p>3. 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> <p>4. to ensure that the Financial Regulations are fully tailored to the Council, consider removing the [square brackets] around financial regulations to avoid ambiguity.</p> <p>5. In line with Council's Standing Order 17c the following be adopted: 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 (inter alia) the details of receipts and payments and comparison with budgeted amounts.</p> <p>6. The 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> <p>7. As part of its Financial Risk Assessment regular reporting of income expected and received would show robust monitoring measures are in place</p>	<p>3. Outstanding.</p> <p>4. This has been addressed.</p> <p>5. This is being addressed.</p> <p>6. No evidence could be identified from the Minutes and documents made available to Internal Audit to confirm that this has been addressed.</p> <p>7. This is being addressed.</p>
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	<p>and would highlight any variations in expected income.</p> <p>8. The 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> <p>9. Ensure that the Council properly approves the purchase of insurances.</p> <p>10. 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>8. Outstanding.</p> <p>9. This has been addressed.</p> <p>10. An on-going requirement. The Council should ensure that it has adopted the most recent Suffolk Local Code of Conduct (see item 3 above).</p>
<b>15. Additional comments</b>	Annual meeting:	The Annual Meeting took place on 26 May 2016, within the required time-scale. The first item of business was the Election of Chairman, in accordance with the Local Government Act 1972.
	Appointment of internal auditor:	SALC was re-appointed as Internal Auditor by the Council at its meeting on 15 June 2017.
	Any trustee responsibilities:	None.
	Arrangements in place for the public inspection of council's records:	<p>Yes.</p> <p><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</i></p>



		<i>(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 3 July 2017.</i>
	Is the council registered with the ICO?:	No (the previous Internal Audit Report put forward that the Council, as a Data Controller, should review LTN38 with regards to the requirement for ICO registration).

**Trevor Brown**

**On behalf of Suffolk Association of Local Councils**

**Date 2 September 2017**