



Internal Audit Report
Year ending: 31st March 2018

Name of Council:	Trimley St. Martin Parish Council
Income:	£32,560.20
Expenditure:	£19,728.31
Precept Figure:	£26,750.00
General Reserve:	£17,406 (rounded)
Earmarked Reserves:	£30,900 (rounded)



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
1. Proper Book-keeping	Type of cash book or ledger used	Cashbook spreadsheets are computerised.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and well referenced and provides an effective tool for the recording of all financial transactions which, in conjunction with the relevant supporting paperwork, provides good evidence to support the Council's underlying accounting statements.
	Correct arithmetic and balancing	Spot checks were carried out and the cashbook was found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	<p>Standing Orders dated 2nd May 2017 were submitted at the time of audit. These were adopted at a full Parish Council meeting held on 2nd May 2017.</p> <p>It is noted that there is no reference made within Standing Order 3 to the Public Bodies (Admission to Meetings) Act 1960 allowing the right to report at council and committee meetings.</p> <p>Recommendation: during the Council's annual review of its Standing Orders, Council should note that new Model Standing Orders have been produced by NALC and take into account changes in legislation since those produced in 2013 - L04-18 Model Standing Orders refers and should ensure that such amendments, as covered by legislation, are incorporated.</p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	Whilst Financial Regulations were reviewed and adopted at a meeting of 2 nd May 2017, reference is made to the Accounts and Audit (England) Regulations 2011 which was replaced by the Accounts and Audit (England) Regulations 2015.

		<p>Recommendation: during the Council's annual review of its Financial Regulations, Council should consider ensuring that the most up-to-date legislation is quoted and should consider incorporating the changes in procurement values for contracting authorities as per the 2015 Regulations. Council should ensure that Financial Regulations reflect the thresholds as set by Article 4 of the Public Contracts Directive (Regulation 5(1) of the 2015 Regulations) - LTN 87 refers.</p>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It is confirmed that the Contract of Employment for the Clerk to the Council states the post holder is also the Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were examined and found to be in order with a full audit trail evidenced.
	CiL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.	<p>The Parish Council received CiL payments in the sum of £2,019.41 during the year ending 31st March 2018 (25.10.2017).</p> <p><i>Comment: Council should be aware that, in accordance with the regulations, the Parish Council having received a proportion of CiL funds will need to comply with its duty to produce an annual report that details the amount of CiL funds received and spent by 31 December of the following reported year giving details on the total CiL receive, how it was spent and unspent funds.</i></p>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and the claim for the year ending 31 st March 2018 of £565.47 was submitted on 12 th April 2018. VAT expenditure is supported by relevant paperwork with annotations for differences in the sum reclaimed to that declared in the cashbook.

	Legal powers identified in minutes and/or cashbook.	The legal powers identifying the Parish Council's authority to spend is evidenced in the minutes provided at the time of internal audit. The Responsible Financial Officer, by ensuring that the legal powers for all financial decisions or payments being made are in accordance with statute, ensures that Council does not undertake any decisions or payments that are ultra vires.
	S137 separately recorded, minuted and within statutory limits	Details of payments made under S137 are clearly referenced in the cashbook and are in accordance with the statutory limit for such expenditure.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none applicable for the year under review.
4. Risk Management	Is there evidence of risk assessment documentation.	Council reviewed its Schedule of Governance of Risks Register at its meeting of 6 th March 2018 which identifies and assesses the risks associated with its actions and decisions being taken by the Council.
	Evidence that risks are being identified and managed.	Council has implemented a number of controls to ensure that appropriate measures are in place to mitigate and manage identified risks.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate Insurance cover is in place Employers Liability £10m Public & Products Liability £10m Fidelity Guarantee £150K
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its Annual Insurance in terms of cover provided at full Council meeting of 2 nd May 2017 with agreement to renew being confirmed at full Council Meeting of 5 th September 2017. Council's long term agreement expires 30 th September 2019.

	Evidence that internal controls are documented and regularly reviewed	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the effectiveness of the system of internal control at its meeting of 6 th March 2018 and deemed it to be appropriate with no further measures necessary.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	In accordance with the Accounts and Audit Regulations 2015, Council reviewed the scope of Internal Audit at its meeting of 4 th July 2017.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget for the year 2017-2018 in the sum of £29,323 was agreed in full Council at a meeting of 7 th February 2017. Budget papers to support the budget being set were seen.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept in the sum of £26,750 was also agreed at the same meeting with the amount being clearly evidenced. The form issued to the Charging Authority was produced and verified.
	Regular reporting of expenditure and variances from budget	In accordance with Council's own Standing Orders, Financial Statements are regularly discussed at full Council Meetings.
	Reserves held General and Earmarked.	<p>Council's final accounts show general reserves in the sum of £17,406 (rounded) and earmarked reserves of £30,900 (rounded).</p> <p>The Reserves held by the Parish Council at the year-end were appropriate to its needs with sufficient reserves being held as contingency sums to meet, within reason, any unforeseen items of expense that may occur. A note to the accounts was produced indicating that the General Reserve includes the ring fenced sum of £2,019.41 - CIL Receipts - ring fenced for infrastructure project.</p>

6. Income controls	Is income properly recorded and promptly banked?	Income is promptly banked and reported at each meeting.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	Evidence was provided showing a full audit trail from Precept being served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council's Bank Accounts.
7. Petty Cash	Is a petty cash in operation?	Council does not operate a petty cash system
8. Payroll controls	Do all employees have contracts of employment?	The Clerk's Contract of Employment was verified at the Annual Internal Audit as carried out on 27 th April 2018
	Do salary payments include deductions for PAYE/NIC?	PAYE is operated in accordance with HM Revenue and Customs guidelines.
	Is PAYE/NIC paid promptly to HMRC	PAYE is paid to HM Revenue and Customs in accordance with the agreed timescales.
	Is there evidence that the Council is aware of its pension responsibilities	Council is aware of its pension responsibilities and the completed Declaration of Compliance with the Pension Regulator under the Pensions Act 2008 dated 4 th April 2017 was produced for internal audit.
	Are other payments to employees reasonable and approved by the Council	Council operates a reasonable expense policy which ensures all expenses are approved by the Council in accordance with its Financial Regulations.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset & Responsibility Register is maintained in accordance with proper practises and covers the fixed assets owned by the Council. Council has assets recorded as totalling £14488.48. However, when this is compared with the asset value declared on the Audited Annual Return for the year ending 31 st March 2017 (£14,992) there is an overall reduction of £504.

		Recommendation: the Council should ensure that the disposal of assets is shown in the register to allow it to be able to track and explain fully any changes in the asset register from year to year.
	Verifying that the Asset Register is reviewed annually	The Asset Register along with the land under the Council's ownership was reviewed at the Annual Council Meeting of 2 nd May 2017.
	Cross checking of Insurance cover	Council's Insurance shows cover for Buildings (Memorial Hall) and Street Furniture. Council's Asset Register provides details of those items under All Risk Insurance and those that are Public Liability only. This was reviewed by the Council at its meeting of 2 nd May 2017.
10. Bank reconciliation	Regularly completed, reconciled with cash book	Regular bank reconciliations are carried out on a regular basis and submitted at each meeting as part of the Financial Report..
	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: Unity Bank Current Account: £33,309.54 Unity Bank Instant Access Account: £14,996.11 Unpresented Cheques: £195.00
11. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring that receipts and payments are listed in the Council's Minutes as part of the smaller authority's financial control.
	Has the appropriate end of year Annual Governance and Accountability (AGAR) document been completed	As Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5 million, it has completed Part 3 of the AGAR. The Council has yet to complete Pages 4 and 5 of the AGAR.

	Completion of the Annual Internal Audit Report	The Internal Auditor has completed the relevant page of the AGAR.
12.Recommendations from previous internal audit for the year ending 31 March 2017	Verifying that the previous internal audit reports have been considered by the Council	Council considered and accepted the Annual Internal Audit Report at its meeting of 6 th June 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The meeting of 6 th June 2017 agreed to adopt the recommendations made within the Internal Audit Report. In summary these were: <ol style="list-style-type: none"> 1. Adoption of a Reserves Policy 2. Expansion of Asset Register in line with proper practices 3. Recording in the minutes of annual reviews carried out 4. Inclusion of financial reports within the minutes
	Appointment of Internal Auditor	Suffolk Association of Local Councils was appointed as the Internal Auditor for the year ending 31 st March 2018 at the meeting of 4 th July 2017.
13.Recommendations from previous external audit for the year ending 31 March 2017	Verifying that the external audit report has been considered by the Council	The certified annual report following the external audit was considered and approved by the Council at its meeting on 5 th September 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	There were no matters which necessitated the issuing of a separate report. The Notice of Conclusion was seen on the Council's website.
14. Additional Comments	Annual meeting	The Annual Meeting was held on 2 nd May 2017 with the Election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Any trustee responsibilities	Yes - The Parish Council acts as Corporate trustee of the Trimley St Martin Hall - the minutes of the meetings held were provided for internal audit.

	Publication Requirements	<p>The Council complied with the requirements of the Accounts and Audit Regulations 2015 and published the following on its website:</p> <p>Section 1 - Annual Governance Statement 2016/17 Section 2 - Accounting Statements 2016/17 Section 3 - The External Auditor Report and Certificate 2016/17 Section 4 - Internal Auditor Report 2016/17 Notice of the period for the exercise of public rights and other information required by Regulation 15(2) Accounts and Audit Regulations 2015.</p>
	Verifying that the council is registered with the ICO	The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Registration No. ZA 130355 refers.
	Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	Council is aware of GDPR requirements and is taking steps towards ensuring compliance.

Signed.....

Date of Internal Audit Visit 27th April 2018

Date of Internal Audit Report 27th April 2018

On behalf of Suffolk Association of Local Councils