



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

<b>Name of Council:</b>	Battisford Parish Council
<b>Income:</b>	£18,845.28
<b>Expenditure:</b>	£14,679.31
<b>Precept Figure:</b>	£10,725
<b>General Reserve:</b>	£8,450.00
<b>Earmarked Reserves:</b>	£7,550.00

## 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	Excel spreadsheet
	Cash book kept up to date and regularly verified against bank statement	Cashbook is regularly updated. Comment: To comply with their Financial Regulations – Item 2.2, Council may wish to complete bank reconciliations during the year and note in the minutes.
	Correct arithmetic and balancing	All arithmetic and balancing were correct.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders have been adopted and were reviewed on 9.1.17
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations have been adopted and were reviewed on 9.1.17
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The clerk is appointed as the RFO. Comment: The Council may wish to consider minuting each audit year that the Clerk has been appointed as the RFO.
	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	Supporting paperwork seen for payments with 2 Councillors signing each invoice.
	Internet Banking transactions properly recorded/approved	N/A
	VAT correctly identified and reclaimed within time limits	Evidence seen of VAT reclaimed. Noted in minutes 28.11.17 11 (b) Vat refund £4418.69 received.
	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	S137 donations minuted and noted in 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	Yes – Legal Powers to pay included in the minutes (e.g. 16.5.17 Item 16 grant for Village Hall)
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	Evidence of risk assessment documentation seen.
	Evidence that risks are being identified and managed.	Items raised in annual inspection report for playground actioned 20.2.18 – 12.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place with £25,000 of fidelity cover.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance is adequate and an annual review was minuted on 13.3.18 – 20.
	Evidence that internal controls are documented and regularly reviewed	Internal controls are documented. Review of financial management minuted 9.1.17
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Internal control document approved, minuted 13.3.18 – 19 Evidence seen under the Internal Control document.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The budget was properly prepared and agreed by Council 10.1.17 – 13.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was agreed and minuted by Council 10.1.17 – 13. Precept amount noted as £10725.
	Regular reporting of expenditure and variances from budget	Expenditure against budget presented at each meeting. Comment: Council may wish to minute that this has been done along with an explanation of any significant variances against budget.
	Reserves held General and Earmarked.	General Reserve: £8,450 Earmarked Reserve: £7,550 Explanation of earmarks noted in minutes 13.3.18 Speed equipment £3,050 Slide installation £2,500, Defib spares £500, BVHMC repairs £1,000 and BDCC £500 = £7,550



<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is recorded and promptly banked.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	The Precept recorded in the minutes agrees to the Council Tax Authority's notification.
<b>7. Petty Cash</b>	Is a petty cash in operation?	None held.
	If so is there an adequate control system in place.	
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Contract of employment seen for Sarah Meech.
	Do salary payments include deductions for PAYE/NIC?	Salary payments include deductions which are promptly paid to HMRC.
	Is PAYE/NIC paid promptly to HMRC	
	Is there evidence that the Council is aware of its pension responsibilities	Declaration of Compliance with the Pension Regulator completed and minuted 27.6.17 - 17
	Are other payments to employees reasonable and approved by the Council	All other payments are reasonable and approved by Council with all expenses receipts being provided.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	An Asset Register is maintained with assets of £46,347 being recorded for 31.3.2018.
	Verifying that the Asset Register is reviewed annually	Asset register reviewed 13.3.18 - 20
	Cross checking of insurance cover	Assets were cross checked against insurance cover and all were found to be in order.
<b>10. Bank reconciliation</b>	Regularly completed, reconciled with cash book	Bank reconciliation completed annually. Please see comments under item 1.

	Confirm bank balances agree with bank statements	Bank balances agree with bank statements on the annual bank reconciliation. Barclays Community Account: £16,257.85 Barclays Premium Business Account: 2,360.21 Bank balances are reported at every Council meeting.
	Regular reporting of bank balances at council meetings?	Receipts and Payments.
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	A cross check of receipts and payments to minutes, invoices, receipts, bank statements, cashbook and VAT reclaimed was found to be in order.
	Financial trail from records to presented accounts	The Council has completed the Certificate of Exemption having both income and expenditure less than £25,000. They are therefore exempt from sending the completed AGAR to the external auditor for a limited assurance review.
	Has the appropriate end of year AGAR documents been completed	The Annual Governance Statement (Section 1) and the Accounting Statement 2017/18 (Section 2) have been completed.
<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 minuted 9.1.18.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Appropriate action has been taken for most recommendations raised in the internal audit report however see note under 'separately identifying VAT in the cashbook' below.
	Appointment of Internal Auditor	SALC appointed as Internal Auditor and minuted 13.3.18 – 18.
	<b>VAT should be separately identified within the cashbook and Receipts and Payments Account.</b>	The Council have noted VAT refunds in the receipts section of the cashbook however there is no column for VAT paid in the payments section of the cashbook. <b>Recommendation: Council could show VAT paid in a separate column in their cashbook.</b>
	<b>To ensure that all payments made are within its powers and that it is not acting outside of its legal power, the</b>	Actioned.

		Council should consider adding a reference as to the power being used in either the minutes or the cashbook. In order that the Council can provide clear evidence of compliance with the Accounts and Audit Regulations, a separate Statement of Internal Controls should be constructed and adopted by the Council (model document available from SALC)	Actioned.
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	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	External Audit Report was considered by the Council and minuted 17.10.17 – 18.
14. Additional Comments	Annual meeting		No items were raised.
	Any trustee responsibilities		The Annual Meeting took place on 16.5.17 with the 1 <sup>st</sup> item on the agenda being to elect the chairman. None.
	Verifying that the Transparency Code for Smaller Authorities has been correctly applied		Council is aware of requirements under the Transparency Code for Small Authorities to ensure certain data is published on a public website. <b>Recommendation: Council could also publish the external auditors report.</b> Council is registered with the ICO Certificate reference Z2858642.
	Verifying that the council is registered with the ICO		Council is making progress towards their General Data Protection Regulations requirements - minuted 5.9.17 Item 13.

Signed.....

Date of Internal Audit Visit .....

Date of Internal Audit Report.....

On behalf of Suffolk Association of Local Councils