

Internal Audit Report
Year ending: 31st March 2017

Name of Council:	Marlesford Parish Council
Income:	£2,019.32
Expenditure:	£1,615.73
Precept figure:	£2,019.02
General Reserve:	£3,490.10
Earmarked Reserves:	£0

Subject	Requirements	Comments/Recommendations
1. Proper Book-keeping	Type of cash book or ledger used.	Typed spreadsheet used for Receipts and Payments.
	Cash book kept up to date and regularly verified against bank statement.	Eleven payments were made in the year of account (between 10 July 2016 and 11 November 2016). The Precept was paid in two instalments and a small amount of interest was received in the Business Premium Account.
2. Payment controls	Correct arithmetic and balancing.	The accounts are maintained on a Receipts & Payments method. However, two cheques prepared in June 2017 (within the year 2017/18) were incorrectly included as payments in the Accounts for the 2016/17 year. When operating the Receipts & Payments method of accounting, only the actual amounts received in the year and the actual amounts paid in the year should be brought into account. Accordingly, the payments listed in the Cashbook and the Receipts & Payments Account have been overstated by £320 (the value of the cheques prepared on 5 June 2017 (£200.00) and on 12 June 2017 (£120). Although the expenses may relate to the 2016/17 year they should be included in the year of account in which the cheque payments were actually generated (2017/18). Recommendation: The Cashbook and the Receipts & Payments Account must be corrected to remove the payments listed under the dates 5 June 2017 and 12 June 2017.
	Supporting paperwork for payments, and appropriate authorisation.	A random selection of payments was selected and cross checked against cheque book, Cashbook, bank statements, invoices and Minutes. It was noted that not all cheque counterfoils are being initialled by cheque signatories.

	<p>S137 separately recorded and minuted.</p>	<p>Recommendation: The Initialling of cheque counterfoils is an important element of financial control and should be completed in all cases.</p>
	<p>VAT identified and reclaimed.</p>	<p>No payments were recorded in the year of account as having been made under Section 137 of the Local Government Act 1972. There were two payments in the year to the Royal British Legion Poppy Appeal (£19.00 on 10 July 2016 and £17.00 on 11 November 2016) which would normally be made under Section 137. Donations to the Disability Advice Service can be made under Section 142 of the Act.</p> <p>Recommendation: The Council should separately identify within the Cashbook and record within the Council's Minutes any payment made under Section 137 of the Local Government Act 1972.</p>
	<p>Legal Powers identified in minutes and/or cashbook?</p>	<p>VAT is not separately recorded in the Cashbook or the end-of-year accounts. The invoice from EasySpace Ltd addressed to the Council relating to the payment of £116.28 on 10 July 2016 included a VAT element of £19.39 which should be separately recorded in the Cashbook.</p> <p>Recommendation: Details of VAT paid should be separately recorded in the Cashbook in order to ensure that all sums are identified for subsequent reclaims to HMRC.</p> <p>No VAT re-claim was made in the year of account.</p>
	<p>Legal Powers identified in minutes and/or cashbook?</p>	<p>No reference is made in the Cashbook or in the Minutes as 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, the Council should consider placing a reference against each payment as to the power being used in either the</p>

		<p>Minutes or the Cashbook (model papers can be obtained from SALC listing the powers available).</p>
<p>3. Financial Regulations, Standing Orders</p>	<p>Evidence that standing orders have been adopted and reviewed regularly.</p>	<p>Standing Orders were not presented to Internal Audit; no evidence could be found that Standing Orders are in place or have been adopted by the Council.</p> <p>Standing Orders are important in terms of the organisation and management of the Council's affairs, the Rules of Debate and conduct at meetings, the operation Meetings generally, Committees and sub-committees, Ordinary council meetings and Extraordinary meetings of the Council. Standing Orders will include the Code of Conduct and dispensations, the duties of the Responsible Financial Officer, Accounts and accounting statements and financial controls and procurement.</p> <p>Recommendation: The Council should review and adopt Standing Orders and Minute the action taken. Further advice on this issue and model documents can be provided by SALC.</p>
	<p>Evidence that Financial Regulations have been adopted and revised regularly. Evidence that Financial Regulations have been tailored to the Council.</p>	<p>Financial Regulations were not presented to Internal Audit; no evidence could be found that Financial Regulations are in place or have been adopted by the Council.</p> <p>Financial Regulations are pivotal in terms of the Council ensuring that effective financial control is maintained. The Regulations detail (inter alia) requirements in terms of accounting records and the systems of internal control to be maintained; financial reporting requirements to Councillors and local electors and procurement policies not covered in Standing Orders. Financial Regulations are of particular importance as they formalise the Council's financial operations and the smaller purchasing/contract arrangements.</p> <p>Recommendation: The Council should review and adopt detailed Financial Regulations and Minute the action taken.</p>

		Further advice on this issue and model documents can be provided by SALC.
4. Petty cash/expenses procedure	Established system in place, and associated supporting documents	No petty cash is held.
5. Risk management	Evidence that risks are being identified and managed.	<p>The Council has a comprehensive Risk Assessment document in place but there is no record in the Council's Minutes that the document was reviewed by the Council in the year of account.</p> <p>The Accounts and Audit Regulations 2015 require a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, which includes the arrangements for management of risk. The review must be Minuted accordingly.</p> <p>Recommendation: In order to comply with the Accounts and Audit Regulations, during the 2017/18 year the Council should formally review its Risk Management arrangements and documentation, and Minute the review accordingly.</p>
	Appropriate Insurance cover for employment, public liability and fidelity guarantee.	<p>There was no evidence that the Council has any insurance cover in place.</p> <p>Recommendation: The Council should review the need for insurance cover in the areas of employment, public liability and fraud and dishonesty in order to ensure that that the Council is fully protected and not placed in a vulnerable position in the event of an incident arising within the areas of employment or relationship/contact with the public.</p>
6. Budgetary controls	Verifying that the budget has been properly prepared, and agreed.	The precept for the year 2017/18 was agreed at the Council's meeting on 11 November 2016. The Council's Minutes do not record that a formal presentation of a budget took place leading to the setting of the precept.

	Regular reporting of expenditure and variances from budget.	Financial reports are provided to each meeting of the Council.	Recommendation: The Council should prepare and formally agree a Budget each year which should act as the basis on which a Precept decision can be made.
7. Income controls	Monitoring of precept and any other Income.	The Council received a precept of £2,019.02 for the 2016/17 year. The only other income received by the Council was interest in the Business Premium Account.	
	Reserves:	General: £3,490.10 Earmarked: nil	
8. Payroll controls	Salary payments include deductions for PAYE/ NIC.	PAYE was in place in the year of account in respect of the Clerk, Mr Ross Proctor, with a payment being made to HMRC on 12 August 2016. The Council must ensure that all HMRC requirements are being met in terms of the employment of the current Clerk, Mrs. Beverley Russell (e.g. if earnings are below the lower earnings level, income tax and N.I. contributions may not be applied). Under workplace pensions legislation the Council will have pension duties for its employees. Information can be found on the pension regulator website: http://www.thepensionregulator.gov.uk/	
9. Asset control	Inspection of Asset register.	No Assets are held by the Council.	
	Asset register reviewed annually.	No Assets are held by the Council.	
	Cross checking of Insurance cover.	No Assets are held by the Council and no insurance cover is in place.	

<p>10. Bank reconciliation</p>	<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 year-end bank reconciliation agrees with the balances as per the bank statements.</p> <p>Overall Bank Balances at 31 March 2017: £3,490.10 Current Account: £2,654.72 Business Premium Account: £ 835.38</p> <p>During 2016/17 the bank balances were reported regularly to the Council.</p>
<p>11. Year-end procedures</p>	<p>Appropriate accounting procedures used. Financial trail from records to presented accounts.</p>	<p>Receipts and Payments method of accounting is used. Following the amendments required to the Cashbook and Receipts & Payments Account (as detailed at item 1 above) the overall bank balances will agree with the year-end statements.</p>
<p>12. Annual return</p>	<p>Completion of sections of Annual return.</p>	<p>Sections 1 and 2 were completed and signed at the time of audit. The following issues arose from the examination of the Annual Return:</p> <p>a) The figure for Staff Costs of £500.00 in Box 4 of Section 2 of the Annual Return includes the amount of £200.00 paid on 5 June 2017, outside of the 2016/17 year of account (see item 1 above). Only items directly relating to the employee of the Council paid in the year of account (i.e. pay, direct training costs and employment taxes) should be shown in Box 4.</p> <p>b) The figure for All Other Payments of £1,436 in Box 6 of Section 2 includes the amount of £120.00 paid on 12 June 2017, outside of the 2016/17 year of account (see item 1 above). Only items paid in the year of account should be shown in Box 6.</p> <p>c) Box 3 should include an entry of £1 to indicate an amount of Other Receipts in the Year (interest received rounded up to £1).</p>

		<p>d) Under the Receipts & Payments method of accounting, Boxes 7 and 8 in Section 2 of the Annual Return are normally identical.</p> <p>e) It should be noted that Box 7 must equal Boxes (1 + 2 + 3) less Boxes (4 + 5 + 6).</p> <p>Recommendation: Boxes 3, 4, 6, 7 and 8 in Section 2 of the Annual Return for 2016/17 should be amended as above and initialled by the Chair and RFO before submission to the External Auditors.</p> <p>Section 4 has been completed by the Internal Auditor.</p>
<p>13. Review internal controls</p>	<p>Date review completed.</p> <p>Previous internal and external reports minuted and considered by Council.</p>	<p>Although a Risk Assessment document is in place and includes an evaluation of the internal controls in place to mitigate the risks identified, there is no evidence that the Internal Controls were reviewed in the year of account.</p> <p>The Accounts and Audit Regulations 2015 – Regulation 3 - states that a smaller authority must ensure that it has a sound system of internal control. It must also ensure that each financial year it conducts a review of the effectiveness of the system of internal control as required in Regulation 3 (Regulation 6 (1)). The findings of the review must be considered by the full Council and Minuted.</p> <p>Recommendation: In order to comply with the Accounts and Audit Regulations, during the 2017/18 year the Council should formally review its Internal Control arrangements and Minute the review accordingly.</p> <p>The External Audit report for the previous year (2015/16) raised one minor issue regarding the completion of the Annual Return. There is no record in the Council's Minutes of the report being considered by the Council.</p>

		<p>Recommendation: The completed Annual Return, including the External Auditor's certificate/report, should be promptly presented to Council following its return to the Council and a Minute prepared to confirm that the Council has considered any recommendations or any matters arising from the report.</p>
<p>14. Recommendations from previous internal audit – 31 March 2016</p>	<p>Previous recommendations put forward and action taken in response:</p>	<p>The Internal Audit report for the previous year (2015/16) was undertaken by Carol Parry. There is no record in the Council's Minutes of the report being considered by the Council.</p> <p>Recommendation: Internal Audit reports should be promptly presented to Council and a Minute prepared to confirm that the Council has considered any recommendations or any matters arising from the report.</p>
<p>15. Additional comments</p>	<p>Annual meeting:</p>	<p>Held on 13 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.</p>
	<p>Appointment of internal auditor:</p>	<p>SALC was appointed by the Council at its meeting on 15 June 2017.</p>
	<p>Arrangements in place for the public inspection of council's records:</p>	<p>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. Public rights cannot take place until all elements (other than Section 3) of the Annual Return have been completed.</p>
	<p>Transparency Code for smaller authorities:</p>	<p>All Councils with a turnover of less than £25,000 are subject to the Transparency Code for Smaller Authorities and should publish on their website:</p> <ul style="list-style-type: none"> a) all items of expenditure above £100 b) annual governance statement - Annual Return Section 1 (By 1 July)

	<p>c) end of year accounts – Annual Return Section 2 (By 1 July)</p> <p>d) Internal audit report in Annual Return (By 1 July)</p> <p>e) list of councillor or member responsibilities</p> <p>f) the details of public land and building assets (By 1 July)</p> <p>g) Minutes, agendas and meeting papers of formal meetings.</p> <p>The Internal Audit confirmed that the Council is currently not meeting the requirements of the Transparency Code.</p> <p>Recommendation: The Council should review the information that is required to be published on its website and ensure that it is compliant with the Transparency Code.</p>
<p>Is the council registered with the ICO?:</p>	<p>No Registration is currently in place.</p>
<p>Minutes paginated and signed:</p>	<p>The copy of the Minutes presented to Internal Audit were unsigned and undated and each page was not separately initialled. Loose-leaf Minutes are only lawful provided that the pages are consecutively numbered and initialled by the person signing the Minutes at the time of signature (LGA 1972 Sch. 12, para 41(2)).</p> <p>Recommendation: The Council should ensure that all pages of the Minutes of meetings are consecutively numbered; the Minutes must be signed and dated and each page initialled by the person signing the Minutes at the time of signature.</p>

Signed *T. Brown*

Date *23 June 2017*

On behalf of Suffolk Association of Local Councils