

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

<b>Name of Council:</b>	NEDGING WITH NAUGHTON
<b>Income:</b>	£6,582.14
<b>Expenditure:</b>	£5,453.50
<b>Precept Figure:</b>	£4,922
<b>General Reserve:</b>	£2,599
<b>Earmarked Reserves:</b>	£1,224

## 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	Computerised spreadsheet
	Cash book kept up to date and regularly verified against bank statement	All was in order
	Correct arithmetic and balancing	Spot checks were made and everything was in order
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders were reviewed and adopted at the meeting on 9/5/2017 and recommendations from the internal auditor completed. Items requiring additional information or alternative options not completed. <b>Recommendation : Information is to be completed in standing orders that include brackets and if the standing order includes the term 'OR' alternative options should be chosen.</b>
	Evidence that Financial Regulations have been adopted and reviewed regularly	Whilst financial regulations were reviewed and adopted at the meeting on 9/5/2017, they do not reflect the recent changes in legislation relating to procurement. <b>Recommend: that financial regulations are reviewed and amended with reference to the NALC Legal Topic Note 87 and minuted during the next financial year.</b>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	RFO appointed and contract of employment seen. Contract reviewed 14/11/2107.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are tailored to the Council by including information in brackets and completing the alternative options 'OR' provides.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against chequebook, cashbook, bank statements, invoices and minutes. All were found to be in order.
	Internet Banking transactions properly recorded/approved	On-line banking authorisation file was reviewed and found to be compliant with risk assessment. A selection of random payments cross checked against bank statements and minutes were found to be in order.

	VAT correctly identified and reclaimed within time limits	Evidence seen of VAT reclaimed in 2016/17. No evidence of VAT reclaimed for year end 31/3/2018.
	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 payments recorded in the cashbook
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Not applicable.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	Risk assessment documents seen.
	Evidence that risks are being identified and managed.	Evidence seen that risks are being identified and managed.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Insurance cover in place.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance is adequate including £25,000 of Fidelity Insurance cover which is within guidelines.
	Evidence that internal controls are documented and regularly reviewed	Internal review document seen and review minuted.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Evidence seen that comments from the internal auditor relating to changes to Standing Orders and Financial Standing Orders have been completed. The recommendation to register with the ICO has not been actioned.
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Evidence of draft budget preparations seen for discussion at Council meeting. Resolution passed to agree precept.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept amount was agreed and minuted.
	Regular reporting of expenditure and variances from budget	Reporting of expenditure seen at every meeting. No reporting of variance from budget noted.

	Reserves held General and Earmarked.	Overall : £3,783 General: £2,599 Earmarked: £1,224 No notifications seen of earmarks in the minutes.
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	All income promptly recorded on the spreadsheet.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	Precept recorded as the tax authority's notification amount.
<b>7. Petty Cash</b>	Is a petty cash in operation?	No
	If so is there an adequate control system in place.	N/A
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Contract of employment seen for the Clerk/ RFO.
	Do salary payments include deductions for PAYE/NIC?	Payroll function is outsourced and evidence was seen to support approval of salary payments. There were no PAYE payments made.
	Is PAYE/NIC paid promptly to HMRC	N/A
	Is there evidence that the Council is aware of its pension responsibilities	Council has recognised that it has pension duties for its employees, it was minuted that the Clerk has opted not to join a scheme.
	Are other payments to employees reasonable and approved by the Council	Details of expenses seen are reasonable and approved in the minutes.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	Asset Register seen for period 31/3/18. Assets to value of £8905.98 are declared.
	Verifying that the Asset Register is reviewed annually	Asset Register is reviewed annually under the internal control document.
	Cross checking of Insurance cover	Insurance cover checked and noted under the internal control document. Items from the asset register were cross checked

		against the All Risks items declared under insurance and were found to be in order.
<b>10. Bank reconciliation</b>	Regularly completed, reconciled with cash book	Bank reconciliations were reported at each meeting.
	Confirm bank balances agree with bank statements	Bank balances as at 31.03.2018 Barclays Community Account: £11.74 Barclays Premium Account: £3,811.50 Outstanding cheques: Nil
	Regular reporting of bank balances at council meetings?	Bank statements were seen and a financial report is given at each meeting detailing positions in both bank accounts and forms part of the minutes.
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Receipts and payments.
	Financial trail from records to presented accounts	Overall bank balances agree with year-end statements
	Has the appropriate end of year AGAR documents been completed	Council meets the qualifying criteria as set out in the Certificate of Exemption and are exempt from sending the completed AGAR to the external auditor for a limited assurance review. Certificate of exemption completed along with sections 1 and 2 all of which have not been signed.
<b>12. Recommendations from previous internal audit for the year ending 31 March 2018</b>	As a data controller, Council should review the requirements for ICO registration.	Following the introduction of GDPR and the new Data Protection Act 2018, the previous requirement of data controllers to 'notify' the ICO (register) has been replaced by the need for public organisations to pay a Data Protection Fee. Fees are based on a sliding scale and for public authorities (including local councils) this is based solely on the number of employees. For councils employing up to ten staff, the fee is £40. If you do not pay a fee the ICO will send you a reminder explaining when you need to pay and ultimately you may be issued with a fine of up to £4,350. <b>Recommend: Council should review the requirements for ICO registration.</b>
	That standing orders are reviewed and amended with reference to the NALC Legal Briefing L05-15 and minuted	Actioned 09.05.2017

	during the next financial year with particular reference to Procurement of Contracts. It is also noted that Standing Order 3.L does not reflect changes in legislation and should be amended with reference to the NALC Legal Topic Note 5 of February 2015 reference paragraph 31 onwards.	
	The financial regulations are reviewed/adopted with reference to NALC financial briefing F01E-16 with particular reference to the procedures for issuing contracts and minuted during the next financial year.	Actioned 09.05.2017
<b>13.Recommendations from previous external audit for the year ending 31 March 2017</b>	Fixed assets included in box 9 at a valuation amount.	Actioned and assets included at cost value for 2017-18.
	Box 11 not completed	Box 11 completed as 'No' for 2017/18.
<b>14. Additional Comments</b>	Annual meeting	9 <sup>th</sup> May 2017
	Any trustee responsibilities	None
	Verifying that the Transparency Code for Smaller Authorities has been correctly applied	Council are aware of the requirements of the Transparency Code to publish certain information on a freely accessible website. However, some information is missing. <b>Recommendation: To comply with the publication requirements under the Transparency Code the Council should publish the analysis of variances on their website along with the dates for the exercise of public rights.</b>
	Verifying that the council is registered with the ICO	No – <b>Recommendation: Council should register with the ICO.</b>
	Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	Council are aware of GDPR requirements and are taking steps towards compliance.

Signed.....

**Date of Internal Audit Visit .....**

**Date of Internal Audit Report.....**

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