

Internal Audit Report
Year ending: 31st March 2018

Name of Council:	Red Lodge Council
Income:	£ 151,177 (rounded)
Expenditure:	£ 202,178 (rounded)
Precept figure:	£ 82,000.00
General Reserve:	£ 45,168 (rounded)
Earmarked Reserves:	£ 379,306 (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	Cash book updated regularly.	<p>During the year, the council agreed to purchase the Rialtas Accounting/Booking package. This has been used to produce the Council's Financial Accounts for monthly and year-end reports.</p> <p>Reconciliations to the cashbook are completed on a monthly basis.</p> <p>10% spot checks were made and were found to be correct.</p>
2. Financial regulations, standing orders, payment controls	Correct arithmetic and balancing. Evidence that standing orders and financial regulations have been adopted.	<p>Standing Orders and Financial Regulations were reviewed and approved by the Parish Council at its meetings of 26th September 2017 and 30th January 2018 respectively.</p> <p>Financial Regulations are tailored to the Council.</p> <p><i>Comment 1: during the Council's annual review of its Standing Orders, Council might wish to 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.</i></p> <p><i>Comment 2: during the Council's annual review of its Financial Regulations, Council might want to consider incorporating the changes in procurement values for contracting authorities as per the thresholds as set by Article 4 of the Public Contracts Directive (Regulation 5(1) of the 2015 Regulations) - LTN 87 - January 2018 refers.</i></p>
	Legal Powers identified within the cashbook and/or financial	<p>The Schedule of Grants made during the year under review was verified with the total awarded being £26,219 split as: S106 £12,419; Millennium Centre £12,000 & S142 £1,800. The cashbook clearly references the grants being made under the applicable powers.</p>

	S137 Expenditure identified and within limits	Expenditure for the year under review was £1,530. 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.	There were none applicable for the year under review.
3. Payment Controls	VAT is identified and reclaimed.	At its meeting of 27 th March 2018, it was confirmed that the Council had opted to register for VAT effective 1 st April 2017 (Certificate issued 6 th March 2018). Returns will need to be made on a quarterly basis with the 1 st Quarter being due in respect of the period ending 30 th April 2018.
	Supporting paperwork for payments, invoices, and appropriate authorisation	VAT is identified within the cash books and the claim for the period 1 st April to 31 st December 2017 in the sum of £9,993.51 as submitted on 19 th March 2018 is still to be settled by HM Revenue and Customs. A spot check of payments for items above £1,000 were cross checked against cash book, bank statement, invoice and minutes and found to be in order. At each full Council Meeting a list of all payments – retrospective and future - is presented to the meeting with formal approval of such expenditure being minuted and copies attached to the minutes as a formal record.
4. Risk management	Evidence that risks are being identified and managed.	<i>Comment 3: Council shows good practice of ensuring, in accordance with its own FR 5.6, that a schedule of due and retrospective payments which arise on a regular basis of a continuing contract, is submitted to full Council for approval at each meeting.</i> The Council's Risk Assessment & Management (Financial) Policy documents were approved and adopted at Full Town Council at its meeting of 1 st August 2017. Overall within its Risk Assessment Policy & Financial Risk Assessment Document, Council has identified a number of risks to property, finances and personnel and has

		<p>taken steps to control the risk - all of which are clearly identified within the document as approved by Full Council.</p> <p>In accordance with Council's own Financial Regulation 6.20 approval of a Credit Card with restricted use to the Clerk with a maximum monthly limit of £1000 was approved at a meeting of full Council of 30th January 2018.</p> <p>In accordance with Council's own Financial Regulation 6.19 approval of a Shell Fuel Card with a maximum limit of £500 to allow the Groundsmen to purchase fuel was agreed at a full Council meeting of 28th November 2017.</p> <p>Recommendation: the parish council should develop specific control procedures for any payments by bank transfer, or other electronic means, to clear the transactions on these accounts ensuring that the risks brought about by the ease and speed of these transactions and the difficulties faced in unravelling them should they go wrong are mitigated. Such control measures, which should be added to the Council's Risk Assessment & Management (Financial) Policy, might include verification of expenditure incurred by the Chair of the Parish Council and establishing a credit card usage policy which explains the responsibility of the user employees, the expenses they can incur using the credit card and the necessary supporting documentation and/or approval they need to provide with respect to each expense.</p> <p>At its meeting of 27th March 2018 it was agreed that the Clerk would take over the role of Responsible Financial Officer.</p> <p><i>Comment 4: In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority.</i></p> <p>General Insurance from Zurich for the period from 1st October 2017 to 30th September 2018 was seen effective 30th November 2017. Core cover shows the</p>
	<p>Appointment of a person to act as Responsible Financial Officer (RFO)</p> <p>Insurance cover for Employment and public liability</p>	

	and Fidelity guarantee.	<p>following: Public Liability £10,000,000; Employer's Liability £10,000,000; Public Liability for Playground Equipment (45 items) £10,000,000 & Fidelity Guarantee Cover is £750,000. The Pavilion is under Insurance with Contents Cover. All Risks cover is in place for the Council's Assets with cover non-location specific.</p> <p>Council's long-term agreement expires 30th September 2020.</p> <p>Council reviewed its Annual Insurance in terms of cover provided during the year under review.</p>
5. Budgetary controls	<p>Evidence that insurance is adequate and has been reviewed on an annual basis</p> <p>Verifying that the budget has been properly prepared, and agreed.</p> <p>Regular reporting of expenditure and variances from budget.</p>	<p>The budget and precept were agreed at a Full Council meeting of 29th November 2016. The precept was set at £82,000 against a budget of £87,000 with £5,000 being funded from reserves.</p> <p>Council regularly reviews the budget for the financial year with variances being explained for the year to date.</p> <p>These reports are presented at the relevant meetings and minutes reflect that they have been received and noted.</p>
6. Income controls	<p>Monitoring of precept and any other Income.</p> <p>Other Income</p> <p>Debtors</p>	<p>The council received precept of £82,000 during the year under review. Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 29th November 2016, served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council's Bank Account.</p> <p>Other income received by the Parish Council in the main relates to Bank Interest & S106 Income. Pavilion income in the main relates to Bar Income; Pitch and Sports Pavilion Hire; MUGA Hire & Activity Room Hire.</p> <p>There were no outstanding sales ledger balances for the period ending 31st March 2018.</p>

	Reserves General and Earmarked.	The council has total reserves of £424,474 at the end of the year broken down as: General Reserves of £45,168 Earmarked Reserves of £379,306 as per breakdown seen at the time of Internal Audit.
		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 Approval of transfers or amendments to the reserves are approved by full Council.
7. Petty cash/expenses procedure	Petty cash - established system in place with supporting documents	Petty cash system in place with a receipt required for all purchases. Petty cash tin is kept in a secure location. Petty cash reconciliations are carried out on a monthly basis and reported to full Council on a quarterly basis. Year end balances: Pavilion Petty Cash: £54.05 Parish Council Pett Cash: £31.25
	Expenses - established system in place	There is a satisfactory expense system in place.
8. Payroll controls	PAYE/ NIC system in place. HMRC RTI.	The council's payroll system is outsourced to Suffolk Association of Local Councils. The Council is a member of both the Local Government Pension Scheme. 1 member of staff was on the payroll at the financial year-end. 5 items of salary, HMRC and pension payments were cross checked against cash book, bank statement, and supporting documentation. All were found to be in order.
9. Asset control	Inspection of Asset register.	Asset Register seen for the period ending 31 st March 2018 totalling £249,687 which reflects the following movement during the year of: Additions to date £17,274 Disposals to date £3,008 – overall movement £14,266

		Formal agreement of the asset register (issue 31.03.17-04) to 31 st March 2018 was given at meeting of full Council of 27 th March 2018.
10. Bank reconciliation	Regularly completed, reconcile with cash book.	Bank reconciliations are completed monthly and reconcile to the cashbook. In accordance with Proper Practices, approval of the bank reconciliation by the Parish Council, as reported to the Parish Council by the Chairman, is not only good practice but is also a safeguard for the RFO and may fulfil one of the authority's internal control objectives.
	Confirm bank balances agree with bank statements.	Bank balances agreed with period end statements and as at 31 st March 2018 stand at: £417,799.62 Broken down as follows: Lloyds Parish Council Current Account: £158,327.65 Lloyds Pavilion Current Account: £152,918.40 Lloyds Parish Council Deposit Account: £106,735.21 Petty Cash – Pavilion £31.25 Petty Cash - Parish Council £54.05 Pavilion Bar Float £150.00 Unpresented cheques: £258.00 Receipts not on bank statement: £731.30 Credit Card Balance: £890.24
11. Year-end procedures	Appropriate accounting procedures used.	Accounts are produced on an income and expenditure basis. All were found to be in order. There is an underlying financial trail from financial records to the accounts produced. Where appropriate debtors and creditors have been properly recorded. The End-of-Year Accounts and supporting documentation were extremely well presented for the Internal Audit review. Period-end balances agree with balance sheet: Prepayments: £50.00 VAT Recoverable: £11,972.49 Bar Stock Value: £2,352.29

		<p>Total Cash in Hand: £418,689.86</p> <p>Total Creditors: £8,590.40</p> <p>Funded by:</p> <p>General Fund Balance: £45,168</p> <p> earmarked Reserves: £379,306</p>
12. Annual return	Has the appropriate end of year Annual Governance and Accountability (AGAR) document been completed?	<p>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.</p> <p>The Parish Clerk has completed Pages 4 and 5 of the AGAR which are still to be approved by full Council.</p> <p>The Internal Auditor has completed the relevant page of the AGAR.</p> <p>The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for the year ending 31st March 2017 as it published the following on its website:</p> <p>Section 1 - Annual Governance Statement 2016/17</p> <p>Section 2 - Accounting Statements 2016/17</p> <p>Section 3 - The External Auditor Report and Certificate 2016/17</p> <p>Notice of the period for the exercise of public rights and other information required by Regulation 15(2) Accounts and Audit Regulations 2015</p> <p>Conclusion of the Audit.</p>
13. Review internal controls	Date review completed.	<p>The formal review of Council's Internal Control Statement was submitted to full Council and approved at its meeting of 27th February 2018.</p> <p>Council's internal control system covers the scope of internal control; purpose of system of internal controls and the internal control environment.</p> <p>A series of checks within the Internal Control Environment were carried out on 23rd</p>

		<p>March 2018 and presented to and accepted by Council at ist meeting of 27th March 2018.</p> <p><i>Comment 5: the Council has complied with the Accounts and Audit Regulations 2015 (Regulation 6 (1A)), which requires a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, both of which have been clearly minuted.</i></p>
14. Review of Internal Audit	Review of the effectiveness of Internal Audit	<p>In accordance with the Accounts and Audit Regulations (Regulation 5(1)); Council carried out a review of Internal Audit at its meeting of 27th February 2018 and evaluated the effectiveness of its risk management, control and governance processes, taking into account current guidance. The proposed Internal Auditor was deemed to be independent of the Parish Council, competent to carry out the work and the work being proposed was appropriate for the Parish Council.</p>
15. Reporting of Previous Internal Audit Report	Internal Audit Report for the year ending 31 st March 2017	<p>The Annual Internal Audit Report was reviewed by the full Council at its meeting of 23rd June 2017.</p> <p>Agreement was forthcoming for an Action Plan to deal with the recommendations contained within the report, all of which have been actioned during the course of the year.</p> <p>In summary these covered:</p> <ul style="list-style-type: none"> Review of Standing Orders and Financial Regulations Payments authorised to be documented in the minutes Review of Risk Assessments Production of Quarterly Budget Reports Review of Earmarked Reserves <p>Asset Control – explanation of variances</p>
16. Reporting of External Audit Report	External Audit Report for year ending 31 st March 2017	<p>The external audit report was reviewed and considered by Full Council at a meeting of 31st October 2017 and the report, the external auditor's opinion and the matters arising report were accepted.</p>

		<i>Comment 6: Council has complied with the Accounts and Audit Regulations 2015 and has published the Audit Certificate (including publication on the parish council's website) with the Annual Governance Statement and the Statement of Accounts.</i>
17. Additional comments	Annual meeting	The Annual Meeting of the Council was 9 th May 2017 at which the first item on the agenda was the election of the Chairman.
	Minutes consecutively numbered and each page initialled	The minutes submitted for internal audit were signed and consecutively numbered. <i>Comment 7: in accordance with the Local Government Act 1972 Schedule 12 para 41 (1), Council follows guidance which states that looseleaf minutes are consecutively numbered and initialled by the person signing the minutes at the time of signature.</i>
	Appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of full Council of 28 th November 2017. This was reconfirmed at the meeting of 30 th January 2018.
	Trustee Responsibilities:	The council does not act as the sole trustee for any trusts.
	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 ZA322497 refers.
	General Data Protection Regulation (GDPR)	Council is aware of GDPR requirements and is taking steps towards ensuring compliance.
		The Internal Auditor offers her appreciation for the assistance given by the Parish Clerk in completing this audit and the clarity of information provided for her visit.
		Council should be commended for the robust procedures that are now in place allowing the Council to operate to a high standard.

Signed: *Victoria S Whaples*

Dates of Internal Audit Visits: 16.05.2018

Date of Annual Internal Audit Report: 16.05.2018

On behalf of Suffolk Association of Local Councils