

Report to Saxtead Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2018

1. Summary

1.1 During the 2017/18 year the Parish Council maintained effective governance arrangements including a satisfactory framework of financial administration and internal control. The Council has a wide range of formal policies and procedures in place. This Internal Audit review has confirmed the overall adequacy of the financial arrangements currently in place within the Council.

1.2 Following the resignation of the Clerk/RFO on 15 November 2017, the Parish Councillors with appropriate skills and experience stepped in to fulfil the Council's legal responsibilities. A new Clerk was appointed by the Council on 11 January 2018. By examination of the 2017/18 accounts and supporting documentation it was confirmed that the current Clerk, in the role as the Council's Responsible Financial Officer (RFO), is satisfactorily undertaking the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

1.3 The Accounts for the year confirm the following:

Total Receipts for the year: £5,056.92

Total Payments in the year: £3,726.73

Total Reserves at year-end: £5,925.40

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures were agreed with the Clerk/RFO for display in Section 2 Accounting Statements 2017/18 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2017):</i>	<i>Box 1: £4,595</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £3,750</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,307</i>
<i>Staff Costs:</i>	<i>Box 4: £1,900</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,827</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £5,925</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £5,925</i>
<i>Total fixed assets:</i>	<i>Box 9: £2,701</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2017/18 within the AGAR.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control. Comments and any recommendations arising from the review are made below.

2. Proper book-keeping (examination of entries in the Cash Book, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts).

2.1 The Cashbook Spreadsheet was found to be in good order and well referenced and provides a good audit trail to the Bank Statements and Cheque Book counterfoils and the financial information

prepared by the Clerk. These documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and found to be in order.

2.2 Local Government Act 1972 (Section 137) payments are separately recorded within the Cashbook Spreadsheet. Similarly, VAT payments are tracked and separately identified to assist in re-claims to HMRC.

3. Financial regulations and Standing Orders (examination of Financial Regulations and Standing Orders, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Cheque books, paying in books and other relevant documents).

3.1 Standing Orders and Financial Regulations are in place. At the meeting held on 13 April 2017 the Council reviewed and approved its Financial Standing Orders (Minute 12 refers). At the meeting on 2 June 2017 the Council noted that a final revision of the Standing Orders document had taken place (Minute 13 refers).

3.2 The Council also reviewed Standing Orders and Financial Regulations at its meeting on 11 January 2018 and resolved that both should remain unchanged, be approved and adopted and placed on the Council's website (Minute 17 refers).

3.3 At its meeting on 15 February 2018, the Council adopted revisions to its Standing Orders in order to bring them more in line with the national model Standing Orders (Minute 14 refers).

3.4 The Council's Minutes, as prepared by the current Clerk/RFO, are very well presented and provide clear evidence of the decisions taken by the Council.

3.5 The Council formally appointed a new Clerk (Mrs Lydia Kirk) at its meeting on 11 January 2018 (Minute 7 refers) and approved the employment package as detailed in the Minute. The Council appointed the Clerk as the Responsible Financial Officer (RFO) at its meeting on 15 February 2018 (Minute 8 refers).

3.6 The Council demonstrates good practice by maintaining a wide range of formal policies and procedures. At its meeting on 15 February 2018 the Council approved (inter alia) the policies relating to Data Protection, Equal Opportunities, Freedom of Information and the Freedom of Information Publication Scheme and Charges.

3.7 The claim to HMRC for £294.91 VAT paid during the period 17 May 2016 to 31 January 2018 was received at bank on 1 March 2018.

3.8 At its meeting on 11 January 2018 the Council resolved to appoint a specialist data protection company to manage the requirements of the new General Data Protection Regulations (GDPR). At its meeting on 15 February 2018 the Council resolved to register with the Information Commissioner's Office (ICO) (Minute 10 refers). The Council is now correctly registered as a Data Controller for the provision of council services (Registration ZA319355, expiring 18 March 2019 refers).

3.9 At its meeting on 13 April 2017, the Council re-affirmed the adoption of the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area (Minute 12 refers).

4. Internal Control & the Management of Risk (Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly)

4.1 The Council's Risk Assessment document was reviewed and approved by the Council at its meeting on 13 April 2017 (Minute 12 refers). The Risk Assessment was further reviewed by the

Council at its meeting on 11 January 2018 (Minute 17 refers) and it was resolved that the document should remain unchanged.

4.2 The Council's Internal Control Statement was considered and approved by the Council at the meeting on 15 February 2018 (Minute 11 refers).

4.3 At the meeting held on 27 March 2018 the Council noted that the risk assessment in place only covered financial risks and the Clerk/RFO provided a draft risk assessment for all assets which the Council discussed and amended (Minute 9 refers)

4.4 Accordingly, the Council complied with Regulation 4 of the Accounts and Audit Regulations 2015 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 management of risk, with the review suitably Minuted.

4.5 Insurance was in place for the year of audit. The insurance cover was reviewed by the Council at its meeting on 11 January 2018 (Minute 17 refers). Public Liability cover stands at £10m. The Employee Dishonesty (fidelity guarantee) cover is £25,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

5. Budgetary controls *(Verification of the budgetary process with reference to Council Minutes and supporting documents)*

Precept 2017/18: £3,750.00

Precept 2018/19: £4,650.00

5.1 The budget for 2017/18 was agreed in full Council on 1 December 2016 (the Precepted amount of £3,750 was included in the Budget that was attached as an appendix to Minute 12).

5.2 At the Council's meeting on 11 January 2018 (prior to the new Clerk/RFO taking up her duties) a Councillor presented a proposed Budget to Council in order to ensure that Councillors had sufficient information to make informed decisions. Following some required amendments to reflect a range of liabilities arising (including those from the GDPR) the Budget was approved (Minute 9 refers).

5.3 The Precept for 2018/19 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 11 January 2018, Minute 10 refers).

5.4 The current Clerk/RFO ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves.

5.5 As at the 31 March 2018 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £5,925.40. It is generally accepted that non-earmarked revenue reserves held will usually lie between three and twelve months of gross expenditure.

6. Income controls *(Regarding Precept and other income, including credit control mechanisms)*

6.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced with the Council's Bank Statements and found to be in order.

7. Petty Cash *(Associated books and established system in place)*

7.1 A Petty Cash system is not in use; an expenses system is in place, with cheques being made out for expenses incurred.

8. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000)

8.1 Under the provisions of the Transparency Code, Saxtead Parish Council can be designated as a 'Smaller Council'.

The Council's web-site is: <http://saxtead.suffolk.cloud/parish-council/>

8.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Yes, payments for the 2016/17 year published on web-site.*
- b) *Annual Governance Statement: 2017 Annual Return Section One. Yes, published on web-site.*
- c) *End-of-Year accounts: 2017 Annual Return, Section Two. Yes, published on web-site.*
- d) *Annual Internal Audit report from 2017 Annual Return. Yes, published on web-site.*
- e) *List of councillor or member responsibilities. Yes, published on web-site.*
- f) *The details of public land and building assets (Asset Register). Yes, published on web-site.*
- g) *Minutes, agendas and meeting papers of formal meetings. Yes, published on web-site.*

8.3 The Council formally adopted the Transparency Code at its meeting on 13 April 2017 (Minute 12 refers) and is complying with the requirements of the Code.

8.4 The Council received a grant of £337.50 from the Transparency Code Fund on 15 March 2018 to assist the Council in meeting the requirements of the Code.

9. Payroll controls (*PAYE and NIC in place; Compliance with Inland Revenue procedures; Records relating to contracts of employment*)

9.1 Payroll Services are operated by the Suffolk Association of Local Councils (SALC) on behalf of the Council in accordance with HMRC requirements. Detailed pay-slips are produced and PAYE is in operation.

9.2 At its meeting on 13 April 2017 the Council noted that the Clerk in post at that time had registered the Council with the Pension Regulator as an employer but as the only employee was over Pensionable age and under the pay threshold the provision of pension requirements did not apply (Minute 7 refers). Following the appointment of a new Clerk/RFO, the Council agreed to send the new Clerk/RFO a letter explaining the options available under the workplace pension scheme (Minute 17 refers).

10. Asset control & valuation (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).

10.1 An Asset Register is in place. The Council reviewed the Register at its meeting on 11 January 2018 (Minute 17 refers).

10.2 The Asset Register as at 31 March 2018 reflects some changes from the valuations as at the end of the previous year, 31 March 2017. The Register now displays (as recommended in the previous Internal Audit report) the War Memorial at a nominal value of £1. The tea urn has been given a nominal value of £10. The revised asset value is now displayed as £2,701.02. The difference in the valuation between the two years has been explained in the Explanation of

Significant Variations 2017/18 document constructed by the Clerk/RFO. The value as at 31 March 2018 has been correctly placed in Box 9 of Section 2 of the AGAR.

11. Bank Reconciliation (*Regularly completed and cash books reconcile with bank statements*)

11.1 The bank statements for the Barclays Community (Current) Account and the Barclays Business Premium (Deposit) Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

12. Year End procedures (*Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate*).

12.1 End-of-Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.

13. Internal Audit Procedures (*That the Council has satisfactory internal financial controls in place and any previous recommendations implemented*).

13.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The current Clerk/RFO provides details of bank statements and a bank reconciliation to Council meetings.

13.2 Cheque Book counterfoils and invoices/vouchers for payment are initialled by cheque signatories and receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

13.3 The Council reviewed the Internal Audit report for the previous year (2016/17) and the issues raised therein at the meeting held on 15 February 2018 (Minute 12 refers). The Council resolved to consider the recommendations and requirements when undertaking the 2017/18 end-of-year paperwork. The Report had made the following recommendations:

- a) The 'donations' heading in the Cashbook should be amended to 'LGA s137' with a separate 'donations' column used for grants that are given using powers other than s137. This has been addressed.
- b) The Council should publish the Annual Internal Audit Report within the Annual Return in accordance with the requirements of the Transparency Code. This has been addressed.
- c) The Council should add an 'actual spend' column in the budget papers. This is being addressed.
- d) The Council should ensure the precept decision and amount is Minuted. This has been addressed in relation to the 2018/19 Precept.
- e) The Council should use the correct method for writing-back unrepresented cheques. This is being addressed.

13.4 The Internal Auditor for the 2017/18 year was appointed by the Council at the meeting held on 15 February 2018 (Minute 13 refers).

14. External Audit (*Recommendations put forward or comments made following the annual review*)

14.1 The report by BDO LLP, the External Auditors, following their review of the Accounts for the previous year (2016/17) was considered by the Council at its meeting on 12 October 2017 (Minute 7 refers). The External Auditors had provided a Qualified Opinion and had raised the following issues in their report:

- a) The Council had not Minuted its review of the effectiveness of Internal Control including its risk assessment during the year;
- b) The value of Fixed Assets included in Box 9 of Section 2 of the Annual Return did not agree to the Asset Register;
- c) Some standard information had not been submitted to the External Auditor.

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 11 May 2017, within the required time-scale. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

15.2 I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.

Trevor Brown

**Trevor Brown, CPFA
Internal Auditor**

28 April 2018