

## **Report to Three Saints South Elmham 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 robust 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 in place within the Council.

1.2 By examination of the 2017/18 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), satisfactorily undertook 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:

<i>Total Receipts in the year:</i>	<i>£3,562.11</i>
<i>Total Payments in the year:</i>	<i>£2,876.08</i>
<i>Total Balances at year-end:</i>	<i>£6,240.09</i>

1.4 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined and the following figures agreed with the Clerk for inclusion 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: £5,554</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £3,200</i>
<i>Total Other Receipts:</i>	<i>Box 3: £362</i>
<i>Staff Costs:</i>	<i>Box 4: £1,560</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £1,316</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £6,240</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £6,240</i>
<i>Total fixed assets:</i>	<i>Box 9: £11,139</i>
<i>Total borrowings:</i>	<i>Box 10: £0</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 in accordance with the Audit Plan. 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 presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cash Book.

2.2 The Cashbook Spreadsheet is 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 all were found to be in order; supporting vouchers, invoices and receipts were in place.

**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 are in place; they were reviewed by the Council at its meeting on 8 November 2017 (Minute 6f refers).

3.2 Financial Regulations are in place and were also reviewed by the Council at the meeting on 8 November 2017 (Minute 6c refers).

3.3 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year

3.4 Relatively small amounts of VAT are normally paid in a year. A claim to HMRC of £72.71 VAT paid during the period 1 November 2016 to 31 March 2018 was submitted to HMRC on 9 April 2018.

3.5 The Council is not currently registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services. The Council intends to register with effect from May 2018 as part of the process of complying with the introduction of the General Data Protection Regulations from 25 May 2017.

3.6 The Council re-adopted the Suffolk Local Code of Conduct at a meeting held on 8 November 2017 (Minute 6b 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 and Risk Management documentation was reviewed and approved by the Council at its meeting on 8 November 2017 (Minute 6e refers).

4.2 The Council's Internal Control Statement (including internal control arrangements and Internal Audit procedures) was reviewed by the Council at the meeting on 14 March 2018 (Minute 7 refers).

4.3 Accordingly, the Council complied with the Accounts and Audit Regulations 2015 which require 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.

4.4 Insurance was in place for the year of audit. The Council approved the insurance renewal premium at the meeting held on 8 November 2017 (Minute 5a refers). The Public Liability cover stands at £10m. The Employee Dishonesty (Fidelity Guarantee) cover stands at £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: £3,200 (Meeting on 9 November 2016, Minute 7c refers)

Precept 2018/19: £3,200 (Meeting on 8 November 2017, Minute 5e refers)

5.1 The Precepts were agreed in full Council. Budget papers are prepared to ensure that Councillors have sufficient information to make informed decisions. The Budget for the year 2018/19 formed part of the approved Minutes of the Council and displays the amount of the Precept for the 2018/19 year.

5.2 Good budgetary procedures are in place. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The estimates for the 2018/19 year can be used effectively for financial control and budgetary control purposes.

5.3 Detailed budgetary position statements (budget reports) are presented to meetings of the Council.

5.4 The Clerk ensures the Council is aware of 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 £6,240.09, of which £4,472.41 has been earmarked as follows:

- (a) Common Maintenance (£2,500)
- (b) By-Election (£1,000)
- (c) CIL Fund (£505.76)
- (d) Transparency Grant (£466.65)

5.6 The general reserve of £1,767.68 held at 31 March 2018 is in line with the generally accepted position that non-earmarked revenue reserves should usually be between six and twelve months of gross expenditure or 50% of the precept.

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

6.1 Receipts recorded in the Cash Book were cross referenced with the Council's Bank Statements and were 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; a satisfactory expenses system is in place, with cheques being made out for expenses incurred.

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

8.1 The Council is registered with HMRC and the payroll is operated in accordance with HMRC requirements. A contract of Employment for the Clerk/RFO is in place. A copy of the End of Year Certificate P60 for 2017/18 was presented to Internal Audit.

8.2 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 25 January 2018 that the Council has completed a declaration of compliance under the Pensions Act 2008.

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

9.1 A Fixed Asset Register is in place. The Register was reviewed and re-adopted by the Council at its meeting on 8 November 2017 (Minute 6a refers).

9.2 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at insurance/cost value with a total value of £11,139 as at 31 March 2018.

This overall value has been correctly entered into Box 9 of Section 2 of the 2017/18 Annual Return (AGAR).

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

10.1 The Barclays Current Account and Business Saver Account bank statements as at 31 March 2018 reconciled with the End-of-Year Accounts and agreed with the Bank Reconciliation.

**11. 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*).**

11.1 End-of-Year Accounts are prepared on an Income & Expenditure basis and were in good order. Sample audit trails were undertaken and were found to be in order.

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

12.1 Under the provisions of the Transparency Code, Three Saints South Elmham Parish Council can be designated as a 'Smaller Council'.

The Council's web-site is: <http://threesaintssouthelmham.onesuffolk.net/parish-council/>

*Smaller Councils should publish on their website:*

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

12.2 The Council is meeting the requirements of the Transparency Code.

12.3 The Council received a Transparency Code Grant of £120 in the year of account (reported to Council on 13 September 2017, Minute 6b refers) to assist with the maintenance of the Council's web-site.

**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 provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 Cheque Book counterfoils and invoices for payment are initialled by cheque signatories. A schedule of proposed payments and income received is presented to each Council meeting as part of the Council's overall Financial control framework.

13.3 The Internal Audit for the previous year (2016/17) was undertaken by Heelis & Lodge and was reported to Council at its meeting on 17 May 2017 (Minute 7a refers). The following recommendations were included in the report:

- a) The Cashbook and the End-of-year Accounts should be amended to display the written-off cheque 100568 for £40.00 as a deduction from the Payments in the year. This was subsequently addressed.
- b) The Cashbook, the End-of-year Accounts and Annual Return should be amended, as necessary, to include any bank account transactions during the period 30 September 2016 to 31 March 2017 in respect of the Business Premium Account. This was subsequently addressed.
- c) The Council's Standing Orders and Financial Regulations should be up-dated during 2017/18 to include reference to the Public Contract Regulations 2015. This was addressed by the Council at its meeting on 12 July 2017 (Minute 6 refers).
- d) The Assets Register should be examined to ensure that the correct values are placed against each asset recorded. This has been addressed.
- e) The Bank Reconciliation should be amended, if necessary, to ensure that the Bank Reconciliation reflects the actual bank balances at the Year-End 31 March 2017. This matter was addressed.

13.4 The Internal Auditor for the 2017/18 year was formally appointed by the Council at its meeting on 14 March 2018 (Minute 6b refers).

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

14.1 The External Audit Report for the previous year (2016/17) was considered by the Council at its meeting on 8 November 2017 (Minute 5d refers). No issues were raised by the External Auditor other than the inclusion of a note for the reader of the accounts to explain the movement in fixed assets.

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 17 May 2017. The first item of formal business was the Election of Chairman, in accordance with the Local Government Act 1972.

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

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**17 April 2018**