

Report to Three Saints South Elmham Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2019

1. Summary

1.1 During the 2018/19 year the Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. The Council has appropriate 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 2018/19 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>£3,275.45</i>
<i>Total Payments in the year:</i>	<i>£2,953.13</i>
<i>Total Balances at year-end:</i>	<i>£6,562.41</i>

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk for inclusion in Section 2 Accounting Statements 2018/19 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2018):</i>	<i>Box 1: £6,240</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £3,200</i>
<i>Total Other Receipts:</i>	<i>Box 3: £75</i>
<i>Staff Costs:</i>	<i>Box 4: £1,643</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £1,310</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £6,562</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £6,562</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 2018/19 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 Bookkeeping (examination of entries in the Cashbook, 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 Cashbook.

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 was found to be in order.

3. Governance, Standing Orders and Financial Regulations *(examination of Standing Orders and Financial Regulations, 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 The updated model Standing Orders, produced by the National Association of Local Councils (NALC), were considered and adopted by the Council at its meeting on 10 September 2018 (Minute 5a refers). Standing Orders were also reviewed and re-adopted by the Council at the meeting on 13 March 2019 (Minute 6h refers).

3.2 Financial Regulations are in place and were reviewed and re-adopted by the Council at the meeting on 13 March 2019 (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. The re-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 and received at bank on 2 May 2018.

3.5 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under Data Protection legislation (Registration ZA362897, expiring 21 May 2019, refers). The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of Data Protection policies, procedures and documentation, including a Data Information Audit Policy, Data Protection Privacy Policy, a Staff, Councillors and Role Holders Privacy Notice and a GDPR Awareness Checklist for Councillors, all of which were considered and approved at the meeting held on 11 July 2018 (Minute 7 refers).

3.6 The General Data Protection Privacy Policy and the Freedom of Information Publication Scheme Policy were reviewed and re-adopted by the Council at its meeting on 13 March 2019 (Minutes 6e and 6d refer).

3.7 The Council also re-adopted the Suffolk Local Code of Conduct at the meeting held on 13 March 2018 (Minute 6b refers).

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

4.1 The Council's Internal Control Statement (including internal control arrangements and Internal Audit procedures) was reviewed by the Council at the meeting on 13 March 2019 (Minute 6f refers).

4.2 The Council's Risk Assessment and Risk Management documentation was also reviewed and re-adopted by the Council at its meeting on 13 March 2019 (Minute 6g refers). The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified.

4.3 The Council accordingly 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 14 November 2018 (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 2018/19: £3,200 (Meeting on 8 November 2017, Minute 5e refers)

Precept 2019/20: £3,000 (Meeting on 14 November 2018, Minute 5b 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 2019/20 formed part of the approved Minutes of the Council and displays the amount of the Precept for the 2019/20 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 2019/20 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 At its meeting on 12 September 2018 the Council agreed to set up a Strimmer Reserve of £500 (Minute 6 refers). As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The overall Reserves at the year-end totalled £6,562.41, of which £4715.61 has been earmarked as follows:

- (a) Common Maintenance (£2,500)
- (b) Election (£1,000)
- (c) CIL Fund – for Defibrillator (£248.96)
- (d) Transparency Grant (£466.65)
- (e) Strimmer (£500)

5.6 The general reserve of £1,846.80 held at 31 March 2019 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 Cashbook 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; an expenses system is in place, with cheques being made out for expenses incurred.

8. Payroll controls *(PAYE and NIC in place; Compliance with HMRC 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 2018/19 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 and valuation *(Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover)*

9.1 An Asset Register is in place. The Register was reviewed and re-adopted by the Council at its meeting on 13 March 2018 (Minute 6a refers).

9.2 The Asset 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 a total value of £11,139 as at 31 March 2019 (unchanged from the end of the previous year, 31 March 2018). This overall value has been correctly entered into Box 9 of Section 2 of the 2018/19 AGAR (Annual Return).

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

10.1 The Barclays Community (Current) Account and Business Premium Savings Account bank statements as at 31 March 2019 reconciled with the End-of-Year Accounts and agreed with the overall 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 a Receipts and Payments 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: 2017/18 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2017/18 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report within 2017/18 AGAR Annual Return. Published on website.*
- e) *List of councillor or member responsibilities. Published on website.*
- f) *The details of public land and building assets (Asset Register). Published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

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

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/vouchers 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 Report for the year 2017/18 was reported to Council at its meeting on 16 May 2018 (Minute 6a refers). No matters of concern were raised in the Report.

13.4 The Internal Auditor for the 2018/19 year was formally appointed by the Council at its meeting on 16 May 2018 (Minute 6c refers).

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

14.1 An External Audit was not required in the year 2017/18. At its meeting on 16 May 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 6b refers).

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 16 May 2018. 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/RFO for her assistance during the course of the audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

16 April 2019