

## **Report to Parham 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 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 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:

*Total Receipts for the year: £5,687.98*  
*Total Payments in the year: £6,409.90*  
*Total Reserves at year-end: £16,029.52 (of which £8,953.04 is earmarked)*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for display 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: £16,751</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £5,300</i>
<i>Total Other Receipts:</i>	<i>Box 3: £388</i>
<i>Staff Costs:</i>	<i>Box 4: £2,806</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,604</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £16,029</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £16,029</i>
<i>Total fixed assets:</i>	<i>Box 9: £12,681</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 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.

1

**2. Proper Accounting (*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. VAT payments are tracked and separately identified. There were no payments recorded as being made under the Local Government Act 1972 (Section 137).

2.2 The Cashbook 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/RFO. 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 Council's Standing Orders were reviewed and approved by the Council at its meeting on 8 May 2018 (Minute 16a refers). The Council's Standing Orders reflect the latest model Standing Orders put forward by the National Association of Local Councils (NALC). At its meeting on 11 September 2018 further minor revisions to the Standing Orders as suggested by NALC were approved by the Council (Minute 9 refers).

3.2 Financial Regulations are in place and were also reviewed and approved by the Council at its meeting on 8 May 2018 (Minute 16c refers).

3.3 The Council formally re-appointed Mrs Lydia Kirk as the Council's RFO at its meeting on 8 May 2018 (Minute 8 refers).

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

3.5 The Council demonstrates good financial and management practice by maintaining and regularly reviewing a wide range of formal written policies which are published on the Council's web-site.

3.6 The re-claim to HMRC for £334.58 VAT paid during the period 1 March 2017 to 28 February 2018 was received at bank on 9 April 2018. A further re-claim for £356.30 VAT paid during the period 19 May 2018 to 31 August 2018 has since been submitted on-line to HMRC.

3.7 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 ZA240629, expiring 14 March 2020 refers). The Clerk/RFO

has kept the Council advised regarding the implications of the General Data Protection Regulations (GDPR) and the Council adopted a Privacy Notice (the meeting on 8 May 2018, Minute 18 refers) and conducted a data audit (the meeting on 10 July 2018, Minute 7 refers) in this respect.

3.8 At its meeting on 8 May 2018, 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 17 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 Statement of Internal Control was reviewed by the Council at its meeting on 8 May 2018 (Minute 16 refers) and was considered by the Council to be fit for purpose and effective.

4.2 The Council's Risk Assessment document was reviewed and approved by the Council at its meeting on 8 May 2018 (Minute 16e refers). At its meeting on 10 July 2018 the Council approved the Risk Assessment with additions regarding the Village Sign (Minute 9 refers).

4.3 The Council accordingly complied with the Accounts and Audit Regulations 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 Whilst the Council's Risk Assessment is a comprehensive document, it is focused closely upon the Council's assets and their locations (North Green, Mill Green, Silverlace Green, Ponds, Bus Shelters, Village Sign, St Mary's Churchyard, Benches, Noticeboards and the activities of the Bio-Diversity Action Group). The Risk Assessment currently does not include some risks attached to financial operations. Accordingly, it is recommended that the Council considers expanding the Risk Assessment to include financial risks and the actions in place to mitigate those risks. The Internal Auditor has provided the Clerk/RFO with specimen 'Financial Risk Assessment' documents which can be considered and tailored to the Council's requirements at the next Risk Management review.

4.5 Insurance was in place for the year of audit. The Clerk reported upon the insurance renewal at the Council meeting held on 11 September 2018 and payment of the renewal premium of £423.90 was approved. The Council considered the insurance schedule provided by Came and Company and agreed it was suitable for the Council's needs (Minute 10 refers). Public Liability cover stands at £10m. The fraud and dishonesty (fidelity guarantee) cover stands at £150,000, 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: £5,300.00

Precept 2019/20: £5,700.00

5.1 The Precept for 2018/19 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 9 January 2018, Minute 10 refers).

5.2 Similarly, the Precept for 2019/20 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 1 November 2018, Minute 10 refers).

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions. The Clerk/RFO provides quarterly reports to Council detailing spending compared to budget.

5.4 The Council has sound budgetary procedures in place. The Clerk/RFO presents quarterly reports on spending compared with the budgeted figures (Council meeting on 8 January, Minute 8e refers).

5.5 The proposed budget for 2019/20 was discussed at the Finance Committee on 9 October 2018 and agreed by full Council at its meeting on 11 November 2018 (Minute 9 refers).

5.6 Examination of the accounts and supporting documentation confirmed that the Council prepares detailed estimates of the annual budget and of receipts and payments. The estimates can be used effectively for financial control and budgetary control purposes during 2019/20.

5.7 As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £16,029.52, of which £8,953.04 is earmarked as follows:

Election Fund;	£300.00
Closed Churchyard:	£192.00
Emergency Fund	£900.00
Bio Diversity Fund	£7,561.04

5.8 The General Reserves totalled £7,076.48 as at 31 March 2019 and are only marginally above the generally accepted best practice that non-earmarked revenue reserves held should 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, Parham Parish Council can be designated as a 'Smaller Council'.

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

Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Yes, payments included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2017/18 AGAR Annual Return Section One. Yes, published on website.*
- c) *End-of-Year accounts: 2017/18 AGAR Annual Return, Section Two. Yes, published on website.*
- d) *Annual Internal Audit report: 2017/18 within AGAR Annual Return. Yes, published on website.*
- e) *List of councillor or member responsibilities. Yes, published on website.*
- f) *The details of public land and building assets (Asset Register). Yes, published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Yes, published on website.*

8.2 The Council is complying with the requirements of the Transparency Code.

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

9.1 Payroll Services are being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. Detailed pay-slips are produced; PAYE is in operation with payments being made to HMRC. A copy of the End-of-Year form P60 for the Clerk/RFO was presented to Internal Audit.

9.2 At its meeting on 8 January 2019 the Council formally approved the Clerk/RFO's revised rate of pay from April 2019 in line with the NALC recommendations and in accordance with the Clerk/RFO's Contract of Employment (Minute 9 refers).

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

10.1 A Fixed Asset Register is in place and displays each asset at its original purchase cost (a proxy cost is displayed in respect of Community Assets). The Register was reviewed by the Council at its meeting on 8 May 2018 (Minute 16b refers).

10.2 The total value of the Asset Register as at 31 March 2019 stood at of £12,681, unchanged from the end of the previous year. The value as at 31 March 2019 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 as at 31 March 2019 for the Barclays Business Community (Current) Account and the Barclays Business Savings (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 provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Council's bank balances, reserved fund balances, bank statements and bank reconciliations are regularly reviewed by the Council during the year and Minuted to confirm that the review has taken place. The Council's Minutes record that bank statements and bank reconciliations are reviewed and signed off by the appointed Examining Officer.

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

13.3 The Internal Audit Report for the previous year, 2017/18, was reported to the Council at its meeting on 8 May 2018 (Minute 15 refers). The Report dated 26 April 2018 noted that a number of step-change improvements had been secured during the 2017/18 year in the governance and financial controls operating within the Council and had confirmed the overall adequacy of the financial arrangements in place within the Council.

13.4 The Council formally re-appointed its Internal Auditor at its meeting on 8 May 2018 (Minute 19 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 8 May 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 14c refers).

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 8 May 2018. 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**

**14 April 2019**