

## **Report to Creeting St Mary 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. This Internal Audit review has confirmed the overall adequacy of the financial arrangements currently in place within the Council.

1.2 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.

The Accounts for the year confirm the following:

*Total Receipts for the year: £16,226.17*  
*Total Payments in the year: £12,125.40*  
*Total Reserves at year-end: £23,606.14*

1.3 The Annual Governance and Accountability Return (AGAR) 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: £19,505</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £9,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £7,227</i>
<i>Staff Costs:</i>	<i>Box 4: £3,040</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £9,086</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £23,606</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £23,606</i>
<i>Total fixed assets:</i>	<i>Box 9: £32,965</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.4 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.

1.5 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 presented. There were no payments recorded under the Local Government Act 1972 (Section 137). VAT payments are tracked and separately 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 and Financial Regulations are in place. The Council reviewed, approved and adopted the Standing Orders and Financial Regulations at its meeting on 26 March 2018 (Minute CSM183/17/18 d refers).

3.2 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council.

3.3 A claim for £845.16 VAT payments made during the period 1 April 2017 to 31 March 2018 was submitted to HMRC on 12 April 2018.

3.4 The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services (Registration ZA057299, expiring 30 July 2018 refers).

3.5 At its meeting on 6 July 2015 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.

**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 Internal Audit Control Measures and Risk Management Arrangements document was reviewed and approved by the Council at its meeting on 26 March 2018 (Minute CSM183/17/18c refers). The Risk Assessment and Management (financial) document was also reviewed at the meeting. The documents provide an analysis of the financial risks faced by the Council and the control

measures in place to mitigate the risks identified. **It is recommended that the current risk assessment documents are expanded to include non-financial risks (for example the risks at the Play Areas) in order that all risks can be formally considered by the Council during the year.**

4.2 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.

4.3 The Council received a Play Equipment Inspection Report at its meeting on 9 January 2018. The Council noted that the findings had not greatly changed in terms of risk from the previous inspection carried out a year earlier and that one finding, missing bolts from the goal posts, would be actioned (Minute CSM145/17/18 refers).

4.4 The Council also receives regular reports of inspections taking place at the Blacksmiths' Field including a checklist of current condition of equipment and any action proposed/taken.

4.5 Insurance was in place for the year of account. The Council approved the insurance renewal for the forthcoming year at the meeting held on 17 October 2017 (Minute CSM95/17/18iii refers). Public Liability cover stands at £10m. The fraud and corruption (fidelity guarantee) cover stands at £25,000, which is marginally lower than 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 (£28,356 as at 31 March 2018). **It is recommended that the Fidelity Guarantee cover is examined as part of the Council's risk management reviews undertaken during the year.**

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

Precept 2017/18: £9,000.00

Precept 2018/19: £9,500.00

5.1 The budget for 2017/18 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council meeting on 12 December 2016, Minute 8 iii refers).

5.2 Similarly, the Budget for 2018/19 was agreed in full Council on 9 January 2018 and the precept decision and amount has been clearly Minuted (CSM136/17/18 iv and v refer).

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. The Council has sound budgetary procedures 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 were used effectively for financial control and budgetary control purposes.

5.4 The Clerk/RFO presents statements to the Council which compares the budget for the year against actual income and expenditure.

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 £23,606.14 (of which £5,982.53 are earmarked). The reserves are appropriate; 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 Cash Book were cross referenced with the Council's Bank Statements on a sample basis 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.

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

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

8.2 The Council's web-site is: <http://www.creeting-st-mary.suffolk.gov.uk/parish-council/>

*Smaller Councils should publish on their website:*

- a) *All items of expenditure above £100. Yes, payments are included in the published Minutes.*
- 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: 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 complies with the requirements of the Transparency Code.

8.4 The Council received an amount of £450 from the Transparency Fund to assist towards implementation of the Code (reported to Council on 25 May 2017, Minute CSM20/17/18 v refers).

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

9.1 The Council is registered with HMRC and the Payroll is being operated in-house in accordance with HMRC requirements.

9.2 With regard to the workplace pensions legislation, the Council wrote to the Clerk/RFO on 2 July 2017 outlining the scheme and the criteria and confirmed that Mrs Blackburn did not become a member of the scheme automatically but had the option to join the scheme. Mrs Blackburn decided not to join the scheme.

**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 total value of £32,964.59 is an increase of £195.82 over the value as at 31 March 2016 (£32,768.77) and reflects the acquisition of a bench and the disposal of a printer in the year of account.

10.2 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 purchase cost (where known) or a community value of £1 in appropriate cases. The value has been correctly entered into 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, the TSB Business Current Account and the two TSB Savings Accounts reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

11.2 At its meeting on 18 July 2017 the Council confirmed that the new TSB Bank Accounts should be opened and agreed signatories (Minute CSM55/17/18 iv refers).

**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 Council receives at each meeting details of the financial position of the Council, including details of funds held and movements since the last meeting.

13.2 Cheque Book counterfoils and invoices/vouchers for payment are initialled by cheque signatories. Receipts and 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, 2016/17 was reported to the Council at its meeting on 25 May 2017 (Minute CSM20/17/18 iii refers). The Council noted the report and its recommendations, which were as follows:

- a) Payments made under the Local Government Act 1972 Section 137 should be separately identified.
- b) Minute pages should be consecutively numbered on being signed by the Chair.
- c) The Council should meet the requirements of the Transparency Code as soon as practically possible.

13.4 The Internal Auditor for the 2017/18 year was appointed by the Council at the meeting held on 19 February 2018 (Minute CSM159/17/18 v 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 17 October 2017 (Minute CSM95/17/18 iv refers). The following issues were raised by the External Auditors BDO LLP in their report:

- a) The Council had recorded some items as Section 137 payments when other statutory powers existed.
- b) The Council had not included all additions or replacements of fixed assets in Box 9 of Section 2 of the Annual Return for 2016/17.

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 25 May 2017, within the required timescale. 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**

**24 April 2018**