

## **Report to Earl Stonham 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. 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 2018/19 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), is satisfactorily undertaking the administration of the Council's financial affairs. The Clerk has achieved a step-change improvement in the Council's overall financial administration since her appointment and produces 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: £11,820,23*  
*Total Payments in the year: £10,657.51*  
*Total Reserves at year-end: £8,112.50*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO 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: £6,950</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £6,339</i>
<i>Total Other Receipts:</i>	<i>Box 3: £5,481</i>
<i>Staff Costs:</i>	<i>Box 4: £2,563</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £8,095</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £8,112</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £8,112</i>
<i>Total fixed assets:</i>	<i>Box 9: £8,207</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 All documents were very well presented for the Internal Audit review.

1.7 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 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.

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/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 with supporting invoices and vouchers in place.

2.3 Payments made under Section 137 of the Local Government Act 1972 (LGA 1972 s137) must be separately identified due to the annual statutory limit of expenditure in any one year. Following some minor amendments to the Cashbook, the End-of-Year Accounts accurately reflected the payments made under Section 137.

**3. Governance, Standing Orders and Financial Regulations (examination of Standing Orders, 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 Standing Orders and Financial Regulations are in place. The Council reviewed, approved and adopted both Standing Orders and Financial Regulations at the meeting on 4 March 2018 (Draft Minute ES139/18/19a refers).

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

3.3 A re-claim to HMRC of £1,102.16 VAT paid during the period 1 April 2017 to 31 March 2018 was received at bank on 18 May 2018 and reported to Council at the meeting on 2 July 2018 (Minute ES46/18/19c refers). A re-claim for the £511.02 VAT paid in the year 2018/19 was submitted to HMRC on 29 April 2019.

3.4 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA291180, expiring 9 November 2019 refers).

3.5 The Clerk/RFO has advised the Internal Auditor that the Council has adopted the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. The Clerk/RFO advised that

the Code of Conduct is due to be brought to first meeting of new Council in May 2019 for review and re-adoption.

**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 Measures and Risk Management Arrangements were reviewed and approved by the Council at its meeting on 4 March 2019 (Minute ES139/18/19a refers). The Risk Assessment and Management (financial) document was also reviewed at the meeting. The documents provide detailed analysis of the financial and other risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 The Council accordingly 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 Insurance was in place for the year of account. The Council approved the insurance renewal payment of £274.10 to CAS Business Ltd. for the forthcoming year at the meeting held on 5 November 2018 (Minute ES87/18/19c refers). Public Liability cover stands at £10m. The 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: £6,339.00

Precept 2019/20: £6,400.00

5.1 The Budget for 2018/19 was considered and agreed by the Council at its meeting on 9 November 2017 (Minute ES73/17/18 v refers). Following a minor amendment, the Final Budget was agreed by the Council at its meeting on 11 January 2018 and a Precept of £6,339 was approved and set. The precept decision and amount have been clearly Minuted (ES 96/17/18 iv and v refer).

5.2 Similarly, the Draft Budget for 2019/20 was considered by the Council at its meeting on 5 November 2018 (Minute ES87/18/19d refers); the Final Budget and a Precept of £6,400 was formally approved by the Council at its meeting on 7 January 2019. The precept decision and amount have been clearly Minuted (Minutes ES114/18/19 d and e 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. The Clerk/RFO prepared detailed estimates of the annual budget and of receipts and payments for the year 2019/20 and these

estimates can be used effectively during the year for financial control and budgetary control purposes.

5.4 The Clerk/RFO presents Budget Monitoring Reports to meetings of the Council as part of the overall budgetary control operating within the Council.

5.5 The Reserves at the year-end totalled £8,112.50 (of which £1,501.73 is earmarked). The General Reserves of £6,610.77 are in accordance with the generally accepted best practice position that non-earmarked revenue reserves held are usually equal to three to six months of contractual expenditure. As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

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

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

6.2 The Clerk/RFO advised Internal Audit that Allotment rental rates were reviewed in September 2018 and remained unchanged. An Allotments Register is in place to administer and control rents due and received.

**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, Earl Stonham can be designated as a 'Smaller Council'.

The Council's web-site is: <http://www.earlstonham.org.uk/>

8.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Yes, payments published.*
- 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 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.*

8.3 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 The Council is registered with HMRC and the Payroll is being operated in-house in accordance with HMRC requirements. The Council considered and approved the revised scale for the Clerk's salary at the meeting held on 14 May 2018 (Minute ES25/18/19v refers).

9.2 At its meeting on 4 March 2019 the Council considered the grading of the Clerk/RFO's post with reference to the national pay scales. It was noted that the Clerk/RFO had passed her Certificate in Local Council Administration and it was agreed that the post be confirmed at SCP 25 (Draft Minute ES153/18/19 refers).

9.3 With regard to the workplace pensions legislation, the Council wrote to the Clerk/RFO on 2 May 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 and 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 £8,207 as at 31 March 2019 is an increase of £27 over the value as at the end of the previous year and reflects the acquisition of Multicourt Signs 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 proxy value or nominal value in appropriate cases. The value of £8,207 has been correctly entered into Box 9 of Section 2 of the AGAR.

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

11.1 The bank statements for the TSB Treasurers (Current) Account and the TSB Business Instant Access (Savings) 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. 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, 2017/18 was reported to the Council at its meeting on 14 May 2018 (Minute ES25/18/19i refers). The Report had put forward the recommendation that the Clerk/RFO should identify all payments made under the Local Government Act 1972 Section 137 in that year of account and make suitable notation, as necessary, to the Cashbook Spreadsheet and the Receipts and Payments Account.

13.4 The Internal Auditor for the 2018/19 year was appointed by the Council at the meeting held on 4 March 2019 (Minute ES138/18/19d 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 14 May 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year.

14.2 At its meeting on 4 March 2019 the Council noted that the same arrangements would apply to the external audit for 2018/19 viz. that the Council is able to claim exemption from a Limited Assurance Review.

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 14 May 2018, 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**

**2 May 2019**