

Report to Coddenham 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 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: £64,698.81
Total Payments in the year: £59,153.62
Total Reserves at year-end: £54,802.33

1.4 The Annual Governance and Accountability Return (AGAR) to be submitted to the External Auditors 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: £49,257</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £29,342</i>
<i>Total Other Receipts:</i>	<i>Box 3: £35,357</i>
<i>Staff Costs:</i>	<i>Box 4: £14,126</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £13,152</i>
<i>All Other payments:</i>	<i>Box 6: £31,876</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £54,802</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £54,802</i>
<i>Total fixed assets:</i>	<i>Box 9: £961,744</i>
<i>Total borrowings:</i>	<i>Box 10: £105,256</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 book-keeping (examination of entries in the Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts)

2.1 The Payments List and the Receipts List (acting as the Cashbook in the year of account) are well referenced and provide a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO.

2.2 The Payments List displays an overall total of £59,153.62 and the Receipts List a total of £64,698.81; both were correctly included in the Bank Reconciliation as at 31 March 2019. VAT inputs and outputs are tracked and identified within the Lists.

2.3 A sample of transactions within the Payments List was closely examined and explanation and clarification, as necessary, obtained from the Clerk/RFO. All was found to be in order, with supporting vouchers/invoices in place.

2.4 Payments under Section 137 must be separately identified due to the annual statutory limit of such expenditure in any one year. No such payments are recorded as being made under the Local Government Act 1972 Section 137 in the year of account.

2.5 The Receipts List is well referenced; a sample of transactions was examined to verify that the details listed provided an adequate audit trail back to the End-of-Year Accounts and the Bank Statements.

2.6 A Statement of Variances has been completed by the Clerk/RFO explaining, where required, any significant differences in the end-of-year figures in the AGAR compared to the comparative figures in respect of the previous year.

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 are in place. At the Council's meeting on 19 April 2018 the Clerk/RFO reported that the National Association of Local Councils (NALC) had published updated Model Standing Orders (2018) and he recommended the Council should adopt these (as amended to incorporate the changes previously agreed by the Council). The Council agreed to adopt the new Standing Orders as presented to the Council (Minute 531/8 refers).

3.2 Financial Regulations are in place. At the meeting held on 19 April 2018 the Council agreed to re-adopt the Financial Regulations as presented to the Council (Minute 531/8 refers).

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

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 under Data Protection legislation (Registration ZA102540 refers, expiring 28 April 2020). The Clerk/RFO has kept the Council advised of the requirements of the General Data Protection Regulations (GDPR). At the Council's meeting on 24 May 2018 the Clerk/RFO presented a review of the work required to ensure that the Council is compliant with GDPR and was asked to draft the appropriate policy documents for Council's consideration. This is an outstanding matter as the Clerk/RFO has had insufficient time to complete the tasks involved.

Recommendation 1: The Council should ensure as soon as practically possible that all necessary data protection policies and procedures are in place to ensure that the Council is compliant with the requirements of the General Data Protection Regulations.

3.5 The item 'Protecting your Information (Data Protection)' displayed on the Council's website is now out-of-date.

Recommendation 2: The 'Protecting your Information (Data Protection)' item on the Council's website should be up-dated to reflect the requirements of the General Data Protection Regulations (GDPR); the Council's approved Data Protection Policies should be attached to the up-dated item.

3.6 The Council demonstrated good practice in the year of account by adopting a number of formal Policies and Procedures. At its meeting on 24 May 2018 the Council considered and adopted a Complaints Procedure, a Press and Media Enquiries Policy and a Safeguarding Policy, all of which have been published on the Council's website.

3.7 The Council reviewed and re-adopted the Suffolk Local Code of Conduct at the meeting held on 24 May 2018 (Item 4 refers). A copy of the Code has been published on the Council's website.

3.8 VAT Returns were submitted regularly and promptly to HMRC during the year, covering the period 1 April 2018 through to 31 December 2018. A claim for the VAT paid during the period 1 January 2019 to 31 March 2019 was submitted by the Clerk/RFO to HMRC on 8 April 2019.

3.9 At the Council meeting held on 27 November 2018 the Clerk/RFO reported on the Community Infrastructure Levy (CIL) for the year 2018/19 to date and the Council confirmed the distribution of funds (Minute 10 refers). A CIL Statement confirming the position as at 31 March 2019 will need to be prepared and submitted to the District Infrastructure Team no later than 31 December 2019.

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

4.1 The Risk Assessment and Internal Control documents were reviewed by the Council at its meeting on 19 April 2018 (Minute 8 refers). The document identifies the risks to the Council, the risk level and the internal controls in operation to manage and mitigate the risks identified.

4.2 The Council accordingly complied with Section 4 of the Accounts and Audit Regulations 2015 which require that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, and the Minutes of the Council must formally record that the review has taken place.

4.3 The annual independent Play Area inspection was undertaken by The Play Inspection Company on behalf of Mid Suffolk District Council on 22 September 2018. The Annual Play Inspection Report for the Recreation Ground Play Area was received by the Council at its meeting on 27 November 2018; the Council agreed the actions required to be taken in response to the Report (Minute 560/17 refers).

4.4 Insurance was in place for the year of audit. At its meeting on 24 May 2018 the Council reviewed the arrangements for insurance cover. The Council received copies of the insurance certificate and schedule of cover, in force from 1 October to 30 September each year. The policy is discounted on a 5-year long-term agreement which ends in September 2020. The Council noted that the Fidelity Guarantee cover is set at £100,000 (Minute 542/14 refers) which is in line with the recommended guidelines of year end balances plus 50% of the precept/grants. Public Liability cover stands at £10m.

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

Precept 2018/19: £29,342 (Council meeting on 30 January 2018, Minute 526/3).

Precept 2019/20: £30,872 (Council meeting on 27 November 2018, Minute 558/7).

5.1 The Precept decisions and amounts have been clearly Minuted. Comprehensive budget preparation procedures are in place. The Clerk/RFO ensures that the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. The Finance and Budget Working Group (FBWG) considered the Budget for 2019/20 in detail and the Group's recommended Precept of £30,872 for 2019/20 was agreed by the Council at its meeting on 27 November 2018.

5.2 Budget papers were prepared to ensure Councillors had sufficient information to make informed decisions. 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 for the 2019/20 year can be used effectively for financial control and budgetary control purposes during that year of account.

5.3 The Council had satisfactory budgetary control measures in place during the past year, 2018/19. At its meeting on 19 April 2018 the Council agreed that a standard template for financial reports (with income and expenditure compared against budget) would be used for all financial reports (Minute 531/8 refers). At its meeting on 18 October 2018 the Council received reports from the Clerk/RFO regarding the FBWG's meeting on 8 October 2018, which had considered in detail the Clerk/RFO's account reports, including a summary of receipts and payments against the 6-month budget position across all cost codes and a copy of the agreed annual budget (Minute 555/15 refers).

5.4 The FBWG met on 7 January 2019 to consider the Council's accounts to the third quarter, including a summary report of all transactions to the 31st December, a code transfer report detailing the adjustments made for Hall costs, and a copy of the current year's annual budget, for reference; Bank Statements and a bank reconciliation up to the end of the 3rd quarter and details of the VAT account for the third quarter. The Council demonstrates good financial practice through the Working Group's detailed examination of these key elements of financial control.

5.5 As at 31 March 2019 the overall Reserves stood at £54,802, of which £44,001.57 was in the Council's General Reserve Account. At the Council's meeting on 18 April 2019 the Clerk/RFO reported upon the level of General Reserves and explained that at the end of the previous year (31 March 2018) the General Reserve Account stood at £8,905.57. On 10 October 2018 the amount of £35,000 was transferred from the Current Account to the Reserve Account, which, (with interest) then brought the reserve account balance to £43,917.38 and, with further interest received, to £44,001.57 at 31 March 2019

5.6 As at 31 March 2019 the Council held sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

6.1 Sample audit trails were undertaken using the details displayed in the Receipts List. Overall income controls were reviewed on a test-check basis; a sample of income received was cross referenced with the bank statements supporting paperwork available and was found to be in order.

6.2 The Council reviewed the Allotment Agreement and annual rent levels for the 2018/19 year at its meeting on 19 April 2018. The Council agreed to leave the rents unchanged (Minute 531/12 refers).

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

8.1 Payroll Services are being operated in-house; the Council operated Real Time Information during the year in accordance with HMRC regulations. A copy of the PAYE Employer Summary Statement for the year 2018/19 was made available to the Internal Auditor to confirm compliance in the year of account. PAYE payments have been made to HMRC in the year.

8.2 At its meeting on 26 June 2018 the Council considered a report on the Annual Review of Staff Salaries and Hours. The Council agreed that the Human Resources Working Group (HRWG) should be charged with a review of all staff job descriptions and that the status quo with regard to staff hours should be maintained until the review was completed. In the interim, The Clerk/RFO and Bookings Administrator/Caretaker were asked to maintain a timesheet of their workload to assist in the review. Any hours worked above the contractual hours were to be paid in accordance with existing employment contracts (Minute 547/13 refers). The Human Resources Working Group was asked to agree a form of timesheet to be used by staff; the documentation was agreed at the Council meeting in April 2019.

8.3 With regard to the legislation for workplace pensions, the Pensions Regulator confirmed on 7 March 2017 that the Council had completed a declaration of compliance with 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 At its meeting on 24 May 2018 the Council reviewed the items on the Asset Register and agreed to refer the review of the Register to the Finance and Budget Working Group for detailed consideration (Minute 542/13 refers). The Council demonstrates good financial practice by regularly examining the Asset Register, which should be undertaken at least on an annual basis with comparisons with the insurance cover to ensure all relevant assets are appropriately insured.

9.2 As at 31 March 2019 the Asset Register displays a value of £961,744, an increase of £16,637 over the value of £945,107 at the end of the previous The increase is largely due to the acquisitions listed as Gymnasium Equipment (£7,746), New Picnic Bench (£419), Speed Indicator Device (£3,071) and Marquee (£612).

9.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year on year. The Register displays the original purchase cost or, where the original purchase price is unknown

at the time of first recording on the asset register, a value is recorded which acts as a proxy for the original cost.

9.4 It is noted that a deposit of £3,873.00 plus £774.60 VAT was paid to Freshair Fitness on 21 March 2018 in respect of the purchase of Outdoor Gymnasium Equipment. The full value of these assets (£7,746) has been included in the Asset Register in the 2018/19 year of account, when the Council assumed full ownership of the assets concerned.

9.5 The £961,744 value of recoded Assets as at 31 March 2019 has been correctly recorded in Box 9 of the 2018/19 AGAR.

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

10.1 The Unity Trust Bank statements as at 31 March 2019 for the Main (Current) Account and the Reserve Account reconciled to the End-of-year Accounts and agreed with the overall Bank Reconciliation.

10.2 The Clerk/RFO presents a balanced bank reconciliation to meetings of the Council; the Clerk/RFO has advised the Internal Auditor that each reconciliation presented to Council is independently checked by a Councillor who is not a signatory.

10.3 The Unity Trust Bank statements were examined for the year of account and a sample of the listed transactions examined and vouched to the copy paid invoices as a test-check on both receipts and payments passing through the accounts. All items examined within the sample were found to be in order other than some very minor issues of low value and immaterial in the context of the overall accounts.

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. Internal Audit Procedures (*That the Council has satisfactory internal financial controls in place and any previous recommendations implemented*)

12.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides detailed financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions.

12.2 The Council receives Quarterly Reports of Accounts, following each meeting of the Finance and Budget Working Group. The Council continues to receive at each meeting details of sums held in bank balances and a Councillor reviews the balances

of the bank accounts and certifies them as having been reconciled to the Accounts. A copy of Bank Reconciliations and the related Bank Account Statements are published on the Council's website to provide transparency in respect of the financial control arrangements in place.

12.3 The Council confirmed four Councillors as Authorised Signatories at the meeting on 24 May 2018 (Minute 10 refers). The Council has previously approved the Clerk/RFO's level of signatory clearance as being to View, Submit and Authorise payments. The Clerk/RFO has advised the Internal Auditor that any such authorisations by the Clerk/RFO would subsequently require two Councillors, as Authorised Signatories, to confirm the transactions for payment.

12.4 The previous Internal Audit Report (for the 2017/18 year) was received by the Council at its meeting on 24 May 2018 (Minute 541/5 refers). The Report put forward a recommendation that the Council should continue to monitor the level of General Reserves available in order to ensure that sufficient reserves and contingency sums are available to meet, within reason, any unforeseen items of expense that may occur. This matter is being addressed by the Council (see item 5.5 above).

12.5 The Internal Auditor for the 2018/19 year was formally appointed by the Council at its meeting on 24 May 2018 (Minute 541/6 refers).

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

13.1 The Council received the Report and Certificate from the External Auditors, PKF Littlejohn, for the previous year (2017/18) at its meeting on 11 September 2018 (Minute 551/8 refers). No matters of concern had been raised by the External Auditors.

14. Additional Comments

14.1 The Annual Meeting of the Council was held on 24 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.

14.2 I would like to record my appreciation to the Clerk to the Council for his assistance during the course of the audit work.

14.3 On 8 May 2019 the Internal Auditor received correspondence from two Parish Councillors who expressed concerns regarding the governance and financial controls operating within the Council and specifically relating to the role of the Clerk/RFO in this respect. On 13 May 2019 the Chairman gave authority for expenditure to be incurred up to £250 for the Councillors' questions to be examined. In view of the time limit set for the completion of this End-of-Year Internal Audit Report (in order that it may inform the Council in its consideration and completion of the 2018/19 AGAR Sections 1 and 2) it has not been possible to examine these questions in detail; in any event, the examination will need to take account of any comments and

observations to be given to the Internal Auditor by the Clerk/RFO on each of the points raised, before responding formally to the Council. The further review is programmed to take place after the Council's meeting on 21 May 2019, which provides the Council the opportunity to confirm its requirements in this respect, provide specific Terms of Reference and provide a contact point after the departure of the current Clerk/RFO from the Council's employment.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

15 May 2019