

## **Report to Coddenham 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. The Internal Audit review has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.2 By examination of the 2017/18 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: £77,455.30*  
*Total Payments in the year: £59,094.28*  
*Total Reserves at year-end: £49,257.14*

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 2017/18 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2017):</i>	<i>Box 1: £30,896</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £56,622</i>
<i>Total Other Receipts:</i>	<i>Box 3: £20,833</i>
<i>Staff Costs:</i>	<i>Box 4: £14,267</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £13,152</i>
<i>All Other payments:</i>	<i>Box 6: £31,675</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £49,257</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £49,257</i>
<i>Total fixed assets:</i>	<i>Box 9: £945,107</i>
<i>Total borrowings:</i>	<i>Box 10: £113,349</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 2017/18 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 Cash Book, 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.

2.2 The Payments List displays an overall total of £59,094.28 and the Receipts List a total of £77,455.30; both were correctly included in the Bank Reconciliation as at 31 March 2018. VAT inputs and outputs are tracked and identified within the Lists.

2.3 A sample of transactions within the Payments List was closely examined; all was found to be in order, with supporting vouchers/invoices in place.

2.4 There was no record of any payments 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.

**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 The Council's Standing Orders were reviewed and up-dated by the Council at the meeting held on 14 March 2017 (Minute 501/7 refers). The Standing Orders were amended by the Council at the meetings held on 5 September 2017 (Minute 516/8) and 28 November 2017 (minute 520/7).

3.2 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).

3.3 Financial Regulations were reviewed and up-dated by the Council at the meeting held on 14 March 2017 (Minute 501/7 refers) to reflect the latest NALC model documents and to include changes in the Public Contracts Regulations. The Regulations were amended by the Council at the meeting held on 27 June 2017 (minute 509/13). 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).

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

3.5 The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services under Data Protection legislation (Registration ZA102540 refers, expiring 28 April 2019).

3.6 The Council adopted the Suffolk Local Code of Conduct at a meeting held on 19 March 2015 (copy on Council's web-site: <http://coddenham.onesuffolk.net/>).

3.7 VAT Returns were submitted regularly and promptly to HMRC during the year, covering the period 1 January 2017 through to 31 December 2017. A claim for the VAT paid during the period 1 January 2018 to 31 March 2018 was submitted by the Clerk to HMRC on 9 April 2018.

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

4.1 The Council reviewed and adopted the Risk Assessment and Management Strategy document at its meeting on 5 September 2017 (Minute 517/12 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 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.

4.3 The annual independent play area inspection was undertaken by Mid Suffolk District Council on 2 August 2017. The Annual Inspection Report for the Recreation Ground Play area was received by the Council at its meeting on 12 October 2017 (Minute 520/8 refers)

4.4 Insurance was in place for the year of audit. The Public Liability cover was £10m. The Fidelity Guarantee cover of £100,000 was in line with the recommended guidelines of 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 2017/18: £56,622 (Council meeting on 15 December 2016, Minute 490/6).

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

5.1 Comprehensive budgetary procedures are in place. The precept decisions and amounts have been clearly Minuted. The Clerk ensures that the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves.

5.2 At the meeting held on 28th November 2017 the Council resolved to set the precept for 2018/19 at £42,494. However, following the Day Foundation Trustees accepting the Council's application for a grant of £13,152, equivalent to the principal and interest payments required to meet the Parish Council's 2018/19 commitment to the Public Works Loan Board, the previously projected figures for the Community Hall budget was reduced from £23,186 to £10,034, resulting in a revised precept requirement of £29,342.

5.3 Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions. 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 can be used effectively for financial control and budgetary control purposes.

5.4 As at 31 March 2018 the overall Reserves stood at £49,257; most of those funds have been allocated into various 2018/19 budget headings, leaving a General Reserve Fund of £7,417. It is generally accepted that non-earmarked revenue reserves held should usually lie between three and twelve months of gross expenditure or 50% of the precept normally applied in the year.

**5.5 It is recommended 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.**

**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's Allotment Agreement and annual rent levels were reviewed by the Council at its meeting on 14 March 2017. The Council agreed an amended Agreement to operate from April 2017 and an overall increase in allotment rents (Minute 501/8 refers). The Council also 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, with vouchers and receipts supporting the expense claims.

**8. Payroll controls (*PAYE and NIC in place; Compliance with Inland Revenue 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. P60 End of Year Certificates were made available to Internal Audit to confirm compliance in the year of account. PAYE payments have been made to HMRC in the year.

8.2 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 & 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 and displays a value of £945,106.99, an increase of £4,000 over the value at the end of the previous year. The increase is due to an amount of £4,000 being entered into the Register for Love Lane Allotments, for which a value had not previously been included. The Asset Register is programmed for review at a forthcoming meeting of the Council.

9.2 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.

9.3 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 Clerk/RFO has advised the Internal Auditor that the full value of these assets will be included in the Asset Register in the 2018/19 year of account, when the Council takes ownership of the assets concerned.

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

10.1 The Unity Trust Bank statements as at 31 March 2018 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 presents a balanced bank reconciliation to each Council meeting; the reconciliation is independently checked by a Councillor who is not a signatory.

10.3 Following the Council's resolution on 28 November 2017 (Minute 521/16) the Unity Trust Bank Accounts were consolidated into one Reserve Account and one Current Account. Two Unity Trust Bank Accounts were closed and the balances transferred to the Reserve Account (on 29 November 2017) and the Current Account

(on 2 January 2018) as reported by the Clerk/RFO to the Council on 23 January 2018 (Minute 525/14).

**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 provides detailed financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions.

12.2 At its meeting on 27 June 2017 the Council decided to receive Quarterly Reports of Accounts, following each meeting of the Finance Working Group (revised from reports at every meeting of the Council). 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.

12.3 The Council confirmed four Councillors as Authorised Signatories at the meeting on 25 May 2017 (Minute 505/9). The Clerk/RFO's level of signatory clearance was also reviewed at that meeting and the Council agreed to approve authority 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 2016/17 year) was reported to the Council at its meeting on 25 May 2017 (Minute 505/6 refers). The report raised no matters of concern.

12.5 The Internal Auditor for the 2017/18 year was appointed by the Council at its meeting on 25 May 2017 (Minute 505/8)

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

13.1 The Council received the report from the External Auditor, BDO LLP, for the previous year (2016/17) at its meeting on 12 October 2017 (Minute 520/10 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 25 May 2017, within the required timescale. The first item of business was the Election of Chairman, in accordance with 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.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**9 May 2018**