

Report to Stradbroke 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 Council maintained effective governance arrangements including a robust framework of internal control. The Council displays many examples of strong governance and good financial practice. A wide range of formally agreed written Policies and Procedures are also in place. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and that published on the Council's web-site, 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: £103,034.33
Total Payments in the year: £131,209.91
Total Reserves at year-end: £28,501.55 (of which £18,427.00 is earmarked)

1.4 The Annual Governance and Accountability Return (AGAR) to the External Auditors 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: £56,677</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £31,480</i>
<i>Total Other Receipts:</i>	<i>Box 3: £71,554</i>
<i>Staff Costs:</i>	<i>Box 4: £10,872</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £5,787</i>
<i>All Other payments:</i>	<i>Box 6: £114,551</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £28,501</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £28,501</i>
<i>Total fixed assets:</i>	<i>Box 9: £74,670</i>
<i>Total borrowings:</i>	<i>Box 10: £31,691</i>

1.5 Sections One and Two of the AGAR were approved and signed at the meeting of the Council on 9 April 2018. 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 scope previously agreed with the Council. 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 Cash Book is very well referenced and provides a clear audit trail. Supporting paperwork is in place and very well referenced. VAT payments are tracked and identified within the End-of-Year Accounts.

2.2 A sample of Cash Book transactions in the year was closely examined. All were in very good order.

2.3 The End-of-Year Accounts and supporting documentation were extremely well presented for the Internal Audit review.

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 and Financial Regulations were reviewed and approved by the Council at its meeting on 8 May 2017 (Minute 17.11 refers).

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

3.3 The Council makes regular reclaims to HMRC for VAT paid. Reimbursement from HMRC of £6,245.66 VAT paid during 2016/17 was received at bank on 10 April 2017. A further reclaimed amount of £12,713.40 VAT paid was received at bank on 7 August 2017.

3.4 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 Z8543049 refers, expiring 22 July 2018).

3.5 In accordance with the Localism Act 2011 sections 26 to 37, the Council adopted the revised Suffolk Local Code of Conduct at a meeting held on 18 May 2015 (Minute 15.10.4 refers).

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 Risk Assessment was reviewed and approved by the Council at the meeting held on 9 October 2017 (Minute 17.9 refers).

4.2 The Statement of Internal Control, including the Annual Review of Effectiveness of Internal Control, was reviewed and approved by the Council at its meeting on 12 March 2018 (Minute 17.13.1 refers).

4.3 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 the management of risk, with the review suitably Minuted.

4.4 The Council demonstrates good risk management practice, including an agenda item at meetings of the Council for the review of risk assessment issues relating to the Community Centre Play Park/Fitness Track, Westhall Play Park, Cemetery and Permissive Path.

4.5 Insurance was in place for the year of audit. The Council agreed the insurance renewal premium at its meeting on 14 August 2017. Public Liability cover stands at £10m. The Employee 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. Policies and Procedures in place

5.1 The Council has a wide range of policies and procedures in place to assist good governance and management, including those relating to the Freedom of Information, Data Protection, Protocol on Communication, Equality, Grievance & Disciplinary, Bullying & Harassment, Safeguarding and Grant Awarding Policies. These are available for public inspection on the Council's web-site: <https://www.stradbrokepc.org>

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

Precept 2017/18: £31,480 (9 January 2017, Minute 16.9 refers).

Precept 2018/19: £32,292 (8 January 2018).

6.1 The precept for the year 2017/18 was agreed in full Council and the precept decision and amount has been clearly Minuted.

6.2 Although the Minutes of the meeting held on 8 January 2018 record that the budget for 2018/19 was reviewed and agreed and refers to an attached schedule, the Minute does not record the actual amount of the precept required for the year.

6.3 The Clerk ensures the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

6.4 Good budgetary procedures are 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 are used effectively for financial control and budgetary control purposes.

6.5 The Council demonstrates good financial practice by considering on a Quarterly basis a comparative statement – the Budget to Actual Statement – for budgetary control purposes. Variances in the actual versus expenditure are noted and explanations provided for the variances in expenditure to actual and income to actual.

6.6 The Council's Reserve position was reviewed by Internal Audit. It is noted that the Council experienced significant depletion of Reserves in the year of account, largely as a result of the cost of the replacement of playpark equipment. As at 31 March 2018 overall Reserves dropped to £28,501.55 (of which £18,427.00 is earmarked for specific projects). It is generally accepted that non-earmarked (general revenue) reserves held will usually be between nine and twelve months of gross expenditure. Accordingly, the general reserve of £10,074.55 held at 31 March 2018 is considered to be low in comparison with the general level of reserves expected to be maintained.

Recommendation: The Council should consider increasing its general reserve and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

7.1 Income controls were test-checked and income received and banked was cross referenced on a sample basis with the Cash Book and bank statements.

8. Petty Cash *(Associated books and established system in place)*

8.1 No Petty Cash is held; an expenses system is in place.

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

9.1 A PAYE system is in place and the Council is operating Real Time Information in accordance with HMRC requirements. Regular National Insurance Contribution payments have been made to HMRC and detailed pay slips are produced.

9.2 At its meeting on 15 May 2017 the Council resolved to temporarily increase the Clerk's hours to 19 per week until the end of the 2017/18 financial year to cover outstanding holiday and overtime.

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 A comprehensive Asset Register is in place. The Register complies with the current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. The values are displayed at original purchase cost. Where the original purchase price was unknown at the time of first recording on the asset register, a proxy (community) value is used.

10.2 The Register displays a total value of £74,670.30 as at 31 March 2018 and reflects the acquisition of the new play equipment, public seating and defibrillator cabinet in the year 2017/18. The Assets have been correctly recorded in Box 9 of Section 2 of the Annual Governance and Accountability Return.

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

11.1 The Unity Trust Current Account and Unity Trust Deposit Account bank statements as at 31 March 2018 reconciled with the End of Year Accounts. The bank statements are regularly reconciled to the Accounts during the year.

11.2 Bank account balances are presented to the Council as a matter of routine at each meeting under the Finance item on the agenda. An appended schedule of cheques for approval and a list of receipts are also presented to Council.

11.3 At the end of the previous financial year (31 March 2017) the Council held an amount of £3,897.60 in a Unity Trust bank account on behalf of the Stradbroke Monthly Magazine. On 26 January 2018 this Unity Trust bank account was closed and the outstanding balance of £2,261.86 was transferred to an independent Stradbroke Monthly account which is not managed by the Council. The Clerk/RFO has made regular reports to Council on this matter, including confirmation of the closure of the account (Council's meeting on 8 January 2018, Minute 17.13 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. Responsibilities as a Trustee (Regarding the Council's role and responsibilities under the Charity Acts, submission of returns to Charity Commission).

13.1 The Council has no responsibilities regarding the managing of Trust funds or assets.

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

14.1 The Council has satisfactory internal financial controls in place. The Clerk provides comprehensive financial reports to Council meetings, including details of bank balances and cheques for approval and reports on actual receipts and payments compared to budget. Councillors are provided with information to enable them to make informed decisions.

14.2 Cheque book counterfoils and payment vouchers are initialled by cheque signatories and payments are on reports appended to the Council's Minutes as part of the overall financial control framework.

14.3 The Internal Audit report for the previous year (2016/17) was received and approved by the Council at its meeting on 20 April 2017 (Minute 16.6 refers). The report had put forward one recommendation regarding the valuation of assets for purposes of the Annual Return. The Council noted the point raised in the report concerning the Asset Register. The Council agreed to adjust the figure within the Annual Return. The Chair and Responsible Finance Officer duly signed the amendment.

14.4 The Internal Auditor for the year 2017/18 was appointed at the Council meeting held on 11 December 2017 (Minute 17.12.3 refers).

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

15.1 The report by BDO LLP, the External Auditors, in respect of the previous year (2016/17), raised no issues of concern.

15.2 The Council noted the External Auditors' report at its meeting on 14 August 2017 (Minute 17.13 refers).

16. Additional Comments

16.1 The Annual Parish Council meeting was held on 8 May 2017, within the required time limit. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

16.2 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

13 April 2018