

## **Report to Stradbroke 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 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 website, 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: £42,753.02*  
*Total Payments in the year: £50,508.54*  
*Total Reserves at year-end: £20,746.03 (of which £11,005.00 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/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: £28,501</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £32,292</i>
<i>Total Other Receipts:</i>	<i>Box 3: £10,461</i>
<i>Staff Costs:</i>	<i>Box 4: £15,433</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £5,787</i>
<i>All Other payments:</i>	<i>Box 6: £29,288</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £20,746</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £20,746</i>
<i>Total fixed assets:</i>	<i>Box 9: £74,670</i>
<i>Total borrowings:</i>	<i>Box 10: £26,778</i>

1.5 Sections 1 and 2 of the AGAR were approved and signed at the meeting of the Council on 8 April 2019. 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 scope previously agreed with the Council. Comments and any recommendations arising from the review are made below.

**2. Proper Bookkeeping (*examination of entries in the Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts*)**

2.1 The Cashbook 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. 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 The Council's Standing Orders and Financial Regulations were reviewed and approved by the Council at its meeting on 14 May 2018 (Minute 18.5.15 refers). The Council's Standing Orders reflect the latest model Standing Orders published by the National Association of Local Councils (NALC) in 2018. At its meeting on 10 December 2018 the Council approved an amendment to Financial Regulations to reflect the change from 'Finance Working Party' to 'Finance Committee' (Minute 18.12.14 refers).

3.2 The inaugural meeting of the Council's Finance Committee took place on 15 November 2018 (the Council previously operated a Finance Working Party). The terms of reference for the Committee were reviewed at the inaugural meeting and it was agreed to recommend those to the full Council for adoption (Minute FC.18.11.3 refers). The Council approved the Finance Committee's Terms of Reference at its meeting on 10 December 2018 (Minute 18.12.14 refers).

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

3.4 The Council makes regular reclaims to HMRC for VAT paid. Reimbursement from HMRC of £2,369.36 VAT paid during the period August 2017 to February 2018 was received at bank on 17 May 2018.

3.5 The Council is correctly 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 Z8543049 refers, expiring 22 July 2019). The Clerk/RFO has kept the Council advised during the year of the requirements of the new General Data Protection Regulations (GDPR) and at its meeting on 14 May 2018 the Council noted that there was no formal requirement to appoint a Data Protection Officer.

3.6 The Council demonstrates good practice by adopting and reviewing a wide range of formal policies and procedures, all of which provide for good governance and management within the Council. The policies include those relating to Freedom of Information, Data Protection, Protocol on Communication, Equality, Grievance & Disciplinary, Bullying & Harassment, Safeguarding and Grant Awarding Policies. All these policies and procedures are available for public inspection on the Council's web-site: <https://www.stradbrokepc.org>.

3.7 At its meeting on 11 June 2018 the Council approved the Model Publication Scheme and the Privacy Policy and e-mail disclaimer. (Minute 18.6.10 refers). Similarly, the Playing Field Policy was reviewed and adopted at the meeting held on 9 July 2018 (Minute 18.7.10 refers).

3.8 At its meeting on 12 November 2018 the Council further reviewed its Policies and Procedures and approved the following documents which had been reviewed and amended by the Personnel Committee: the Equality Policy, the Health & Safety Policy, the Safeguarding Policy and the Environment Policy (Minute 18.11.16 refers).

3.9 The Safeguarding Policy, Press and Media Policy and the Protocol on Communications were reviewed and approved by the Council at its meeting on 11 March 2019 (Minute 19.3.13 refers).

3.10 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 and the Management of Risk (*Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*)**

4.1 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 11 February 2019 (Minute 19.2.13 refers).

4.2 The Council's Risk Assessment Policy was reviewed and agreed by the Council at the meeting held on 9 July 2018 (Minute 18.7.10 (1) refers). The Risk Assessment for 2019 was reviewed and approved by the Council at its meeting on 11 February 2019 (Minute 19.2.13 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 practices, 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. Similarly, at its meeting on 9 July 2018 the Council approved the appointment of Playquip to carry out annual maintenance inspections on both play parks at Westhall and Wilby Road and noted that Mid Suffolk District Council would organise the ROSPA inspections.

4.5 Insurance was in place for the year of audit. At its meeting on 10 September 2018 the Council agreed the annual insurance renewal with Hiscox Insurance Co. Ltd. (through Came & Co.). The premium of £1,051.72 relates to the final year of a 3-year long-term agreement. 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.

4.6 The insurance premium of £398.00 for the Stradbroke Surgery was paid to Zurich Municipal Insurance on 27 March 2019.

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

Precept 2018/19: £32,292 (agreed on 8 January 2018 and the amount formally recorded at the meeting on 14 May 2018, Minute 18.5.13/2 refers).

Precept 2019/20: £33,225 (10 December 2018, Minute 18.12.11 (6) refers).

5.1 The draft budget and precept amount for the year 2019/20 was considered by the Finance Committee at its meeting on 15 November 2018 and recommendations were put forward to full Council. The Precept of £33,225 was agreed in full Council at its meeting on 10 December 2019 and the precept decision and amount has been clearly Minuted.

5.2 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. The Budget for 2019/20 was considered and approved by the Council at its meeting on 10 December 2018 (Minute 18.12.11 (5) refers).

5.3 Good budgetary control 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 for the year of account. At its meeting on 8 October 2018 the Council reviewed the half-year accounts and noted the variances against the budget (Minute 18.10.13 (3) refers). Similarly, the Council received and reviewed a report of the third quarter's actual compared to budgeted figures at its meeting on 14 January 2019 (Minute

19.1.10 (4) refers). The detailed estimates prepared for the 2019/20 year can also be used effectively for financial control and budgetary control purposes.

5.4 The Council's Reserve position was reviewed by Internal Audit. The previous Internal Audit Report had noted that as at 31 March 2018 overall Reserves had dropped to £28,501.55 (of which £18,427.00 was earmarked for specific projects) following a depletion of Reserves in 2017/18 as a result of the cost of the replacement of playpark equipment.

5.5 The Council considered the position regarding Reserve Funds during the year (the meeting on 10 December 2018, Minute 18.12.11 (4) refers). As at 31 March 2019 the overall Reserves stood at £20,746, of which £11,005 is earmarked for specific projects, as follows:

Playpark Equipment:	£739
Maintenance:	£2,484
Election Costs:	£750
Community Projects:	£650
Churchyard & Cemetery:	£4,432
Playing Field Drainage:	£1,950

5.6 The General Reserve of £9,741 held at 31 March 2019 was low in comparison with the general level of reserves expected to be maintained. It is generally accepted that non-earmarked (general revenue) reserves held will usually be approximately six months of running costs or 50% of the Precept. It is noted that the Council is working to address this issue. At its meeting on 8 April 2019 the Council approved recommendations from the Finance Committee, including virements from Reserve accounts (as per the schedule appended to the Minutes of that meeting). The recommendations agreed within the schedule are expected to enable an increase in the Parish Council's General Reserves from £9,741 to approximately £13,000 during 2019/20.

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

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

6.2 The Council considered the rent review between the Council and the Stradbroke Trust at its meeting on 22 February 2019 (Minute 19.2.25 refers). The Council held an extraordinary meeting on 27 March 2019 to review the Deed of Surrender and consider the approval of the final payments required in the 2018/19 year. The Council decided at the meeting that as this matter was now resolved and no longer commercially sensitive, the following documents (inter alia) relating to this matter would be published on the Parish Council website: Legal Opinion, Statement of Agreed Facts (and supporting documents), Lease and Deed of Surrender.

6.3 The Finance Committee noted at its meeting on 15 November 2018 that a review of cemetery fees is due (Minute FC.18.11.6 (18) refers). The Clerk/RFO has advised Internal Audit that the review is planned to take place during the 2019/20 year.

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

7.1 No Petty Cash is held; 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 A PAYE system is in place and the Council is operating Real Time Information in accordance with HMRC requirements. Regular payments for PAYE and NI were made to HMRC and detailed pay slips are produced.

8.2 At its meeting on 14 May 2018 the Council resolved to increase the Clerk's salary in line with the revised NJC pay scale issued in May 2018 (Minute 18.5.22 refers).

8.3 With regard to the Council's legislative responsibilities regarding workplace pensions, the Clerk/RFO has confirmed that no member of staff has opted to join a workplace pension scheme and there are no outstanding deadlines.

**9. Asset control and valuation (Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; checking on insurance cover)**

9.1 A comprehensive Asset Register is in place. The Register was formally approved by the Council at its meeting on 18 April 2018 (Minute 18.4.10/7 refers). There is a standing agenda item at each Council meeting which considers matters arising from the Asset Working Party. 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.

9.2 The Register displays a total value of £74,670.30 as at 31 March 2019, unchanged from the end of the previous year, 31 March 2018. The Assets have been correctly recorded in Box 9 of Section 2 of the Annual Governance and Accountability Return.

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

10.1 The Unity Trust Current Account and Unity Trust Deposit Account bank statements as at 31 March 2019 reconciled with the End of Year Accounts. The bank statements are regularly reconciled to the Accounts during the year.

10.2 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 detailing the most recent bank reconciliation, payments/cheques for approval, VAT payable, the power under which each payment is made, the balances held in Reserves and a list of receipts is also presented to each meeting of the Council. The schedule is published on the Council's web-site to provide transparency in the Council's financial transactions.

**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. Responsibilities as a Trustee (*Regarding the Council's role and responsibilities under the Charity Acts, submission of returns to the Charity Commission*)**

12.1 The Council has no responsibilities regarding the sole management of Trust funds.

**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 comprehensive financial reports to Council meetings, including details of bank balances, cheques for approval, BACS payments for online authorisation and direct debit payments. The Clerk/RFO also provides the Council with reports on the actual receipts and payments compared to budget. The Minutes of the Council confirm that Councillors note the receipts received in the previous month and the estimated reserve accounts balances held taking into account committed funds as per the schedule prepared by the Clerk/RFO. Councillors are provided with comprehensive information to enable them to make informed decisions.

13.2 Cheque book counterfoils and payment vouchers are initialled by cheque signatories. Payments are listed on reports appended to 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 received and noted by the Council at its meeting on 14 May 2018 (Minute 18.5.13/3 refers). The report had highlighted the following:

- a) The Council had experienced a significant depletion of Reserves in the year of account, largely as a result of the cost of the replacement of playpark equipment. The report had recommended that the Council should consider increasing its general reserve and contingency sums to meet, within reason, any unforeseen items of expense that may occur (this matter has since been considered by the Council; at its inaugural meeting held on 15 November 2018, the Finance Committee noted the comments made by the Internal Auditor regarding the low level of the Council's general reserves - see Item 5.6 above).
- b) The Precept amount agreed by the Council each year should be formally recorded in the Minutes of the Council (this matter has since been addressed).

13.4 The Internal Auditor for the year 2018/19 was formally appointed by the Council at its meeting on 11 March 2019 (Minute 19.3.10 (4) refers).

**14. External Audit (*Recommendations put forward, issues arising/comments made following the annual review*)**

14.1 The Council noted the Report and Certificate by the External Auditors, PKF Littlejohn LLP, at its meeting on 10 September 2018 (Minute 19.9.15 (5) refers). The External Auditors did not add to the two issues raised by the Internal Auditor in the year (see item 13.3 above).

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 14 May 2018, within the required time scale. 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**

**16 April 2019**