

## **Report to Hollesley Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2017**

#### **1. Summary**

During the 2016/17 year the Council and the Clerk have continued to establish effective governance arrangements to achieve a robust and effective framework of internal control. The Internal Audit review has confirmed that adequate overall financial arrangements are in place and the Council displays many examples of good financial practice. In the year 2016/17 the Council and the Clerk have continued to build upon the improvements in financial administration and financial control achieved during the previous year.

By examination of the 2016/17 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.

The Accounts for the year confirm the following:

*Total Receipts for the year: £40,202.20*  
*Total Payments in the year: £45,168.22*  
*Total Reserves at year-end: £38,685.29*

The Annual Return to the External Auditors was examined and the following figures agreed with the Clerk for inclusion in Section 2 - Accounting Statements 2016/17 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2016):</i>	<i>Box 1: £43,651</i>
<i>Annual Precept 2016/17:</i>	<i>Box 2: £28,200</i>
<i>Total Other Receipts:</i>	<i>Box 3: £12,002</i>
<i>Staff Costs:</i>	<i>Box 4: £6,392</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £1,303</i>
<i>All Other payments:</i>	<i>Box 6: £37,473</i>
<i>Balances carried forward (31 March 2017):</i>	<i>Box 7: £38,685</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £38,685</i>
<i>Total fixed assets:</i>	<i>Box 9: £73,947</i>
<i>Total borrowings:</i>	<i>Box 10: £7,624</i>

Sections One and Two of the Annual Return to the External Auditors, BDO LLP, are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2016/17 within the Annual Return.

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).**

The Cash Book was found to be in good order and well presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cash Book.

The Cash Book is well referenced and provides an adequate audit trail to the Bank Statements and Cheque Book stubs and the monthly financial information prepared by the Clerk. These documents provided good evidence in support of the receipts and payments in the year. Supporting vouchers, invoices and receipts covering the 2016/17 year were in place.

The Parish Council has comprehensive documentation and financial data in place and this was very well presented for the audit.

**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).**

Standing Orders and Financial Regulations are in place. Standing Orders were reviewed and amended by the Council at its meeting on 5 January 2017 (Minute 10 refers). Financial Regulations were reviewed by the Council at its meeting on 2 February 2017 (Minute 9a refers).

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

A VAT claim of £243.76 for the period 1 February 2016 to 31 July 2016 was submitted to HMRC and re-imburement from HMRC was received at bank on 16 August 2016. A further VAT claim of £4,446.53 for the period 1 August 2016 to 31 January 2017 was submitted to HMRC and re-imburement from HMRC was received at bank on 17 February 2017.

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 ZA150248 refers, expiring 16 November 2017).

The Suffolk Local Code of Conduct was reviewed and adopted by the Council at its meeting on 2 February 2017 (Minute 9b refers).

At its meeting on 1 September 2016 the Council agreed to provide the NEST pension facility for the Clerk and for the Council to contribute 3% (Minute 14 refers).

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

The Council's Risk Assessment documents were reviewed and adopted by the Council at its meeting on 2 March 2017 (Minute 13 refers). The Risk Assessment (Financial) and Risk Assessment (Non-Financial) documents provide an analysis of risks faced by the Council and the control measures in place to mitigate the risks identified.

The Council's Internal Control mechanisms and the effectiveness of Internal Audit were reviewed by the Council at its meeting on 5 January 2017 (Minute 9f refers).

Accordingly, the Council complied with the Accounts and Audit Regulations 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.

Insurance was in place for the year of audit. At its meeting on 6 October 2016 the Council confirmed the proposal submitted by the Clerk to change its insurance company to Hiscox, securing significant savings to the Council on the premium paid (Minute 10d refers).

The insurance policy includes cover for Fraud and Dishonesty (Fidelity Guarantee) 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. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*)**

Precept 2016/17: £28,200 (agreed by Council on 3 December 2015, Minute 14b).

Precept 2017/18: £29,000 (agreed by Council on 1 December 2016, Minute 9b).

The Precepts were agreed in full Council and the Precept decision and amount has been clearly Minuted. 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.

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 agreed estimates were used effectively for financial control and budgetary control purposes.

The Reserves available to the Council at the year-end were appropriate. As at the 31 March 2017 the Council maintained sufficient reserves and contingency sums in order to meet, within reason, any unforeseen items of expense that may occur. The level of Reserves was reviewed by the Council at its meeting on 1 September 2016 (Minute 11 refers).

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

Receipts recorded in the Cash Book were cross referenced with the bank statements and were found to be in order.

A Cemetery Register is maintained by the Clerk. The Council discussed the revision of Cemetery Fees at its meeting on 3 March 2016 (Minute 10b refers) and the Clerk has confirmed that the Fees are reviewed every 3 years.

The Allotments Register was examined and the fees listed as paid in the 2016/17 year were vouched to the paying-in slips and payment to bank confirmed. Terms and conditions for Allotments were agreed by the Council at its meeting on 4 June 2015 (Minute 14 refers).

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

A Petty Cash system is not in use; a satisfactory expenses system is in place, with cheques being made out for expenses incurred.

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

Payroll Services are operated in accordance with HMRC requirements, detailed pay-slips are produced and PAYE is in operation.

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

A comprehensive Asset and Responsibility Register is in place and was reviewed and adopted by the Council at its meeting on 2 February 2017 (Minute 9c refers).

The Register complies with the current requirements which provide that each asset should be recorded at its original purchase cost or where the original purchase price is unknown at the time of first recording on the asset register, a current value is recorded, which acts as a proxy for the original cost and will remain unchanged until disposal. As at 31 March 2017 the Asset Register gave a total value of £73,947, which has been correctly placed in Box 9 of Section 2 of the Annual Return. The Asset Register reflects the acquisitions made during the 2016/17 year, including the Speed Indicator Device (SID) equipment.

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

The bank statements for the Barclays Community (Current) Account and the Business Premium Account supported the Bank Reconciliation as at 31 March 2017 and reconciled with the End of Year 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*).**

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*).**

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

Cheque stubs are initialled by cheque signatories and payments are listed in the Council's Minutes as part of the overall financial control framework.

The Internal Audit Report for the previous year (2015/16) was presented to the Council at its meeting on 5 May 2016 (Minute 13a refers). No matters of concern were raised in the report.

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

The report by the External Auditors BDO LLP for the previous year (2015/16) raised no matters of concern (report dated 7 August 2016).

**14. Additional Comments**

The Annual Parish Council meeting was held on 5 May 2016. The first item of business was the Election of Chairman, in accordance with Standing Orders.

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, CPFA  
Internal Auditor**

**11 April 2017**

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