

## **Report to Hollesley 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 continued to maintain effective governance arrangements including a robust and effective framework of internal control and risk management. The Internal Audit review confirmed that the Council maintains an effective framework of financial administration and internal financial control. The Council displays many examples of good financial practice.

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.

The Accounts for the year confirm the following:

*Total Receipts for the year: £42,673.95*  
*Total Payments in the year: £44,524.00*  
*Total Reserves at year-end: £36,835.24*

1.3 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: £38,685</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £29,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £13,674</i>
<i>Staff Costs:</i>	<i>Box 4: £6,708</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £1,285</i>
<i>All Other payments:</i>	<i>Box 6: £36,531</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £36,835</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £36,835</i>
<i>Total fixed assets:</i>	<i>Box 9: £76,300</i>
<i>Total borrowings:</i>	<i>Box 10: £6,674</i>

1.4 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.

1.5 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 Cashbook Spreadsheet was found to be in very good order and well presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cashbook.

2.2 The Cashbook Spreadsheet is well referenced and provides a clear audit trail to the Bank Statements and Cheque Book counterfoils and the monthly financial information prepared by the Clerk. These documents provided good evidence in support of the receipts and payments in the year. A sample of payments and receipts was closely examined; all relevant supporting invoices and vouchers were in place.

2.3 The Parish Council has comprehensive documentation and financial data in place. All documentation and information were very well presented for the internal 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).**

3.1 Standing Orders and Financial Regulations are in place. Standing Orders were reviewed by the Council at its meeting on 18 January 2018 (Minute 14 refers).

3.2 Financial Regulations were also reviewed by the Council at its meeting on 18 January 2018. It was noted that item 11.12 in Financial Regulations makes reference to the 'Public Contracts Regulations 2006' which have since been replaced by the 'Public Contracts Regulations 2015'.

**Recommendation 1: Item 11.12 of Financial Regulations relating to the Public Contracts Regulations should be up-dated at the next review of the document by the Council.**

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 A VAT claim of £511.59 for the period 1 February 2017 to 31 July 2017 was submitted to HMRC on 27 July 2017 and re-imburement from HMRC was received at bank on 18 August 2017. A further VAT claim of £1,056.93 for the period 1 August

2017 to 31 January 2018 was submitted to HMRC on 22 January 2018 and reimbursement from HMRC was received at bank on 8 February 2018.

3.5 The Community Infrastructure Levy (CIL) Report as at 31 March 2018 was presented to Internal Audit and displays nil transactions in the year of account.

3.6 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 2018). The Council is preparing for the application of GDPR from 23 May 2018; the Clerk/RFO is presenting the necessary reports and providing relevant advice to the Council, including keeping the Council advised regarding the required appointment of a Data Protection Officer (the Council meeting held on 15 March 2018, Minute 8 refers).

3.8 The Suffolk Local Code of Conduct was reviewed and re-adopted by the Council at its meeting on 15 February 2018 (Minute 16a 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 documents were reviewed and adopted by the Council at its meeting on 15 March 2018 (Minute 17 refers). The Risk Assessment (Financial) and Risk Assessment (Non-Financial) documents provide a detailed analysis of risks faced by the Council and the internal control measures in place to mitigate the risks identified.

4.2 The Council's Internal Control mechanisms and the effectiveness of Internal Audit were reviewed by the Council at its meeting on 18 January 2018 (Minute 12b refers).

4.3 Accordingly, the Council 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.

4.4 Insurance was in place for the year of audit. At its meeting on 7 September 2017 the Council agreed the payment of the annual insurance premium (Minute 14di. refers). The insurance policy includes cover for Public Liability of £10m. Cover for Fraud and Dishonesty is 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 received.

4.5 The Council has arranged for Play Park Inspections and has appointed SC Norse for a period of one year to undertake the work (the Council meeting held on 15 March 2018, Minute 13a refers).

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

Precept 2017/18: £29,000.00 (agreed by Council on 1 December 2016, Minute 9b).

Precept 2018/19: £29,047.15 (agreed by Council on 7 December 2017, Minute 14b).

5.1 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.

5.2 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 throughout the year.

5.3 The Allocated (Earmarked) Reserves were considered by the Council at its meeting held on 7 December 2017 (Minute 14c). The Earmarked Reserves totalled £23,892.85 as at 31 March 2018 and comprised of the following:

Funds held for the Community Land Trust £4,892.85  
Village Sign £3,000.00  
Play Equipment Renewal £6,000.00  
Oak Hill/Duck Corner Footpath £5,000.00  
Pavilion Reserve £5,000.00

5.4 General Reserves as at 31 March 2018 totalled £12,942.39. The overall Reserves available to the Council at the year-end were appropriate. As at the 31 March 2018 the Council maintained 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 Receipts recorded in the Cashbook Spreadsheet were cross referenced with the bank statements and were found to be in order. The amounts listed as Cemetery Receipts in the Cashbook Spreadsheet were examined on a test-check basis and found to be in order.

6.2 The Council discussed the revision of Cemetery Fees at its meeting on 3 March 2016 (Minute 10b refers) and the Clerk/RFO has confirmed that the Fees are reviewed every 3 years.

6.3 The Allotments Register maintained by the Clerk/RFO was examined and the total fees listed as Allotments Receipts in the Cashbook Spreadsheet were verified to the entries in the Register.

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

7.1 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)*

8.1 Payroll Services are operated by SALC on behalf of the Council in accordance with HMRC requirements. Detailed pay-slips are produced and PAYE is in operation.

8.2 At the Council's meeting on 5 October 2017 the Council agreed to increase the Clerk/RFO's pay by one scale point (SCP22 to SCP23) in accordance with her contract of employment (Minute 7a refers).

8.3 At its meeting on 1 September 2016 the Council had agreed to provide the NEST pension facility for the Clerk and for the Council to contribute 3% (Minute 14 refers). However, the Clerk/RFO had advised Internal Audit that the NEST scheme does not easily accommodate quarterly paid staff and the Clerk/RFO subsequently withdrew her request for a NEST pension.

**Recommendation 2: The Council may care to examine the Suffolk County Council pension scheme and arrange for its adoption if it is seen to be appropriate to the needs of the Council and the Clerk/RFO.**

**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 A comprehensive Asset and Responsibility Register is in place and was reviewed and adopted by the Council at its meeting on 15 February 2018 (Minute 16b refers).

9.2 The Register complies with the current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. The original purchase cost is displayed 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 2018 the Asset Register totals a value of £76,300.60, which has been correctly placed in Box 9 of Section 2 of the Annual Return. The Asset Register reflects the acquisitions of a notice board and a dog bin during the 2017/18 year.

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

10.1 The bank statements for the Barclays Community (Current) Account, the Business Premium Account and the Business Saver Account supported the Bank Reconciliation as at 31 March 2018 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*).**

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 effective 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. The Council's Cashbook Spreadsheet Accounts are agreed at meetings of the Council and a Councillor is designated to check the Council's bank statements.

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

12.3 The Cashbook Spreadsheet is well referenced to provide an audit trail. Cheque numbers are noted on the paid invoices/vouchers and this assists the verification of the payment. However, the invoices for payment are not signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made. Such confirmation would enhance the current internal financial control over payments made.

**Recommendation 3: To strengthen further the Council's internal financial control arrangements, Cheque Signatories should initial all invoices/vouchers for payment to confirm the correctness of the payment being made.**

12.4 The Internal Audit Report for the previous year (2016/17) was presented to the Council at its meeting on 4 May 2017 (Minute 13b refers). No matters of concern were raised in the report.

12.5 The Internal Auditor for the year 2017/18 was appointed by the Council at its meeting on 4 May 2017 (Minute 6i refers).

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

13.1 The report by the External Auditors BDO LLP for the previous year (2016/17) was reported to the Council at the meeting held on 15 February 2018 (Minute 13g refers). No matters were raised other than a minor issue regarding an amendment to the 2016/17 Annual Return.

**14. Additional Comments**

14.1 The Annual Parish Council meeting was held on 4 May 2017, 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.

14.2 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**

**6 April 2018**