

## **Report to Hollesley 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 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 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.

The Accounts for the year confirm the following:

*Total Receipts for the year: £43,901.77*  
*Total Payments in the year: £49,468.40*  
*Total Reserves at year-end: £31,268.61*

1.3 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: £36,835</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £29,047</i>
<i>Total Other Receipts:</i>	<i>Box 3: £14,855</i>
<i>Staff Costs:</i>	<i>Box 4: £6,540</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £1,266</i>
<i>All Other payments:</i>	<i>Box 6: £41,662</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £31,269</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £31,269</i>
<i>Total fixed assets:</i>	<i>Box 9: £84,323</i>
<i>Total borrowings:</i>	<i>Box 10: £5,698</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 2018/19 within the AGAR.

1.5 The following Internal Audit work was carried out on the adequacy of systems of internal control. 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/RFO. 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 are in place and were reviewed, up-dated and adopted by the Council at its meeting on 17 May 2018 (Minute 17a refers). The Standing Orders were also reviewed and adopted by the Council at its meeting on 20 September 2018 (Minute 16 refers).

3.2 Financial Regulations are in place and were reviewed, up-dated and approved by the Council at its meeting on 19 April 2018 (Minute 15 refers).

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 Re-claims to HMRC for VAT paid are being made regularly. A re-claim of £3,807.08 for VAT paid in the period 1 February 2018 to 25 July 2018 was received at bank on 8 August 2018. A further claim to HMRC for £1,268.57 VAT paid in the period 26 July 2018 to 31 January 2019 received at bank on 14 February 2019.

3.5 The Clerk/RFO regularly updated the Council during the year on data protection issues, particularly leading up to the application of the General Data Protection Regulations (GDPR) from 25 May 2018. Whilst the Council is not required to formally

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appoint a Data Protection Officer, it has demonstrated good practice by resolving at its meeting on 17 May 2018 that the Clerk/RFO should undertake this role (Minute 12b refers) and by issuing a Data Protection Awareness Checklist to each Councillor.

3.6 The Council is 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 ZA150248 refers, expiring 16 November 2019).

3.7 The Council demonstrates compliance with the GDPR through the adoption of a Data Protection Statement, a Data Protection Impact Assessment, a Data Protection Risk Assessment, an Information Security Incident Policy, an Information Protection Policy, and a Retention of Documents and Records Policy, all of which were considered and agreed at the Council's meeting on 17 May 2018 (Minute 12c refers). In evidence of the application of the agreed policies, a data protection breach within the Council (involving an incorrect e-mail address) was reported to, and addressed by, the Council at its meeting on 15 November 2018 (Minute 8 refers).

3.8 The Council demonstrates good practice by maintaining a wide range of formal policies and procedures, including Grants Awards Policy, Safeguarding Children and Vulnerable Adults Policy, Equal Opportunities Policy and a Public Participation Protocol, all of which have been published on the Council's website. At its meeting on 15 November 2018 the Council considered and adopted a Health and Safety Policy (Minute 17 refers).

3.9 The Suffolk Local Code of Conduct was reviewed by the Council at its meeting on 17 May 2018 (Minute 17b 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 21 February 2019 (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 17 January 2019 (Minute 13b 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 management of risk, with the review suitably Minuted.

4.4 Insurance was in place for the year of audit. At its meeting on 20 September 2018 the Council agreed the payment of the annual insurance premium of £732.66 (Minute 14d 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 arranged for Play Park Inspections to take place, having appointed SC Norse for the 2018/19 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 2018/19: £29,047.15 (agreed by Council on 7 December 2017, Minute 14b).

Precept 2019/20: £30,500.00 (agreed by Council on 20 December 2018, Minute 6c).

5.1 The Precepts were agreed in full Council and the Precept decision and amount have been clearly Minuted. The Clerk/RFO ensures that 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. Draft 2018/19 Budget figures were presented to the Council at its meeting on 2 November 2017 (Minute 11c refers) and both Budget and Precept were confirmed at the meeting on 7 December 2017.

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 total Reserves available to the Council as at 31 March 2019 were £31,268.61. Of those, the Allocated (Earmarked) Reserves totalled £14,000.00 and were comprised of the following:

Village Sign £1,000.00  
Play Equipment Renewal £5,000.00  
Oak Hill/Duck Corner Speed Reductions £4,000.00  
Pavilion Reserve £4,000.00

5.4 General Reserves as at 31 March 2019 accordingly totalled £17,268.61. The overall Reserves available to the Council at the year-end were appropriate. As at the 31 March 2019 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 and Allotment Receipts in the Cashbook Spreadsheet were examined on a test-check basis and found to be in order.

6.2 At its meeting on 15 November 2018 the Council reviewed the Cemetery pricing scales and the charging documentation was amended accordingly (Minute 12a refers).

6.3 The Council reviewed Allotment charges at its meeting on 21 February 2019 and agreed to increase the square metre charge per allotment as from 1 November 2019 (Minute 9b 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 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 the Suffolk Association of Local Councils (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 meeting held on 17 May 2018 the Council agreed to adopt the revised NALC/SLCC hourly rates of pay and to increase the Clerk/RFO's pay accordingly (Minute 16b refers). At the Council's meeting on 20 September 2018 it was agreed to increase the Clerk/RFO's salary grade in line with her contract of employment. Similarly, at its meeting on 20 December 2018 the Council agreed that the Clerk/RFO's salary should be increased as from 1 April 2019 in accordance with the NJC pay scales (Minute 6d refers).

8.3 The Council agreed at its meeting on 21 February 2019 that the Clerk's paid hours should increase from 10.5 to 12 hours per week with effect from 1 April 2019 (Minute 7 refers).

8.4 At its meeting on 18 October 2018 the Council considered and agreed the request from the Clerk/RFO to be enrolled on the Suffolk County Council pension scheme (Minute 7 refers). Internal Audit was advised that payment of pension contributions is to commence from April 2019.

**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 21 February 2019 (Minute 17a refers).

9.2 The assets are recorded at cost value with a total value of £84,323.40 as at 31 March 2019. In those instances where the actual cost is unknown the asset is recorded at a nominal community value. A copy of the Asset Register has been published on the Council's website.

9.3 The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent value, year-on-year. The total value of £84,323 (rounded for purposes of the Return) has been correctly recorded in Section 2 of the AGAR Annual Return.

**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 reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation as at 31 March 2019.

**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/RFO 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 Balances held at bank and are reported to the Council at each meeting. The Council demonstrates good financial practice by the confirmation by a Councillor at each Council meeting of the bank statements against the accounting information.

12.3 The Council receives at each meeting lists of payments for review and authorisation, payments made since the previous meeting and any sums received. Cheque numbers are noted on the paid invoices/vouchers and this assists the

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verification of the payment. Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made. Cheque Book counterfoils are initialled by Cheque Signatories. Payments are listed in the Minutes of the Council as part of the Council's overall financial control framework

12.4 The Internal Audit Report for the previous year (2017/18) was presented to the Council at its meeting on 19 April 2018 (Minute 14c refers). The following recommendations had been put forward:

- a) 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. This was addressed by the Council at its meeting on 19 April 2018.
- b) 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. The Council addressed this matter at its meeting on 18 October 2018 (Minute 7 refers).
- c) 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. This has been addressed (see item 12.3 above).

12.5 The Internal Auditor for the year 2018/19 was appointed by the Council at its meeting on 17 May 2018 (Minute 7i refers).

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

13.1 The Report and Certificate from the External Auditors PKF Littlejohn LLP for the previous year (2017/18) was received by the Council at its meeting on 20 September 2018 (Minute 14b refers). No matters of concern were raised in the Report, which has been published on the Council's website.

### **14. Additional Comments**

14.1 The Annual Parish Council meeting was held on 17 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.

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, CPFA**

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**6 April 2019**

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