

## **Report to Ufford 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 good financial practice including the routine examination of accounts and bank statements by Councillors. The Parish Council has comprehensive documentation and financial data in place; these were very well presented for the audit.

1.2 The Internal Audit review has confirmed the adequacy of the financial arrangements operating within the Council. 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: £40,667.68*  
*Total Payments in the year: £56,849.27*  
*Total Reserves at year-end: £13,553.37*

1.4 The Annual Governance and Accountability Return 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: £29,735</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £17,789</i>
<i>Total Other Receipts:</i>	<i>Box 3: £22,879</i>
<i>Staff Costs:</i>	<i>Box 4: £9,472</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £47,378</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £13,553</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £13,553</i>
<i>Total fixed assets:</i>	<i>Box 9: £113,648</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 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 Annual Return.

1.6 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 Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts).**

2.1 The Cashbook Spreadsheet 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 Cashbook.

2.2 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. Supporting invoices, vouchers and receipts were in place and provided good evidence in support of the receipts and payments in the year.

2.3 A sample of transactions was examined in detail and was found to be in good order.

**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; they were reviewed and approved by the Council at the meeting held on 15 May 2018 (Minute 16a refers). The Council's Standing Orders were also agreed and adopted at the meeting of the Council held on 18 September 2018 (Minute 12a refers). A copy has been published on the Council's web-site.

3.2 Similarly, the Council's Financial Regulations were reviewed and approved by the Council at the meeting held on 15 May 2018 (Minute 16b refers) and published on the Council's website.

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

3.4 VAT re-claims were made as at 26 April 2018 (£138.12), 30 July 2018 (£348.44), 31 October 2018 (£205.77) and 31 January 2019 (£5,709.00), Re-imburement from HMRC was received at bank on 16 May 2018, 13 August 2018, 7 November 2018 and 21 February 2018 respectively.

3.5 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 ZA056410 refers, expiring 21 May 2019).

3.6 The Council was regularly updated by the Clerk/RFO 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 appoint a Data Protection Officer, the Council demonstrated good practice by resolving that the Clerk/RFO should undertake this role (the meeting on 15 May 2018, Minute 11b refers) and through the issue of a Data Protection Awareness Checklist to each Councillor (Minutes 11b and 11c refer). In addition, Councillors attended data protection training on 10 May 2018.

3.7 The Council demonstrates compliance with the GDPR through the adoption of a Data Protection Impact Assessment, a Data Protection Risk Assessment, an Information Protection Policy, an Information Security Incident Policy, CCTV Policy and a Retention of Documents and Records Policy, all considered and agreed at the Council's meeting on 19 June 2018 (Minute 9c refers).

3.8 The Council demonstrates good practice by maintaining a wide range of formal policies and procedures. As part of these arrangements, the Council approved and adopted the Health and Safety Policy at its meeting on 16 October 2018 (Minute 13 refers). At its meeting on 20 November 2018 the Council adopted a Sickness and Absence Policy and a Formal Grants Awards Policy (Minute 13 refers). A formal Complaints Procedure was agreed and adopted by the Council at its meeting on 18 December 2018 (Minute 13a refers)

3.9 The Council reviewed and re-adopted the Suffolk Local Code of Conduct at the meeting held on 19 March 2019 (Minute 14a 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 (Financial and Non-Financial) were reviewed and adopted by the Council at its meeting on 19 March 2019 (Minute 14b and 14c refer). The documents provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 The Council's Internal Control mechanisms, including the efficiency of Internal Audit, were reviewed by the Council at its meeting on 15 January 2018 (Minute 14d 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 account. The Council considered the insurance renewal at its meeting on 18 September 2018 (Minute 11 d refers). The Council agreed to purchase insurance from Inspire, as suggested by Came and Co., and take up the option of a Long-Term Agreement over a three-year period. Public Liability cover stands at £10m. The insurance cover in the event of fraud or dishonesty 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.

4.5 Ipswich Borough Council undertook Quarterly operational play area inspections and an Annual ROSPA play area inspection at the Playing Field during the 2018/19 year as part of the overall risk management arrangements in place.

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

Precept 2018/19: £17,789.34 (19 December 2017, Minute 9 b refers).

Precept 2019/20: £18,421.00 (15 January 2019, Minute 14c refers).

5.1 The Precepts were agreed in full Council and the Precept decision and amount has 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.

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.

5.3 The Reserves available to the Council at the year-end 31 March 2019 stood at £13,553.37 and were lower than in previous years due to the significant sums expended on the Playing Field during the year of account. However, the Council continues to maintain 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 Cash Book were cross referenced with the Council's bank statements and with receipts/vouchers and found to be in order.

**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 cheque payments being made for expenses incurred.

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

8.1 Payroll Services are out-sourced to the Suffolk Association of Local Councils and operated in accordance with HMRC requirements. Detailed pay-slips are produced and PAYE is in operation.

8.2 At its meeting on 15 May 2018 the Council received a report on the Clerk's Annual Review and agreed the adoption of the NALC/SLCC pay scale recommendations (Minutes 15a and 15b refer). Similarly, at its meeting on 18 December 2018 the Council agreed that the NJC pay scales applicable from 1 April 2019 should be applied to the Clerk's salary (Minute 12e refers).

8.3 The Council has entered the Clerk into the Suffolk County Council (SCC) Local Government Pension Scheme and contributions are being made to the SCC Pension Fund on a monthly basis.

**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 An Asset Register is in place and was reviewed and approved by the Council at the meeting held on 18 September 2018 (Minute 12b refers). The Council also agreed and adopted the Asset Register at its meeting on 18 December 2018 (Minute 13b refers). Assets are recorded at cost value and, where appropriate, at a nominal community value. A copy of the Asset Register has been published on the Council's website.

9.2 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 £113,648 as at 31 March 2019 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 account statements as at 31 March 2019 in respect of the Council's Lloyds Treasurer's (Current) Account and the Lloyds Treasurer's (Recreation Ground) Account reconciled with the End-of-Year Accounts and agreed with the overall Bank Reconciliation.

**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 satisfactory internal financial controls in place. The Clerk/RFO provides comprehensive financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions. A copy of each month's Accounts is presented to Councillors for review and approval and a designated Councillor confirms the amounts listed on bank statements.

12.2 The Council receives at each meeting lists of payments for review and authorisation, payments made since the previous meeting and any sums received.

12.3 The Internal Audit Report for the year 2017/18 (dated 22 April 2018) was prepared by the Suffolk Association of Local Councils (SALC) and was received and accepted by the Council at its meeting on 15 May 2018 (Minute 13a refers). SALC had put forward the following issues:

- i) During the Council's annual review of its Standing Orders, Council should bear in mind that new Model Standing Orders have been produced by NALC and take into account changes in legislation since those produced in 2013 - L04-18 Model Standing Orders refers and should ensure that such amendments, as covered by legislation, are incorporated. This matter has since been addressed.
- ii) During the Council's annual review of its Financial Regulations, Council should consider incorporating the changes in procurement values for contracting authorities as per the 2015 Regulations. Council should ensure that Financial Regulations reflect the thresholds as set by Article 4 of the Public Contracts Directive (Regulation 5(1) of the 2015 Regulations) - LTN 87 refers. This matter has since been addressed.

12.4 The Internal Auditor for the year 2018/19 was appointed by the Council at its meeting on 15 May 2018 (Minute 6e refers) and confirmed at the meeting held on 15 January 2019 (Minute 14d) as part of the Council's review of Internal Controls and the effectiveness of Internal Audit arrangements.

12.5 Cheque book counterfoils and invoices/vouchers for payment are being initialled by cheque signatories. Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.

**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 18 September 2018 (Minute 11c refers). No issues of concern were raised in the Report, which has been published on the Council's web-site.

**14. Additional Comments**

14.1 The Annual Parish Council meeting was held on 15 May 2018, within the required time-scale. The first item of business was the Election of Chairman, in accordance with 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**

**3 April 2019**