

## **Report to Buxhall 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 Internal Audit review, undertaken on the documentation provided to the Internal Auditor and the information published on the Council's web-site, 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: £5,271.54*  
*Total Payments in the year: £5,427.71*  
*Total Reserves at year-end: £110,413.51 (of which £107,413.51 is earmarked)*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk for inclusion in Section 2 (rounded for purposes of the Return):

|  |                        |
|--|------------------------|
| <i>Balances at beginning of year (1 April 2018):</i> | <i>Box 1: £110,569</i> |
| <i>Annual Precept 2018/19:</i>                       | <i>Box 2: £4,024</i>   |
| <i>Total Other Receipts:</i>                         | <i>Box 3: £1,248</i>   |
| <i>Staff Costs:</i>                                  | <i>Box 4: £2,380</i>   |
| <i>Loan interest:</i>                                | <i>Box 5: £0</i>       |
| <i>All Other payments:</i>                           | <i>Box 6: £3,048</i>   |
| <i>Balances carried forward (31 March 2019):</i>     | <i>Box 7: £110,413</i> |
| <i>Total cash/short-term investments:</i>            | <i>Box 8: £110,569</i> |
| <i>Total fixed assets:</i>                           | <i>Box 9: £53,315</i>  |
| <i>Total borrowings:</i>                             | <i>Box 10: £0</i>      |

1.5 Sections One and Two of the AGAR are to be approved at a forthcoming meeting of the Council. 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. 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 is very well referenced and provides a good audit trail to the Bank Statements and Cheque Book counterfoils and the 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 were in place.

2.2 No payments were made under the Local Government Act 1972 Section 137 in the year of account. VAT payments are tracked and identified within the End-of-Year Accounts.

2.3 A sample of Cashbook transactions in the year was closely examined and found to be in good order.

**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 Standing Orders are in place. The Council confirmed the adoption of revised Standing Orders at its meeting held on 10 September 2018 (Minute 100918/27 refers). At its meeting on 10 October 2018, the Council received a copy of the National Association of Local Councils (NALC) standing orders amendment L09-18 July 2018 and resolved to accept them and the Clerk/RFO to re-issue updated Standing Orders to all Councillors (Minute 081018/27 refers). The Clerk/RFO advised that the copy of the Standing Orders adopted by the Council (and include the important elements of 'Responsibilities to Provide Information' and Responsibilities under Data Protection Legislation') will shortly be published on the Council's website.

3.2 Revised Financial Regulations were reviewed and approved by the Council at its meeting on 12 March 2018 (Minute 2017/396 refers). As detailed at item 13.4 below, the Council's Financial Regulations relating to Internet Banking should be reviewed and expanded to ensure that the controls required in respect of the use of internet banking, including the making of electronic payments, are fully documented.

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

3.4 The re-claim of £196.60 for the VAT paid in the year 2017/18 was received at bank on 27 April 2018. The Clerk/RFO submitted a re-claim of £243.28. to HMRC on 1 April 2019 for the VAT paid in the year 2018/19 and reported this to Council on 8 April 2019.

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 ZA125286 refers, expiring 27 July 2019). At its meeting on 16 April 2018 the Council appointed the Local Council Public Advisory Service (LCPAS) as the Council's Data Protection Officer for a period of one year (Minute 160418/13 refers). The Clerk/RFO has kept the Council advised during the year of the requirements of the new General Data Protection Regulations (GDPR).

3.6 The Council demonstrates good practice by maintaining a wide range of formal Policies and Procedures, including the Employment Policy Document, Electronic Data Retention Policy, Complaints Procedure, Electronic Communication and Social Media Policy, Policy and Procedure for Handling Requests for Information, Data Protection Policy, General Contact Privacy Notice and the Subject Access Request Policy, all of which were considered and adopted by the Council at its meeting on 9 July 2018 (Minute 090718/24 refers).

3.7 The Council agreed to adopt the revised Suffolk Local Code of Conduct at its meeting on 21 July 2014 (Minute 2014/523 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 At its meeting on 10 September 2018 the Council appointed a Governance Working Party to review the list of risk assessments and internal control statement in order that the Council could receive a recommended list of appropriately assessed risks (Minute 100918/25 refers). At the meeting on 8 October 2018 the Clerk/RFO confirmed to the Council that updated financial risk assessments had been issued to the Working Party for review and that all risk assessments would be brought to the Council for discussion and adoption (Minute 081018 refers).

4.2 The Council received an up-date on 14 January 2019 regarding the Governance Working Party, which had reviewed the Internal Control Statement, agreed some amendments and would bring the document to the next full Council meeting (Minute 140119/18 refers). The Council also discussed risk assessments for physical assets and agreed to amend the way risks are assessed and reviewed (Minute 140119/19 refers). The Governance Working Party agreed to amend the current financial risk assessments to reflect the same format as the physical risk assessments for continuity (Minute 140119/20 refers).

4.3 At the Council's meeting held on 11 February 2019 Councillors confirmed their receipt of the physical and financial risk assessments and the internal control

statement prior to the meeting. The Council agreed to accept and adopt the physical and financial risk assessments and the internal control statement.

4.4 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.

4.5 An independent Playground Inspection was undertaken in the year. At the Council's meeting on 8 October 2018 the Clerk/RFO confirmed that a ROSPA report on the playing field equipment had been received and only low and very low risks had been reported. It was agreed that the Playing Field Working Party would review the findings in greater detail. (Minute 081018/18 refers).

4.6 Insurance was in place for the year of audit. The renewal quotation was considered and agreed by the Council at its meeting on 10 September 2018 (Minute 100918/46 refers). The Council agreed to renew with Inspire/Axa through Came and Company at a 3-year fixed annual premium of £348.16 (payment approved by the Council at its meeting on 8 October 2018). Public Liability cover stands at £10m. The Employee Dishonesty (Fidelity Guarantee) cover stands at £150,000 and 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. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000)**

5.1 The Transparency Code for smaller Councils was introduced by central government in 2015 to ensure that all Councils with an annual turnover of up to £25,000 make public a raft of information about their financial dealings and governance. Buxhall Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://buxhall.onesuffolk.net>

5.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Published on website and included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2017/18 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2017/18 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report from 2017/18 AGAR Annual Return. Published on website.*
- e) *List of councillor or member responsibilities. Published on website.*
- f) *The details of public land and building assets (Asset Register). The Asset Register has been published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

5.3 The Council is in compliance with the requirements of the Transparency Code.

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

Precept 2018/19: £4,023.50 (4 December 2017, Minute 2017/273 refers).

Precept 2019/20: £4,119.21 (10 December 2018, Minute 101218/31 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount has been clearly Minuted. The Clerk/RFO 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.

6.2 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 estimates for the 2019/20 year can be used effectively for financial control and budgetary control purposes. The Clerk/RFO reports to Council on actual spending against the budget.

6.3 The Reserves available to the Council at the year-end were £110,413.51, of which £107,413.51 are earmarked). As at the 31 March 2019, the Council maintained sufficient general reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur. The General Reserve of £3000 is in general line with the generally accepted best practice of General (non-earmarked revenue) Reserves being equal to three to six months of contractual expenditure.

6.4 At its meeting on 8 April 2019 the Council considered the Reserves at the year end and resolved to accept them as proposed (Draft Minute 080419/19).

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

7.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced on a test-check basis to the bank statements and were found to be in order.

7.2 Allotment Rents were reviewed by the Council at its meeting on 11 March 2019 and agreed that the charges should remain unchanged (Minute 110319/25 refers). The Clerk/RFO provided regular reports upon allotment rent income in the year, including confirmation of rents received and outstanding.

7.3 An Allotments Register is in place and can assist the Council to ensure that the correct and full amount of income has been received each year in respect of Allotment Rents.

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

8.1 No Petty Cash is held; an expenses system is in place with supporting paperwork.

**9. Payroll controls** *(PAYE and NIC in place; compliance with HMRC procedures; records relating to contracts of employment)*

9.1 The Council is registered with HMRC and Payroll is operated in-house in accordance with HMRC regulations. P60 End of Year Certificate for the Clerk/RFO was presented to Internal Audit. Detailed pay slips are produced.

9.2 At its meeting on 21 May 2018 the Council agreed to increase the Clerk's salary in accordance with the NJC rates recommended by the National Association of Local Councils (Minute 210518/42 refers).

9.3 At its meeting on 10 December 2018 the Council agreed to increase the Clerk/RFO's salary to SCP 21 from 1 April 2019 and the working hours to 4 hours per week (Minute 101218/27 refers).

9.4 The Clerk/RFO confirmed at the Council's meeting on 8 April 2019 that the payroll for the 2018/19 year had been completed and that the final submission had been sent to HMRC and P60 issued (Draft Minute 080419/18 refers).

9.5 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 15 August 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008.

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

10.1 The Asset Register was reviewed and approved by the Council at its meeting on 9 July 2018 (Minute 090718/34 refers). It was confirmed that the Clerk/RFO has compared the items included in the Asset Register with the insurance cover.

10.2 The Register displays a total value of £53,315 (unchanged from the end of the previous year, 31 March 2018). The value has been correctly placed in Box 9 of Section 2 of the Annual Return (AGAR).

10.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent value, year-on-year. The Register records

the original purchase cost, where known and a nominal/community value where appropriate.

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

11.1 The Clerk/RFO reported to Council at its meeting on 12 March 2018 that the Santander Bond of £100,000 was due to expire as at 1 April 2018. The Council considered the various options available and agreed to re-invest £85,000.00 (in accordance with FSCS) into a one-year fixed rate bond with Santander with the remaining £15,000 from the existing bond transferred into the Barclays savings account (Minute 2017/405 refers).

11.2 These arrangements continued until the maturity of the Santander one-year fixed rate bond in April 2019. At its meeting on 8 April 2019 the Council agreed to re-invest £85,000 into a Santander Business Bond (Draft Minute 080419/22 refers) and at the time of the internal audit the Clerk/RFO was awaiting the documentation from Santander to confirm the details of the re-investment of £85,000.

11.3 The bank statements as at 31 March 2019 for the Barclays Community Account, the Business Premium Account and the Active Saver Account and the Santander re-investment of £85,000 reconciled with the End-of-Year accounts and Bank Reconciliation for all accounts.

**12. 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*)**

12.1 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.

**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 the Council with monthly Finance Reports which are considered and approved by the Council at each meeting. Bank balances are routinely reported to Councillors, who are provided with information to enable them to make informed decisions. Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.

13.2 Cheque Book counterfoils and paid invoices/vouchers are initialled by cheque signatories in accordance with item 6.5 of the Council's Financial Regulations.

13.3 At its meeting on 10 December 2018 the Council resolved to apply for Internet Banking and agreed that the Clerk/RFO and a nominated Councillor would be the signatories on-line. The Clerk/RFO confirmed that all payments would continue to be agreed by the Council prior to any processing of on-line payments (Minute 101218/36 refers). At its meeting on 11 February 2019 the Council confirmed that Internet Banking should be brought into effect by the Clerk/RFO (Minute 110219/20 refers).

13.4 The Council's Financial Regulations (items 6.10 to 6.15) currently outline the essential controls that must apply to Internet Banking but these require review and possibly extending to ensure that the controls required are fully documented within the Regulations.

**Recommendation: The Council should examine the controls being exercised over the its Internet Banking arrangements in order to ensure that they are both adequate and effective in the protection of the Council's interests. Suitable additions should be made to Financial Regulations to formally document the specific procedures that are to apply to ensure secure operations. The Council's Risk Assessments should also be reviewed and additions made regarding the risks attached to Internal Banking and electronic payments and the actions in place to mitigate those risks.**

13.5 The Internal Audit report for the previous year (2017/18) was considered by the Council at its meeting on 4 June 2018 (Minute 040618/11 refers). The report had recommended that during the year 2018/19 the Council should review its Internal Control and Risk Management documentation, including all risk assessments, to ensure that all is up-to-date and fit-for-purpose. This has now been addressed, see items 4.1 to 4.4 above.

13.6 The Council appointed the Internal Auditor for the 2018/19 year at its meeting on 14 January 2019 (Minute 140119/31 refers).

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

14.1 The Clerk/RFO reported to Council on 10 September 2018 that the External Audit Report for 2017/18 by PKF Littlejohn LLP, awaited a review by an engagement leader (Minute 100918/47 refers). The Council subsequently noted at its meeting on 8 October 2018 that the External Audit had been carried out and no matters of concern had been raised (Minute 081018/53 refers).

#### **15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 21 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.

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, FCPFA**

**Internal Auditor**

**29 April 2019**