

## **Report to Ditchingham 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 Parish Council maintained effective governance arrangements including a robust framework of financial administration. The Council has a wide range of formal policies and procedures in place. This Internal Audit review 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:

<i>Total Receipts in the year:</i>	<i>£33,461.52</i>
<i>Total Payments in the year:</i>	<i>£39,621.09</i>
<i>Total Balances at year-end:</i>	<i>£67,611.16</i>

1.4 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 2018/19 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2018):</i>	<i>Box 1: £73,771</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £24,357</i>
<i>Total Other Receipts:</i>	<i>Box 3: £9,104</i>
<i>Staff Costs:</i>	<i>Box 4: £9,787</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £29,834</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £67,611</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £67,611</i>
<i>Total fixed assets:</i>	<i>Box 9: £75,735</i>
<i>Total borrowings:</i>	<i>Box 10: £0</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 AGAR.

1.6 The Council has acknowledged within Box 5 of Section 2 of the AGAR that a formal review of the Risk Management arrangements was not undertaken in the year. The Clerk/RFO has advised Internal Audit that a review of Internal Control and Risk Management arrangements is due to take place at the Council's meeting in May 2019.

1.7 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 Bookkeeping (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 overall good order and well presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cash Book.

2.2 The Cashbook 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. These documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and was found to be in order.

**3. Governance, Standing Orders and Financial Regulations (examination of Standing Orders and 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 The updated model Standing Orders, produced by the National Association of Local Councils (NALC), were considered and adopted by the Council at its meeting on 17 September 2018 (Minute 9a refers).

3.2 Financial Regulations are in place and were revised by the Council at the meeting on 17 July 2017 (Minute 8c refers).

3.3 The Council demonstrates good financial and management practice by maintaining and regularly reviewing a wide range of formal written policies which are published on the Council's web-site.

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

3.5 VAT re-claims are regularly submitted to HMRC. The VAT re-claim of £571.41 for the period 1 February 2018 to 31 March 2018 was received at bank on 8 June 2018. The VAT re-claim of £894.18 for the period 1 April 2018 to 31 July 2018 was received at bank on 4 September 2018 and reported to Council at its meeting on 17 September 2018 (Minute 6a Finance Report refers). A further re-claim of £2,092.42 for the period 1 August 2018 to 31 December 2018 was received at bank on 1 February 2019.

3.6 The Council is correctly 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 ZA061875 refers, expiring 23 July 2019). The

Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of Data Protection policies, procedures and documentation, including a Data Information Audit Policy, Data Protection Privacy Policy, a Staff, Councillors and Role Holders Privacy Notice and a GDPR Awareness Checklist for Councillors, all of which were considered and approved at the meeting held on 16 July 2018 (Minute 9 refers).

3.7 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2019 shows a total amount of £188.79 CIL Receipts received during the year 2016/17 and retained at the end of 31 March 2019.

3.8 The Council reviewed and re-adopted the Code of Conduct at a meeting held on 20 November 2017 (Minute 7 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 The Council's Risk Assessment document was last reviewed and adopted by the Council at its meeting on 20 November 2017 (Minute 7 refers). The Risk Assessment provided an analysis of both the financial and non-financial risks faced by the Council and the internal control measures in place to mitigate the risks identified.

4.2 There is no formal record of the Council undertaking a review of its risk assessment and internal control arrangements during the year 2018/19. The Accounts and Audit Regulations 2015 require that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, and the Minutes of the Council must formally record that the review has taken place. Accordingly,

**Recommendation:** To comply with the Accounts and Audit Regulations 2015 the Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during the 2019/20 year (Internal Audit has been advised that a review of Internal Control and Risk Management arrangements is due to take place at the Council's meeting in May 2019).

4.3 The Play Equipment Annual Inspection Report was undertaken by the Play Inspection Company (payment of £156.00 was made by the Council on at its meeting on 16 July 2018).

4.4 Insurance was in place for the year of audit. The Council approved the insurance renewal premium at the meeting held on 16 July 2018 (Minute 6a refers). The Public Liability cover stands at £10m. The Fraud and Corruption (fidelity guarantee) cover 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.

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

Precept 2018/19: £25,000 (included £643 grant from South Norfolk District Council) (Meeting on 20 November 2017, Minutes 6c and 6d refer).

Precept 2019/20: £28,000 (Meeting on 19 November 2018, Minute 6c refers).

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 estimates can be used effectively for financial control and budgetary control purposes.

5.3 Detailed budgetary position statements (budget reports) are presented to each meeting of the Council.

5.4 As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £67,611, of which £54,073 was earmarked as follows:

- (a) Lychgate Maintenance (Cemetery Building) (£13,414)
- (b) Hollow Hill Footpath Maintenance (£3,470)
- (c) Play Area Reserves (£30,000)
- (d) Community Infrastructure Levy (CIL) Fund (£189)
- (e) New Strategies Reserve (£2,000)
- (f) Men's Shed (S106 grant) for Building (£5,000)

5.5 The general reserve of £13,538 held at 31 March 2019 is in line with the generally accepted position that non-earmarked revenue reserves should usually be between six and twelve months of gross expenditure or 50% of the precept.

**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 on a test-check basis and were found to be in order.

6.2 Cemetery Fees for the year 2018/19 were reviewed by the Council at its meeting on 21 May 2018. The Council agreed that the current fees were to remain other than an increase in the non-resident fee from £50 to £100. (Minute 9e refers).

6.3 Allotment Rents for the year 2018/19 were reviewed by the Council at its meeting

on 17 September 2018. The Council agreed that the current fees were to remain £10 per plot and £15 per double plot (Minute 8c 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 HMRC procedures; records relating to contracts of employment)*

8.1 PAYE system is out-sourced to Ladywell Accounting Services and is being operated in accordance with HMRC requirements. Detailed payslips are produced. A copy of the End of Year Certificates P60 for 2018/19 for the Clerk/RFO and the two other employees were presented to Internal Audit. Contracts of employment are in place.

8.2 With regard to the legislative requirements relating to workplace pension schemes, the Pensions Regulator confirmed on 21 July 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008.

**9. Asset control and 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 as at 31 March 2019 is in place. The total value of £75,735 is an increase of £4,380 over the value as at 31 March 2016 (£71,355) and reflects the acquisition of the following in the year of account:

- a) SAM 2 machine (£3550)
- b) 2 recycled benches (£780)
- c) Grit Bin (Lewis Close) (£50)

9.2 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at purchase cost (where known) or a community value of £1 in appropriate cases. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

10.1 The Council's Barclays Community (Current) Account and Business Premium Savings Account bank statements as at 31 March 2019 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 provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The RFO provides the Council with an up-to-date report at each meeting regarding the Council's finances, including a list of payments and receipts since the previous meeting and balances at bank.

12.2 Cheque Book counterfoils and invoices/vouchers for payment are initialled by cheque signatories. Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

12.3 The Internal Audit for the previous year (2016/17) was received by the Council at its meeting on 21 May 2018 (Minute 9a refers). There were no issues of concern arising from the report.

12.4 The Internal Auditor for the 2018/19 year was formally appointed by the Council at its meeting on 21 May 2018 (Minute 9c refers).

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

13.1 The External Audit Report dated 9 September 2018 by PKF Littlejohn LLP for the 2017/18 year was received by the Council at its meeting on 17 September 2018 (Minute 6c refers). The Report raised no issues of concern.

**14. Additional Comments**

14.1 The Annual Parish Council meeting was held on 21 May 2018. The first item of formal 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 for her assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA  
Internal Auditor  
16 April 2019**