

Report to Ditchingham 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 Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. 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 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.

1.3 The Accounts for the year confirm the following:

<i>Total Receipts in the year:</i>	<i>£50,831.77</i>
<i>Total Payments in the year:</i>	<i>£41,705.50</i>
<i>Total Balances at year-end:</i>	<i>£73,770.74</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 2017/18 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2017):</i>	<i>Box 1: £64,645</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £30,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £20,832</i>
<i>Staff Costs:</i>	<i>Box 4: £9,712</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £31,994</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £73,771</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £73,771</i>
<i>Total fixed assets:</i>	<i>Box 9: £71,355</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 2017/18 within the AGAR.

1.6 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 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 Cash Book 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 all were found to be in order; supporting vouchers, invoices and receipts were in place.

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 revised by the Council at its meeting on 15 May 2017 (Minute 10b refers).

3.2 At its meeting on 17 July 2017 the Council agreed to adopt new Standing Orders (Minute 8a refers). Financial Regulations are also 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. Policies were reviewed and re-adopted by the Council at its meeting on 20 November 2017 (Minute 7 refers).

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 claim of £2,806.71 for the period 1 April 2017 to 30 September 2017 was received at bank on 3 November 2017. A further re-claim of £1,077.93 for the period 1 October 2017 to 31 January 2018 was received at bank on 20 February 2018. The Clerk/RFO submitted a claim to HMRC on 11 April 2018 for the £571.41 VAT paid during the period 1 February 2018 to 31 March 2018.

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 ZA061875 refers, expiring 23 July 2018).

3.7 The Council reviewed and re-adopted the Code of Conduct at a meeting held on 20 November 2017 (Minute 7 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 document was reviewed and adopted by the Council at its meeting on 20 November 2017 (Minute 7 refers) when all the Council's policies were reviewed and approved. The Risk Assessment provides 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 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.

4.3 The Council received the Play Equipment Annual Inspection Report at its meeting on 17 July 2017 (Minute 10c refers) and agreed a plan of action to address the issues raised in the report.

4.4 Insurance was in place for the year of audit. The Council approved the insurance renewal premium at the meeting held on 17 July 2017 (Minute 7b 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.

4.5 The Council received an insurance premium up-date at its meeting on 19 September 2017, when the Chair confirmed that the latest insurance policy included the Lychgate (Minute 7d refers).

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

Precept 2017/18: £30,000 (Meeting on 16 January 2017, Minutes 6c refers)

Precept 2018/19: £25,000 (Meeting on 20 November 2017, Minutes 6c and 6d refer)

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 2018 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £73,771, of which £55,659 was earmarked as follows:

- (a) Lychgate Cemetery Building (£15,000)
- (b) Hollow Hill Footpath (£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 £18,112 held at 31 March 2018 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. Sample audit trails were examined and all were found to be in order.

6.2 Cemetery Fees for the year 2017/18 were reviewed by the Council at its meeting on 15 May 2017 (Minute 9f refers).

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 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 2017/18 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 & 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 2018 is in place. The total value of £71,355 is an increase of £1,648 over the value as at 31 March 2016 (£69,707) and reflects the acquisitions and disposals in the year of account.

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 cash books reconcile with bank statements*)

10.1 The Council's Barclays Community (Current) Account and Business Saver Account bank statements as at 31 March 2018 reconciled with the End-of-Year Accounts and agreed with the 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 an Income & Expenditure 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 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 undertaken by Mr Paul Austin and was reported to Council at its meeting on 15 May 2017 (Minute 9a refers). There were no issues arising from the report.

12.4 The Internal Auditor for the 2017/18 year was formally appointed by the Council at its meeting on 15 May 2017 (Minute 9c refers).

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

13.1 The report dated 30 August 2017 by Messrs Mazars LLP, following their review of the Accounts for the 2016/17 year, was received by the Council at its meeting on 18 September 2017 (Minute 7c refers).

13.2 The External Auditors reported that the Internal Audit in the year 2016/17 had not been undertaken by an independent person and thus the requirement for an adequate internal audit during the year had not been met. The External Auditors advised that in future the Council should ensure the internal auditor is independent of the Council. This matter was addressed by the Council (see item 12 above) at the meeting held on 15 May 2017 when the formal appointment of an independent Internal Auditor was made.

14. Additional Comments

14.1 The Annual Parish Council meeting was held on 15 May 2017. 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

18 April 2018