

Report to Lindsey 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 and has displayed many examples of good financial practice. 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:

Total Receipts for the year: £4,388.67

Total Payments in the year: £3,771.47

Total Reserves at year-end: £782.82

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: £166</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £2,720</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,668</i>
<i>Staff Costs:</i>	<i>Box 4: £1,738</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £2,033</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £783</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £783</i>
<i>Total fixed assets:</i>	<i>Box 9: £316</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 2017/18 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 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 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. 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 At its meeting on 14 March 2018 (Minute 7ix refers) the Council reviewed Standing Orders (SO) and Financial Regulations (FR) and agreed changes to the contract values under SO18c & 18f and FR11 (footnote only) as per guidance received from NALC under LTN 87 (Procurement).

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

3.3 A VAT claim for £108.03 was submitted to HMRC on 12 February 2018 and reimbursement was received at bank on 9 March 2018.

3.4 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 Z2744022 refers, expiring 17 July 2018).

3.5 At its meeting on 4 July 2012, the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. This was subsequently reaffirmed at the Council's meeting on 9 July 2014.

4. Internal Control & 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 14 March 2018, the Council reviewed the Financial Risk Assessment and General Risk Assessment Documents and found them to be an accurate assessment of the risks facing the Council in carrying out its duties (Minute 7vii refers).

4.2 The Council also reviewed the effectiveness of the internal control arrangements and the scope of internal audit. The Council reviewed the Internal Controls Document and agreed that the measures undertaken by the Council to safeguard public finances were appropriate for a parish its size. The completed Internal Control Document for the year ending 31st March 2018 was presented to the Council and approved. The Council was also in agreement that the audit terms of reference and audit plan were appropriate for a parish the size of Lindsey (Minute 7viii 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. The Council approved the insurance renewal premium at the meeting held on 8 November 2017 (Minute 9d refers). The Public Liability cover stands at £10m. The Employee Dishonesty cover stands at £25,000, 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 2017/18: £2,720.00

Precept 2018/19: £3,140.00

5.1 The Precept for 2017/18 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 11 January 2017, Minute 6 iv refers).

5.2 Similarly, the Precept for 2018/19 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 17 January 2018, Minute 7vi refers).

5.3 The Clerk ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

5.4 The Council has sound budgetary procedures 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.

5.5 The Council considers at each meeting a statement that compares the budget for the year against actual income and expenditure, in accordance with the Council's Standing Orders.

5.6 As its meeting on 17 January 2018, the Council noted that the Council's low reserves had been highlighted in the 2017 Internal Audit report with a recommendation that the Parish Council should review the level of reserves held at the earliest opportunity. The Council discussed this recommendation and the information provided by the Clerk/RFO. The Council agreed a budget of £3,274 for 2018/19 and set a Precept of £3,140 which was an increase of 18.93% over 2017/18 (Minute 7iv refers). The increase would in part address the need to put the Council's reserves on a satisfactory footing and would also meet the additional administrative costs placed on the Council by recent changes in legislation (Minute 7vi refers).

5.7 The Reserves at the year-end 31 March 2018 totalled £782.82, a significant increase in relation to the relatively low reserve figure of £165.62 at the end of the previous year, 31 March 2017. It is noted that the Council is working towards maintaining sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

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 were 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 cheques being made out for expenses incurred.

8. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000)

8.1 Under the provisions of the Transparency Code, Lindsey Parish Council can be designated as a 'Smaller Council'.

The Council's web-site is: <http://www.lindsey.suffolk.cloud/>

Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Yes, payments included within published Minutes of Council meetings.*

- b) *Annual Governance Statement: 2017 Annual Return Section One. Yes, published on web-site.*
- c) *End-of-Year accounts: 2017 Annual Return, Section Two. Yes, published on web-site.*
- d) *Annual Internal Audit report: 2017 Annual Return. Yes, published on web-site.*
- e) *List of councillor or member responsibilities. Yes, published on web-site.*
- f) *The details of public land and building assets (Asset Register). Yes, published on web-site.*
- g) *Minutes, agendas and meeting papers of formal meetings. Yes, published on web-site.*

8.2 The Council is accordingly meeting the requirements of the Transparency Code in full.

8.3 On 16 August 2017 the Council received a grant of £860.64 from the Transparency Code Fund to assist the Council in meeting the Code.

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

9.1 Payroll Services are operated in accordance with HMRC requirements, detailed pay-slips are produced and PAYE is in operation.

9.2 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 30 April 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008 and this was noted by the Council at its meeting on 10 May 2017 (Minute 8x refers).

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

10.1 An Asset Register is in place and was reviewed by the Council at its meeting on 14 March 2018. Council reviewed the Asset Register and agreed that it was a fair description of the assets held by the Parish Council and noted that all assets named on the asset register were covered under All Risks within the Council's Insurance Documents (Minute 7vii refers).

10.2 For purposes of Box 9 of Section 2 of the AGAR, the Council's assets have been correctly recorded at a total value of £316 as at 31 March 2018 and reflect the nominal value of community assets and the cost value of the laptop acquired in the year of account.

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

11.1 The Barclays Community Current Account statement as at 31 March 2018 reconciled to the end-of-year accounts and agreed with the bank reconciliation.

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 provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 The Council demonstrates good financial practice by receiving at each meeting a Schedule of Receipts and a Schedule of Verified Invoices awaiting payment. The Council also receives at each meeting details of the financial position of the Council, including details of funds held and a completed bank reconciliation.

13.3 Cheque Book counterfoils are initialled by cheque signatories and receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

13.4 The Internal Audit Report for the previous year, 2016/17 was reported to the Council at its meeting on 10 May 2017. The Report commented that the Council was not maintaining sufficient Reserves or Contingency sums to meet any unforeseen items of expense that may occur. The Council considered the matter at its meeting on 17 January 2018 (see items 5.6 and 5.7 above).

13.5 The Internal Auditor for the year 2017/18 was appointed at the Council at its meeting on 14 March 2018 (Minute 7x refers).

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

14.1 The report by BDO LLP, the External Auditors, following their review of the Accounts for the previous year (2016/17) was noted by the Council at its meeting on 13 September 2017 (Minute 7 vi refers). No issues were raised by the External Auditors in their report.

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 10 May 2017. The first item of business was the Election of Chairman, in accordance with the requirements of 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, CPFA

Internal Auditor

18 April 2018