

## **Report to Lindsey 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 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 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: £3,280.00*  
*Total Payments in the year: £3,733.00*  
*Total Reserves at year-end: £329.82*

1.4 The Annual Governance and Accountability Return (AGAR) 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: £783</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £3,140</i>
<i>Total Other Receipts:</i>	<i>Box 3: £140</i>
<i>Staff Costs:</i>	<i>Box 4: £1,859</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,874</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £330</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £330</i>
<i>Total fixed assets:</i>	<i>Box 9: £1,016</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 AGAR.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the agreed 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 good order and well presented. Local Government Act 1972 (Section 137) payments are separately identified in the Cashbook and within the Minutes of the Council meetings. VAT payments are tracked and separately identified within the Cashbook. The legislative powers under which payments are made are clearly identified.

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 was found to be in order; supporting invoices and vouchers were in place.

**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 At its meeting on 13 March 2019 the Council reviewed and up-dated both Standing Orders and Financial Regulations as per the Model Standing Orders and other guidance received from NALC (minute 7ix refers).

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 re-claim of £140.00 for the period 1 April 2018 to 31 January 2019 was submitted to HMRC on 26 February 2019 and re-imburement was received at bank on 8 March 2019 and reported to Council on 13 March 2019 (Minute 7i refers).

3.4 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 Z2744022 refers, expiring 17 July 2019).

3.5 The Clerk/RFO kept the Council informed during the year of the requirements of the General Data Protection Regulations (GDPR), which came into force on 25 May 2018. At the meeting held on 9 May 2018 the Council received an update on the work carried out by the Clerk/RFO regarding compliance with the GDPR; an Impact Assessment had been carried out and the legal basis for holding and processing personal data had been identified. A number of formal policies and procedures were agreed and adopted by the Council at the meeting, including a Data and Electronic

Data Retention Policy, Data and Information Security Policy, Privacy Policy, Subject Access Request Policy and Subject Access Procedure (Minute 8xiii refers). A Privacy Statement, including an explanation of the lawful basis for processing data, is held on the Council's website.

3.6 At the Council's meeting on 12 September 2018 a training session was conducted on the general provisions of GDPR and Council and Councillor responsibilities and duties to ensure that the Council is GDPR compliant. The Council noted that the Clerk/RFO and a Councillor had carried out an audit of the Council's activities; had identified the risks by carrying out a risk assessment; progressed an action plan in response to those risks and identified the lawful basis for processing personal data (Minute 1 refers).

3.7 The Council demonstrates good practice by adopting and regularly reviewing a wide range of formal policies and procedures. At its meeting on 13 March 2019 the Council approved a number of its key policies in their entirety (Minute 7x refers).

3.8 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 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 13 March 2019, 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 7vi refers).

4.2 The Council also reviewed at its meeting on 13 March 2019 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 the size of Lindsey. The completed Internal Control Document for the year ending 31st March 2019 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 7vii 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. At its meeting on 12 September 2018 the Council was informed that a review has been carried out by the Clerk/RFO on items under insurance and the Council noted that there were no amendments required to the current schedule (Minute 8ii refers).

4.5 The Council approved the insurance renewal premium of £150.93 at the meeting held on 12 September 2018 (Minute 8ii and Appendix B refer). 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 2018/19: £3,140.00

Precept 2019/20: £4,111.00

5.1 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).

5.2 Similarly, the Precept for 2019/20 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 16 January 2019, Minute 7vi refers).

5.3 The Clerk ensures that 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. At its meeting on 14 November 2018 the Council considered the first Draft Budget for 2019/20 (Minute 7v refers). The Final Budget for 2019/20 was formally approved at the meeting held on 16 January 2019 (Minute 7v refers).

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 for 2019/20 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 The Reserves at the year-end 31 March 2019 totalled £329.82. The Council accepted at its meeting on 13 March 2019 that there would be a relatively low reserve figure at the end of the year of account but noted that it 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 Cashbook 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/>

8.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:  
Published – **Yes**
- b) Annual Governance Statement, AGAR, Section One:  
Published (2017/18) – **Yes**
- c) End of year accounts, AGAR, Section Two:  
Published (2017/18) – **Yes**
- d) Annual Internal Audit report within AGAR:  
Published (2017/18) – **Yes**
- e) List of councillor or member responsibilities:  
Published – **Yes**
- f) Details of public land and building assets:  
Published – **Yes**
- g) Minutes, agendas and meeting papers of formal meetings:  
Published – **Yes**

8.3 The Council is complying with the requirements of the Transparency Code.

**9. Payroll controls**                    *(PAYE and NIC in place; Compliance with HMRC 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. At its meeting on 9 May 2018 the Council formally approved the increase in the Clerk's salary for 2018/19 (from 1 April 2018) in accordance with the NJC agreement on pay for local government

employees (Minute 8 vii refers). A copy of the P60 End of Year Certificate for the 2018/19 year was presented to Internal Audit.

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 and 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 13 March 2019. The Council 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 Document (Minute 7v refers).

10.2 The Asset Register displays a total valuation of £1,016, an increase of £700 over the valuation as at the end of the previous year, 31 March 2018, and reflects the purchase of a Beacon Brazier in the year of account. The assets are valued at cost (in respect of the Lenovo Laptop and Beacon Brazier) or at a nominal/community value to ensure that the Council's ownership and responsibility are recognised and not lost or forgotten.

10.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

11.1 The Barclays Community Current Account statement as at 31 March 2019 reconciled to the End-of-Year accounts and agreed with the overall 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/RFO 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 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. The legislative basis on which payment is made is notated against the items of expenditure.

13.4 The Internal Audit Report for the previous year, 2017/18 was received and approved by the Council at its meeting on 9 May 2018. The Report raised no matters of concern.

13.5 The Internal Auditor for the year 2018/19 was appointed by the Council at its meeting on 13 March 2019 (Minute 7viii refers).

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

14.1 An External Audit was not required in the year 2017/18. At its meeting on 9 May 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 8 vi refers).

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 9 May 2018. 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**

**17 April 2019**

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