

Report to Palgrave 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 and ensured that internal financial controls were in place. The Council appointed Mrs Caroline Emeny as the Clerk and Responsible Financial Officer (/RFO) at the meeting held on 12 April 2018. During the year of account, the Council and the Clerk/RFO worked energetically towards the achievement of effective governance arrangements including a robust framework of internal control and a high standard of financial administration.

1.2 By examination of the 2018/19 accounts and supporting documentation it was confirmed that the Clerk/RFO satisfactorily undertook the administration of the Council's financial affairs and produced appropriate financial and 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: £40,819.10

Total Payments in the year: £22,427.88

Total Reserves at year-end: £50,409.70

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: £32,018</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £14,595</i>
<i>Total Other Receipts:</i>	<i>Box 3: £26,224</i>
<i>Staff Costs:</i>	<i>Box 4: £6,284</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £16,143</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £50,410</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £50,410</i>
<i>Total fixed assets:</i>	<i>Box 9: £31,118</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 Audit Plan. 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 well referenced and provides a clear audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. These documents provided good evidence in support of the receipts and payments in the year. Supporting paperwork is in place and well referenced.

2.2 Payments made under the Local Government Act 1972 Section 137 are tracked and identified within the End-of-Year Accounts.

2.3 VAT payments are separately identified in the Cashbook Spreadsheet.

2.4 A sample of Cashbook transactions in the year was closely examined. All were 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; they were reviewed by the Council at its meeting on 12 April 2018 and no changes made (Minute 04.18.11.5 refers) At its meeting on 11 October 2018 the Council adopted the latest model Standing Orders published by the National Association of Local Councils (NALC), Minute 09.18.20 refers.

3.2 Financial Regulations are in place. A review due to take place on 12 April 2018 was deferred (Minute 04.18.15.6 refers) and the Financial Regulations were reviewed and accepted in a slimmed-down version by the Council at its meeting on 14 March 2019 (Minute 03.19.10.2 refers).

3.3 The Council formally re-appointed Mrs C Emeny, the Clerk to the Council, as the Council's Responsible Financial Officer (RFO) at the meeting held on 18 May 2018 (Minute 05.18.05.2 refers).

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

3.5 A reclaim to HMRC for £1,218.20 VAT paid during the period June 2017 to June 2018 was received at bank on 29 August 2018 (reported to Council at the meeting

held on 13 September 2018, Minute 08.18.23.2 refers). Similarly, a further re-claim of £1,440.54 was received from HMRC on 15 January 2019.

3.6 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller under Data Protection legislation (Registration ZA189657 refers, expiring 20 June 2019).

3.7 The Clerk/RFO has kept the Council advised of the requirements of the General Data Protection Regulations (GDPR) which took effect from May 2018. At the meeting held on 21 June 2018 the Clerk/RFO presented to Council a General Privacy Notices and a Consent Form, which were approved by the Council to facilitate compliance with the GDPR (Minute 06.18.15 refers). Similarly, at its meeting on 13 September 2018 the Council reviewed and adopted a Data Protection Policy (Minute 08.18.24 refers). The Clerk/RFO also provided an up-date to the Council at its meeting on 10 January 2019 (Minute 01.10.16 refers). The Document and Electronic Data Retention Policy was approved and adopted by the Council on 11 April 2019 (draft Minute 04.19.10.1 refers). The Council demonstrated good governance during the year through maintaining a standing agenda item for GDPR and Governance issues.

3.8 The Council's website confirms that the revised Suffolk Local Code of Conduct (2014) is being applied within the Council. The Council demonstrates good practice by having a standing agenda item at each meeting formally reminding Councillors of their obligations under the Code of Conduct, including the Nolan Principles of Public Office.

3.9 Policies relating to Filming and Videoing at Council meetings and the Subject Access Request Policy were adopted by the Council at its meeting on 13 September 2018 (Minute 08.18.24 refers) and have been published on the Council's website.

3.10 A Community Infrastructure Levy receipt of £21,505.36 was received by the Council in the year of account; a payment of £2,300.00 was made from those Funds. The CIL balance as at 31 March 2019 was £25,835.18. The Council demonstrated effective community engagement through the holding of a Conversation Café on 2 March 2019 to obtain ideas and guidance from the local community relating to the development of a Parish Infrastructure Investment Plan (PIIP).

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 (Assets) and Risk Assessment (Financial) documents were reviewed and approved by the Council at its meeting on 14 March 2019 (Minute 03.19.10.1 and 03.19.10.4 refer). The documents provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 The Statement of Internal Control was also reviewed by the Council at its meeting on 14 March 2019 with no amendments considered necessary (Minute 03.19.10.5 refers).

4.3 The Council accordingly complied with the Account and Audit Regulations 2015 which require a review, at least once during each year of account, by the full Council of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, with the review suitably Minuted.

4.4 Insurance was in place for the year of audit. The payment of £508.28 in respect of the annual insurance premium renewal was agreed by the Council at its meeting on 21 June 2018 (Minute 06.18.14.1 refers). Public Liability cover stands at £10m. Employee Dishonesty (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. Transparency Code *(Compliance for smaller councils with income/ expenditure under £25,000)*

5.1 Palgrave Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://palgrave.onesuffolk.net>

5.2 Smaller authorities should publish on their website:

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

5.3 The Council is meeting 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: £14,595 (11 January 2018, Minute 01.18.10.3 refers).

Precept 2019/20: £14,595 (10 January 2019, Minute 01.19.08 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount has been clearly Minuted. The Clerk/RFO ensures that 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 budgetary and precept 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 can be used effectively for financial control and budgetary control purposes. The Clerk/RFO presented reports to the Council in the year comparing expenditure with budgeted amounts - the meetings on 13 September 2018 (Minute 08.18.23.5) and on 14 March 2019 (Minute 03.19.18.4) refer.

6.3 The Reserves available to the Council at the year-end, 31 March 2019 were £50,410 of which £36,485 is earmarked, as follows:

Community Infrastructure Levy (CIL)	£25,835
Other Projects identified as at 31 March 2019	£10,650

6.4 As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums in order to meet, within reason, any unforeseen items of expense that may occur.

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

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

7.2 At its meeting on 12 July 2018 the Cemetery Committee reviewed the Fees and Charges applied to the Cemetery. The Committee agreed that as the Fees and Charges had only recently been increased (from 1 January 2018) no further increases were deemed necessary (Minute 5 refers). Similarly, at the meeting of the Cemetery Committee on 20 February 2019 it was agreed to leave charges unchanged (Minute 5 refers).

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

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

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

9.1 The Contract of Employment for the Clerk/RFO was approved and signed at the meeting of the Council held on 17 May 2018 (Minute 05.18.27 refers). The Council confirmed at its meeting on 13 September 2018 that the Clerk had successfully completed the probationary period and no amendment was required to the Contract of Employment (Minute 08.18.27 refers).

9.2 The Council's Personnel Committee meeting on 8 November 2018 undertook the Clerk's annual appraisal and agreed that the salary should be immediately increased from SCP26 to SCP28 (Minute 4.2 refers).

9.3 PAYE is operated in-house accordance with HMRC regulations. Regular PAYE payments have been made to HMRC. A P60 End-of-Year Certificate was made available for Internal Audit's examination.

9.4 With regard to the legislation in respect of workplace pensions, the Council has completed a re-declaration of compliance the Pensions Regulator as from 1 July 2019

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 Register of Assets was reviewed by the Council at its meeting on 12 April 2018 (Minute 04.18.11.7). Similarly, the Asset Register was reviewed, updated with the Defibrillator added and the Register signed to confirm its correctness, at the Council's meeting on 14 March 2019 (Minute 03.19.10.3 refers).

10.2 The Register displays a total value of £31,118 as at 31 March 2019 an increase of £2,258 over the value of £28,860 at the end of the previous year and reflects the acquisition of the defibrillator in the year of account.

10.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. The Register displays assets at original purchase cost or, where the original purchase price is unknown, a proxy value for the original cost that will remain unchanged until disposal.

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

11.1 The NatWest Current Account bank statements as at 31 March 2019 reconciled with the End-of-Year Accounts.

11.2 At the Council's meeting on 14 March 2019 the Clerk/RFO presented an up-to-date financial statement and arranged for a Councillor to examine and sign the Bank Reconciliation in accordance with the Council's Financial Regulations (Minute 03.18.18.4 refers).

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 had satisfactory internal financial controls in place during the year of account. Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provided comprehensive financial reports and financial statements to Council meetings. Up-to-date accounts were presented to Council at its meeting on 13 September 2018 and the budget for the year was reviewed (Minute 08.18.23.5 refers). Similarly, the up-to-date financial statement as at March 2019 was presented to Council at its meeting on 14 March 2019 (Minute 03.19.18.4 refers).

13.2 Cheque Book counterfoils and paid invoices/vouchers are initialled by cheque signatories. Details of receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

13.3 The Council formally appointed the Internal Auditor at its meeting on 12 April 2018 (Minute 04.18.15.9 refers).

13.4 The Internal Audit report for the previous year 2017/18 had recommended that during the year 2018/19 the Council should undertake a review of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, and Minute the review accordingly, as required by the Accounts and Audit Regulations 2015. This matter was addressed at the Council's meeting on 14 March 2019 (see items 4.1 to 4.3 above).

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

14.1 The Report and Certificate by the External Auditors, PKF Littlejohn LLP, for the previous year (2017/18), dated 28 August 2018, was noted by the Council at its meeting on 13 September 2018 (Minute 08.18.23.3 refers). No matters of concern were raised in the Report, which has been published on the Council's website.

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 17 May 2018, within the required timescale. 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

14 May 2019