

Report to Badingham 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. This Internal Audit review has confirmed the overall adequacy of the financial arrangements currently 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), is satisfactorily undertaking 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 All documents were very well presented for the Internal Audit review.

1.4 The Accounts for the year confirm the following:

Total Receipts for the year: £16,999.78

Total Payments in the year: £9,667.56

Total Reserves at year-end: £15,469.59

1.5 The Annual Governance and Accountability Return (AGAR) was examined and the following figures confirmed 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: £8,137</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £9,500</i>
<i>Total Other Receipts:</i>	<i>Box 3: £7,500</i>
<i>Staff Costs:</i>	<i>Box 4: £6,296</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,372</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £15,469</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £15,469</i>
<i>Total fixed assets:</i>	<i>Box 9: £327,909</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.6 Sections One and Two of the AGAR were approved and signed at the meeting of the Council on 8 May 2019. The Internal Auditor has completed the Annual Internal Audit Report 2018/19 within the AGAR.

1.7 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 Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts)

2.1 The Cashbook Spreadsheet at the year-end 31 March 2019 was found to be in good order. VAT payments made in the year have been separately entered into a VAT column in the Spreadsheet to assist re-claims to HMRC.

2.2 The Cashbook Spreadsheet is referenced and provides a good audit trail to the Bank Statements, the 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. A sample of transactions was closely examined and was found to be in order; supporting invoices and vouchers were in place.

2.3 No payments were recorded in the year of account as having been made under the Local Government Act 1972 Section 137.

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 The Council's Standing Orders were ratified by the Council at the meeting on 27 February 2019 (Minute 8 refers). A copy of Standing Orders is published on the Council's website. Some elements of the Standing Orders require up-dating; for example, Section 30 'Financial matters' refers to the Public Contract Regulations 2006 (at section 30 e) which have been replaced by the Public Contract Regulations 2015. The National Association of Local Councils (NALC) has published updated Model Standing Orders (2018) for local councils to consider and adopt, as required.

Recommendation 1: The Council should review and consider the adoption of the latest, up-to-date Model Standing Orders (2018) published by NALC.

3.2 The Council's Financial Regulations were ratified by the Council at the meeting on 27 February 2019 (Minute 8 refers). A copy of the Financial Regulations is published on the Council's website. The Financial Regulations are dated January 2004; the date should be amended to record the date when the Regulations were last approved by the Council to confirm that they are being regularly reviewed.

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

3.4 The re-claim to HMRC for the £458.20 VAT paid during the period 15 June 2017 to 15 March 2019 was submitted to HMRC and had not been received at bank by the year-end, 31 March 2019.

3.5 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under current Data Protection legislation (Registration ZA487034 refers, expiring 13 January 2020). The Clerk/RFO reported to Council at its meeting on 6 September 2018 that the Council had been registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services (Minute 4 refers) and the Council approved the payment of the £40 cost involved.

3.6 The Clerk/RFO kept the Council advised of the requirements of the General Data Protection Regulations (GDPR) which came into effect from 25 May 2018. At its meeting on 6 September 2018 the Council resolved to approve a range of Policies and Procedures aimed to meet the requirements of the GDPR (Minute 6 refers).

3.7 The Council received Community Infrastructure Levy (CIL) receipts of £7,490.70 on 26 October 2018, being the initial amount from the Fund. This was reported to Council at its meeting on 5 December 2018 and was committed to the Village Hall Community Improvement Project (Minute 5.2 refers).

Recommendation 2: The Clerk/RFO should complete a Community Infrastructure Levy (CIL) End-of-Year Return as at 31 March 2019 (detailing amounts received, any funds used and the balance at year-end) and submit the Return to the District Council no later than 31 December 2019.

3.8 The Council's website displays a Suffolk Local Code of Conduct approved by the Council on 12 July 2012. An up-dated Suffolk Local Code of Conduct was published in 2014. It is good practice for a Council to periodically review and re-adopt the Code of Conduct, which details the requirements and responsibilities placed upon each individual Council Member.

Recommendation 3: The Council should ensure that the most recently published Suffolk Local Code of Conduct is periodically considered and re-adopted by the Council.

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 has a detailed Risk Assessment document in place. The Risk Assessment was considered and ratified by the Council at its meeting on 27 February 2019 (Minute 8 refers). The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified.

Recommendation 4: The Risk Assessment document should include an item identifying the risks associated with non-compliance with the General Data Protection Regulations and the actions in place to mitigate the risks involved.

These additions should be made at the next scheduled review of the risk assessment documentation.

4.2 The Council complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires 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 Insurance was in place for the year of audit. At its meeting on 11 October 2018 the Council considered and approved a long-term 5-year agreement for insurance cover with Zurich Insurance (Minute 5 refers). Public Liability cover stands at £10m. The Employee Dishonesty cover stands at £25,000 and 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.

4.4 At its meeting on 11 October 2018 the Council considered the ROSPA report regarding the play equipment at Pocket Park and agreed to take remedial action as required (Minute 7 refers).

4.5 A comparison was made of the items listed within the Asset Register and the items listed in Part C (All Risks) of the insurance schedule for the period 1 October 2018 to 30 September 2019. The Asset Register lists the Village Hall as an asset valued at £303,000 and in the ownership of the Council. The Clerk advised Internal Audit that insurance cover is organised by the Village Hall Management Committee, according to a Deed of Covenant which requires a management committee to manage and conduct the business of the Hall.

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

Precept 2018/19: £9,500.00 (10 January 2018, Minute 6 refers).

Precept 2019/20: £9,500.00 (included within the approved 2019/20 Budget).

5.1 The Budget for the year 2018/19 was agreed in full Council and the decision and overall amount of £9,500.00 was Minuted.

5.2 The Minutes of the Council meeting held on 27 February 2019 record that the Budget for the year 2019/20 was agreed (Minute 8). There is no formal record of the approval of the amount of the Precept for 2019/20. Following formal approval of the Precept the Council should ensure that its decisions regarding both the approval and the amount are clearly Minuted.

5.3 The Clerk/RFO ensures that the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. 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.

5.4 The estimates are used effectively for financial control and budgetary control purposes; the Council demonstrates good financial practice by considering at each meeting a financial statement that compares the budget for the year against actual receipts and payments.

5.5 As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The overall Reserves at the year-end totalled £15,469.59, of which the following (totalling £12,138.05) are restricted funds or earmarked as Capital Reserves:

- | | |
|--|-----------|
| a) Community Infrastructure Levy Funds (restricted funds): | £7,490.70 |
| b) Training Fund: | £685.00 |
| c) Election Fund: | £518.00 |
| d) Community Projects Fund: | £3,427.01 |
| e) Village Hall Project: | £17.34 |

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

6.1 Receipts recorded in the Cashbook Spreadsheet 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; an 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, Badingham Parish Council can be designated as a 'Smaller Council'. The Council's website is: <http://badinghampc.onesuffolk.net/>

8.2 Smaller Councils should publish on their website:

- a) All items of expenditure above £100:
Published: **Yes**
- b) Annual Governance Statement, 2017/18 AGAR Annual Return Section One:
Published: **Yes**
- c) End-of-Year accounts, 2017/18 AGAR Annual Return, Section Two:
Published: **Yes**
- d) Annual Internal Audit report within the AGAR Annual Return:
Published: **No**, the detailed Internal Audit Report has been published but not the Internal Audit Report Section within the Annual Return, which is required under the Code.
- e) List of councillor or member responsibilities:
Published: **Yes**
- f) The details of public land and building assets (Asset Register):
Published: **Yes**

- g) *Minutes, agendas and meeting papers of formal meetings:*
Published: Yes

8.3 As a result of item d) above not being published, the Council is not in full compliance with the requirements of the Transparency Code. Guidance on documents that need to be published can be found on:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf

Recommendation 5: The Council should comply with the requirements of the Transparency Code as soon as practicably possible in 2019/20.

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-house with a monthly standing order being paid to the Clerk/RFO. PAYE is not in operation and payments are made gross of tax. The Clerk/RFO has advised Internal Audit that she has previously reported to Council that HMRC has confirmed that there is no liability for PAYE/NI as the Clerk/RFO's salary is under the lower limit for PAYE.

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. The Register records the value of the assets as at 31 March 2018 as £327,909.94, unchanged from the value as at the end of the previous year.

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

10.3 The Council's assets have been correctly recorded in Box 9 of Section 2 of the AGAR (Annual Return).

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

11.1 The bank statements for the Barclays Community (Current) Account (as at 31 March 2019) and the Barclays Savings Account (as at 15 March 2019) reconciled with 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. The Council receives at each meeting details of the financial position of the Council, including details of cheques presented for payment, bank account balances, Reserves and Fund balances and a statement comparing the budget with expenditure to date.

13.2 The Cheque Book counterfoils and invoices/vouchers for payment are being initialled by cheque signatories. Payments are listed in the Financial Statements presented to each Council meeting as part of the overall financial control framework. Cheque numbers are entered on paid invoice/voucher to ensure an audit trail is in place.

13.3 The Internal Audit Report for the previous year, 2017/18, was reported to the Council at its meeting on 6 September 2018 (Minute 4 refers) and a copy of the Report published on the Council's website. The Report put forward the following recommendations:

- a) The VAT payments should be separately identified and listed in the column available for that purpose in the Cashbook Spreadsheet to assist overall financial control and future re-claims to HMRC (this has been addressed).
- b) The Council should consider adopting the latest Model Standing Orders (2018) recently published by NALC (this remains outstanding, see Recommendation 1 above).
- c) The Council should ensure that the Council's Financial Regulations are up-to-date and reflect current legislative requirements (the Financial Regulations are dated January 2004 and require re-dating to reflect the most recent review, see item 3.2 above).
- d) The Council should ensure that each page of the Minutes is consecutively numbered and initialled by the Chairman at the meeting at which the Minutes are approved (this is being addressed).
- e) The Council should register with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services (this has been addressed).
- f) The Council should ensure that the most recently published Suffolk Local Code of Conduct is adopted/re-adopted by the Council (this remains outstanding, see Recommendation 3 above).
- g) The insurance arrangements regarding the Village Hall should be clarified (this has been addressed).

- h) The Council should undertake a comparison of the Asset Register with the insurance cover for the Council's assets to ensure that all assets are adequately insured (this is being addressed, the Asset Register includes a column displaying the insurance value to verify the cover in place).
- i) The Council should comply with the requirements of the Transparency Code as soon as practicably possible (this remains outstanding, see Recommendation 5 above).

13.4 The Internal Auditor for the 2018/19 year was re-appointed by the Council at the meeting held on 27 February 2019 (Minute 8 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 31 May 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year.

14.2 Similarly, the Council has prepared a Certificate of Exemption from a Limited Assurance Review for the year 2018/19.

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 31 May 2018, within the required timescale. The first item of business was the Election of Chair 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

8 June 2019