

## **Report to Topcroft 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 appropriate 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 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 in the year: £2,671.20*

*Total Payments in the year: £2,906.25*

*Total Reserves at year-end: £3,165.19*

1.4 The Annual Governance and Accountability Return (AGAR) 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: £3,300</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £2,567</i>
<i>Total Other Receipts:</i>	<i>Box 3: £104</i>
<i>Staff Costs:</i>	<i>Box 4: £1,260</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,546</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £3,165</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £3,165</i>
<i>Total fixed assets:</i>	<i>Box 9: £4,543</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 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 and VAT payments are tracked and identified within the Cash Book.

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 found to be in order.

**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 The updated model Standing Orders, produced by the National Association of Local Councils (NALC), were considered and adopted by the Council at its meeting on 10 September 2018 (Minute 5a refers). The Council also reviewed and approved the Standing Orders at its meeting on 11 March 2019 (Minute 5h refers).

3.2 Financial Regulations are in place and were also reviewed and adopted by the Council at its meeting on 11 March 2019 (Minute 5e refers).

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

3.4 The re-claim of £65.00 for VAT paid in the period 1 April 2017 to 31 March 2018 was received from HMRC on 2 May 2018 and reported to Council at its meeting on 14 May 2018 (Minute 6d refers).

3.5 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 ZA362923, expiring 14 June 2019, refers). The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of Data Protection policies, procedures and documentation, including a Data Information Audit Policy, Data Protection Privacy Policy, a Staff, Councillors and Role Holders Privacy Notice and a GDPR Awareness Checklist for Councillors, all of which were considered and approved at the meeting held on 9 July 2018 (Minute 5 refers).

3.6 The Council demonstrates good practice by adopting and reviewing a wide range of formal policies and procedures, including a Planning Procedure Policy and a Publication Scheme Policy, both of which were reviewed and adopted at the meeting held on 11 March 2019 (Minutes 5g and 5h refer).

3.7 The Community Infrastructure Levy (CIL) Fund Annual Report for the year ended 31 March 2019 shows a total amount of £433.55 CIL Receipts received during the year 2016/17 and retained at the end of 31 March 2019.

3.8 The Council reviewed the Code of Conduct at the meeting held on 11 March 2019 (Minute 5d refers).

**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 Internal Control Statement was reviewed and adopted by the Council at the meeting on 11 March 2019 (Minute 5b refers).

4.2 The Council's Risk Assessment document was also reviewed and approved by the Council at its meeting on 11 March 2019 (Minute 5c 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.

4.3 Accordingly, the Council 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 9 July 2018 (Minute 4a refers). The Public Liability cover stands at £10m. The Employee Dishonesty 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. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*)**

Precept 2018/19: £2,600 (included £33.00 grant from South Norfolk District Council) (Meeting on 13 November 2017, Minute 4c refers).

Precept 2019/20: £2,600 (Meeting on 12 November 2018, Minute 4b refers).

5.1 The Precepts were agreed in full Council and clearly Minuted. Budget papers are prepared to ensure that Councillors have sufficient information to make informed decisions. The Budget for the year 2019/20 formed part of the approved Minutes of the Council and displays the amount of the Precept for the 2019/20 year. The Chair and Clerk/RFO signed the precept form for £2,600 at the Council meeting held on 14 January 2019 (Minute 4 refers).

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 for the 2019/20 year can be used effectively for financial control and

budgetary control purposes. Budget reports are presented to each meeting of the Council by the Clerk/RFO.

5.3 The Clerk ensures the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. The Reserves at the year-end totalled £3,165.19, of which £1707.00 is earmarked as follows:

- (a) CIL Payment to be used by 2021 (£433.55)
- (b) Clerk's overtime (£41.28)
- (c) Donations (£750.00)
- (d) Transparency Code Grant (£482.24)

5.4 As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The General Reserve of £1,458.12 was in line with the generally accepted position that non-earmarked revenue reserves held should usually be between three and twelve months of gross expenditure.

**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; 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, Topcroft Parish Council can be designated as a 'Smaller Council'.

The Council's web-site is: <http://topcroftpc.norfolkparishes.gov.uk/>

Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Payments included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2017/18 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2017/18 AGAR Annual Return Section Two. Published on website.*
- d) *Annual Internal Audit report within 2017/18 AGAR Annual Return. Published on website.*
- e) *List of councillor or member responsibilities. Published on website.*
- f) *The details of public land and building assets (Asset Register). Published on website.*

g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

8.2 The Council is meeting 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 The Council is registered with HMRC and the payroll is operated in accordance with HMRC requirements. A contract of Employment for the Clerk/RFO is in place. A copy of the End of Year Certificate P60 for 2018/19 was presented to Internal Audit.

9.2 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 23 January 2018 that the Council has completed a declaration of compliance under the Pensions Act 2008.

**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 A comprehensive Asset Register is in place. The Register was reviewed and approved by the Council at its meeting on 11 March 2019, when the Clerk was asked to add the litter picking equipment to the Asset list (Minute 5a refers).

10.2 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 as having a total value of £4,543 (unchanged from the end of the previous 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 and the Business Saver Account bank statements reconciled with the end of year accounts and agreed with the overall Bank Reconciliation.

11.2 The Council agreed at its meeting on 10 July 2017 to authorise a Simple Servicing agreement with Barclays Bank to allow the Clerk/RFO to view/print statements online and transfer money between accounts of the same name (Minute 4c 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 has satisfactory internal financial controls in place. The Clerk/RFO provides financial and budget reports to Council meetings; Councillors are provided with the information to enable them to make informed decisions.

13.2 Cheque book counterfoils were initialled by signatories. Invoices and vouchers for payment are also initialled by the Cheque Signatories in confirmation of the payment being correctly made. Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

13.3 The Internal Audit for the previous year (2017/18) was received by the Council at its meeting on 14 May 2019 (Minute 6a refers). There were no issues of concern arising from the report.

13.4 The Internal Auditor for the 2018/19 year was formally appointed by the Council at the meeting held on 14 May 2019 (Minute 6c 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 14 May 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 6b refers).

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 14 May 2018. The first item of formal business was the Election of Chairman, in accordance with the requirements under 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**

**16 April 2019**