

Report to Topcroft 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. 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 in the year: £2,872.99

Total Payments in the year: £3,493.25

Total Reserves at year-end: £3,300.24

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: £3,920</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £2,250</i>
<i>Total Other Receipts:</i>	<i>Box 3: £623</i>
<i>Staff Costs:</i>	<i>Box 4: £1,187</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £2,306</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £3,300</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £3,300</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 2017/18 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 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 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. 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 Standing Orders are in place and were reviewed and adopted by the Council at its meeting on 10 July 2017 (Minute 5a refers). The Standing Orders were also reviewed and adopted by the Council at its meeting on 12 March 2018 (Minute 6h refers) as part of the Council's Annual Review of Policies and Documents.

3.2 Financial Regulations are in place and were reviewed and adopted by the Council at its meeting on 12 March 2018 (Minute 6e 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 A re-claim of £65.00 for VAT paid in the period 1 April 2017 to 31 March 2018 was submitted to HMRC on 31 March 2018.

3.5 The Council is not currently registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services. The Council intends to register with effect from May 2018 as part of the process of complying with the introduction of the General Data Protection Regulations from 25 May 2017.

3.6 The Community Infrastructure Levy Fund shows a total amount of £433.55 CIL Receipts received during the year 2016/17 with nil CIL expenditure during the year of account, 2017/18.

3.7 The Council reviewed the Code of Conduct at the meeting held on 12 March 2018 (Minute 6d refers).

4. Internal Control & 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 document was reviewed and agreed by the Council at its meeting on 8 May 2017 (Minute 7b 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.

4.2 The Council's Internal Control Statement was reviewed and adopted by the Council at the meeting on 12 March 2018 (Minutes 6b and 6c refer). The Council demonstrated good financial practice by also reviewing the risk management documentation (alongside the Internal Control Statement) at the meeting.

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 8 May 2017 (Minute 6 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 2017/18: £2,250 (Meeting on 14 November 2016, Minute 7b refers)

Precept 2018/19: £2,600 (Meeting on 13 November 2017, Minute 4c 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 2018/19 formed part of the approved Minutes of the Council and displays the amount of the Precept for the 2018/19 year. The Chair and Clerk/RFO signed the precept form for £2,600 at the Council meeting held on 8 January 2018 (Minute 5b 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 2018/19 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. At the Council's meeting on 13 November 2017 (Minute 4c) it was agreed to earmark reserves as follows:

(a) Clerk's overtime (£250)

(b) Donations (£750).

5.4 As at the 31 March 2018 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £3,300.24 (of which £1,000 is earmarked) and was in line with the generally accepted position that 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 on a sample basis 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, 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: 2016/17 Annual Return Section One. Published on web-site.
- c) End-of-Year accounts: 2016/17 Annual Return Section Two. Published on web-site.
- d) Internal Audit report from 2016/17 Annual Return. Published on web-site.
- e) List of councillor or member responsibilities. Published on web-site.
- f) The details of public land and building assets (Asset Register). Published on web-site.
- g) Minutes, agendas and meeting papers of formal meetings. Published on web-site.

8.2 The Council is meeting the requirements of the Transparency Code.

8.3 The Council received a Transparency Code Grant of £120 in the year of account (reported to Council on 11 September 2017, Minute 4b refers) to assist with the maintenance of the Council's web-site.

9. Payroll controls *(PAYE and NIC in place; Compliance with Inland Revenue 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 2017/18 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 & 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 updated by the Council at its meeting on 12 March 2018 (Minute 6a refers). 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 at replacement value (where known) with a total value of £4,543.60 (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 cash books 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.

11.2 The Council agreed at its meeting on 10 July 2017 to apply to Barclays Bank for a Simple Servicing agreement 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 It was noted that not all cheque book counterfoils were initialled by signatories. It is an important aspect of internal financial control that Cheque Book counterfoils and invoices for payment are signed or 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 (2016/17) was undertaken by Mr Paul Rand, who reported to the Council at its meeting on 8 May 2017 (Minute 6a refers). There were no issues of concern arising from his report.

13.4 The Internal Auditor for the 2017/18 year was formally appointed by the Council at the meeting held on 12 March 2018 (Minute 4b refers).

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

14.1 The External Audit Report for the previous year (2016/17) was noted by the Council at its meeting on 11 September 2017 (Minute 5d refers). The External Auditors, Mazars LLP, confirmed that no matters had come to their attention giving cause for concern. Some minor issues were raised regarding the completion of the 2016/17 Annual Return.

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 8 May 2017. 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

18 April 2018