

Report to Tunstall Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2017

1. Summary

During the 2016/17 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.

By examination of the 2016/17 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.

The Accounts for the year confirm the following:

Total Receipts for the year: £13,493.11
Total Payments in the year: £12,960.28
Total Reserves at year-end: £41,118.46

The Annual Return to the External Auditors was examined and the following figures agreed with the Clerk for inclusion in Section 2 - Accounting Statements 2016/17 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2016):</i>	<i>Box 1: £40,586</i>
<i>Annual Precept 2016/17:</i>	<i>Box 2: £7,900</i>
<i>Total Other Receipts:</i>	<i>Box 3: £5,593</i>
<i>Staff Costs:</i>	<i>Box 4: £3,536</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £9,425</i>
<i>Balances carried forward (31 March 2017):</i>	<i>Box 7: £41,118</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £41,118</i>
<i>Total fixed assets:</i>	<i>Box 9: £67,889</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

Sections One and Two of the Annual Return to the External Auditors are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2016/17 within the Annual Return.

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).

The Cash Book 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.

The Cash Book is well referenced and provides a good audit trail to the Bank Statements and Cheque Book stubs 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 all were found to be in order; supporting vouchers, invoices and receipts were in place.

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).

Standing Orders and Financial Regulations are in place and both were reviewed and adopted by the Council at its meeting on 9 November 2016 (Minute 12 refers).

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

VAT claims dated 2 April 2016 and 30 September 2016 were made to HMRC (reimbursement from HMRC received at bank on 25 April 2016 and 4 November 2016 respectively).

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 ZA056415 refers, expiring 11 June 2017).

The Council reviewed the Code of Conduct at the meeting held on 8 March 2017 (Minute 12a refers).

At its meeting on 11 January 2017 the Council agreed to provide the NEST pension facility for the Clerk and for the Council to contribute 5% (Minute 11 refers).

4. Internal Control & the Management of Risk (Review by Council of the effectiveness of internal controls, including risk assessment, and minuted accordingly)

The Council's Risk Assessment documents were reviewed and approved by the Council at its meeting on 8 March 2017 (Minute 12 refers). The documents provide an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified.

The Council's Internal Control arrangements and Internal Audit procedures were reviewed by the Council at the meeting on 11 January 2017 (Minute 7c refers).

Accordingly, the Council complied with the Accounts and Audit Regulations 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.

Insurance was in place for the year of audit. The Council approved the insurance renewal premium at the meeting held on 11 May 2016 (Minute 9d refers). The fraud and corruption (fidelity guarantee) cover stands at £250,000, 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 2016/17: £7,900.00

Precept 2017/18: £8,144.75

The Precept for 2016/17 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 13 January 2016, Minute 9b refers).

Similarly, the Precept for 2017/18 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 11 January 2017, Minute 7b refers).

The Clerk ensures 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.

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 can be used effectively for financial control and budgetary control purposes.

As at the 31 March 2017 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £41,118.46. It is generally accepted that non-earmarked revenue reserves held will usually lie between three and twelve months of gross expenditure and the External Auditors normally require an explanation where non-earmarked reserves exceed twice the annual precept.

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

Receipts recorded in the Cash Book were cross referenced with the Council's Bank Statements and Building Society Pass Books and were found to be in order.

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

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)

Under the provisions of the Transparency Code, Tunstall Parish Council can be designated as a 'Smaller Council'.

The Council's web-site is: <http://tunstall.suffolk.cloud/parish-council/>

Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Yes, payments included within published Minutes of Council meetings.*
- b) *Annual Governance Statement (By 1 July): 2016 Annual Return Section One. Yes, published on web-site.*
- c) *End-of-Year accounts (By 1 July): 2016 Annual Return, Section Two. Not published on web-site.*
- d) *Internal Audit report (By 1 July): 2016 Annual Return Section Four. Not published on web-site.*
- e) *List of councillor or member responsibilities. Yes, published on web-site.*
- f) *The details of public land and building assets (Asset Register) (By 1 July). Yes, published on web-site.*
- g) *Minutes, agendas and meeting papers of formal meetings. Yes, published on web-site.*

Regarding items c) and d) above, the Council's detailed End-of-Year Accounts for 2015/16 have been published but not those included within Section 2 of the Annual Return (which is required to be published under the Code). Similarly, the detailed Internal Audit Report produced for the Council on 24 April 2016 has been published on the web-site but not the Internal Audit Report included within the Annual Return (which is the audit report required to be published under the Code).

The Clerk has confirmed that the Council is continuing to develop the web-site to accommodate the requirements of the Transparency Code and that the Code is due to be met in full during the 2017/18 year. 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

9. Payroll controls (***PAYE and NIC in place; Compliance with Inland Revenue procedures; Records relating to contracts of employment***)

Payroll Services are operated in accordance with HMRC requirements, detailed pay-slips are produced and PAYE is in operation.

10. Asset control & valuation (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).

A comprehensive Asset and Responsibility Register is in place. The Register complies with the current requirements which provide that each asset should be recorded at its original purchase cost or where the original purchase price is unknown at the time of first recording on the asset register, a current value is recorded, which acts as a proxy for the original cost and will remain unchanged until disposal.

For purposes of Box 9 of Section 2 of the Annual Return the Assets have been correctly recorded at a total value of £67,889 as at 31 March 2017 and reflect the acquisition of the Speed Indicator Device (SID) equipment during the 2016/17 year.

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

The Barclays Business Current Account statements and the Ipswich Building Society (IBS) Savings Account pass book (the most recent entry being 30 November 2016) and the IBS Tunstall Common Account pass book (the most recent entry being 9 March 2017) reconciled with the end of year accounts.

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*).

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*).

The Council has satisfactory internal financial controls in place. The Clerk provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

Cheque stubs are initialled by cheque signatories and payments are listed in the Council's Minutes as part of the overall financial control framework.

The Internal Audit Report for the previous year, 2015/16, was reported to the Council at its meeting on 11 May 2016 (Minute 9a refers).

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

No issues were raised by the External Auditors BDO LLP in their report for the previous year (2015/16).

15. Additional Comments

The Annual Parish Council meeting was held on 11 May 2016. The first item of business was the Election of Chairman, in accordance with Standing Orders.

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, CPFA

Internal Auditor

10 April 2017

Contact details:

Trevor Brown CPFA
Charnwood, California, Woodbridge, Suffolk, IP12 4DE

Tel: 01394 384698 or 07587 523764

Email: tcbrown01@yahoo.co.uk