

## **Report to Tunstall 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 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.

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 for the year: £18,535.60*  
*Total Payments in the year: £10,077.93*  
*Total Reserves at year-end: £53,492.13 (of which £45,557.28 is earmarked)*

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: £45,034</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £8,222</i>
<i>Total Other Receipts:</i>	<i>Box 3: £10,314</i>
<i>Staff Costs:</i>	<i>Box 4: £3,865</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £6,213</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £53,492</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £53,492</i>
<i>Total fixed assets:</i>	<i>Box 9: £68,338</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 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 very 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 was found to be in order; supporting invoices and vouchers were in place. The legislative powers under which payments are made are identified in the End-of-Year Accounts.

**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 approved by the Council at its meeting on 9 May 2018 (Minute 16b refers). A revised version was adopted by the Council at its meeting on 12 September 2018 (Minute 15a refers).

3.2 Financial Regulations are in place and were reviewed and approved by the Council at its meeting on 14 November 2018 (Minute 14a 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 £243.21 to HMRC for VAT paid in the period 1 October 2017 to 31 March 2018 was received at bank on 4 May 2018. Similarly, a reclaim of £131.38 for VAT paid in the period 1 April 2018 to 30 September 2018 was received at bank on 23 October 2018.

3.5 The Clerk/RFO regularly updated the Council during the year on data protection issues, particularly leading up to the application of the General Data Protection Regulations (GDPR) from 25 May 2018. Whilst the Council is not required to formally appoint a Data Protection Officer, it demonstrated good practice by resolving at its meeting on 9 May 2018 that the Clerk/RFO should undertake this role (Minute 12b refers) and through the issue of a Data Protection Awareness Checklist to each Councillor (Minutes 9c refers).

3.6 The Council is correctly registered with the Information Commissioner's Office (ICO) as a Fee payer/Data Controller for the provision of council services under Data Protection legislation (Registration ZA056415 refers, expiring 11 June 2019); the registration records the Clerk/RFO as the Council's Data Protection Officer.

3.7 The Council demonstrates compliance with the GDPR through the adoption of a Data Protection Impact Assessment, a Data Protection Risk Assessment, an Information Protection Policy, an Information Security Incident Policy and a Retention of Documents and Records Policy, all considered and agreed at the Council's meeting on 9 May 2018 (Minute 9d refers).

3.8 The Council demonstrates good practice by maintaining and regularly reviewing a wide range of formal policies and procedures, including Grants Awards Policy, Health and Safety Policy, Freedom of Information Policy, Disciplinary Procedure and a Grievance Procedure, all of which were adopted by the Council at its meeting on 14 November 2018 (Minute 14 refers). The Council adopted a Sickness and Absence Policy at its meeting on 9 January 2019 (Minute 14a refers). The Council has previously adopted an Equal Opportunities Policy, and a Public Participation Protocol and both these have been published on the Council's website.

3.9 The Council has adopted the Suffolk Local Code of Conduct, which was reviewed at the meeting held on 13 March 2019 (Minute 14a refers). A copy of the Code has been published on the Council's website.

#### **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 Internal Control arrangements and Internal Audit procedures were reviewed by the Council at the meeting on 9 January 2019 (Minute 13e refers). The Council agreed that the controls were sufficient and appropriate.

4.2 The Council's Risk Assessment documents were reviewed and approved by the Council at its meeting on 13 March 2019 (Minute 14b-d refers). The documents consist of Risk Assessment (Financial), Risk Assessment (Non-Financial) and Risk Assessment (Catchment Pit). They provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

4.3 The Council accordingly 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 Ipswich Borough Council completed 4 operational play area inspections and an Annual RoSPA Play Area Inspection on behalf of the Council as part of the risk management arrangements in place.

4.5 Insurance was in place for the year of audit. The Council approved the payment of the £553.07 insurance renewal premium to BHIB Insurance Brokers at the meeting held on 25 July 2018 (Minute 14f (i) refers). Public Liability cover stands at £10m. 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 2018/19: £8,221.70

Precept 2019/20: £8,664.00

5.1 The Precept for 2018/19 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 8 November 2017, Minute 9c refers).

5.2 Similarly, the Precept for 2019/20 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 9 January 2019, Minute 13c refers).

5.3 The Clerk/RFO 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.

5.4 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 for the year 2019/20 can be used effectively for financial control and budgetary control purposes.

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 Reserves at the year-end totalled £53,492.13, as follows:

- a) Tunstall Common Account: £39,557.28 (ear-marked)
- b) Re-surfacing of the Community Hall Car Park.: £6,000.00 (ear-marked)
- c) General Reserves: £7,934.85

5.6 The generally accepted best practice is that non-earmarked (general revenue) reserves held will usually be approximately six to twelve months of gross expenditure and the Council's General Reserves are consistent with this.

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

6.1 Receipts recorded in the Cashbook were cross referenced with the Council's Bank Statements and Building Society Pass Books/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; 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, Tunstall Parish Council can be designated as a 'Smaller Council'.

8.2 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 and Accountability Return (AGAR) 2018 (Section One). Yes, published on website.*
- c) *End-of-Year accounts within AGAR 2018 (Section Two). Yes, published on website.*
- d) *Annual Internal Audit report within AGAR 2018. Yes, published on website.*
- e) *List of councillor or member responsibilities. Yes, published on website.*
- f) *The details of public land and building assets (Asset Register): Yes, published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Yes, published on website.*

8.3 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 Payroll Services are operated by SALC on behalf of the Council in accordance with HMRC requirements. Detailed pay-slips are produced and PAYE is in operation.

9.2 At its meeting on 9 January 2019 the Council formally agreed to amend the Clerk/RFO's salary in accordance with the NJC suggested rate with effect from 1 April 2019 (Minute 13d refers).

**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 and Responsibility Register is in place. The Register was reviewed and adopted by the Council at its meeting on 9 January 2019 (Minute 14a refers). The Register complies with the current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. The original purchase cost is displayed or, where the original purchase price is unknown, a nominal (community) value is listed.

10.2 For purposes of Box 9 of Section 2 of the AGAR Annual Return for 2018/19, the Assets have been recorded at a total value of £68,338 (compared to £67,889 as at 31 March 2018; the increase in the total value reflects the purchase of Tommy Silhouettes in the year).

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

11.1 The Bank and Building Society balances as at 31 March 2019 reconciled with the End-of-Year Accounts. The bank statements are regularly reconciled to the Accounts during the year.

11.2 The balances at 31 March 2019 were as follows:

Barclays Business Current Account:	£3,034.08
IBS Savings Account:	£10,900.77
IBS Tunstall Common Account:	£39,557.28.

**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 reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 Balances held at bank and building society are reported to the Council at each meeting. The Council demonstrates good financial practice by the confirmation by a

Councillor at each Council meeting of the bank statements and building society books against the accounting information.

13.3 The Council receives at each meeting lists of payments for review and authorisation, payments made since the previous meeting and any sums received. Payments are listed in the Minutes of the Council as part of the Council's overall financial control framework. Cheque Book counterfoils are initialled by cheque signatories.

13.4 The Internal Audit Report for the previous year (2017/18) was received and accepted by the Council at its meeting on 9 May 2018 (Minute 14b refers). No matters of concern had been raised in the report.

13.5 The Internal Auditor for the 2018/19 year was re-appointed by the Council at the meeting held on 9 May 2018 (Minute 7d refers).

**14. External Audit (*Exemption declared or any Recommendations put forward/ comments made following the Limited Assurance Review*).**

14.1 The Council was exempt from a Limited Assurance Review by PKF Littlejohn LLP in respect of the year 2017/18. At its meeting on 9 May 2018 the Council confirmed its exemption and a Certificate of Exemption was agreed and signed (Minute 14c refers).

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 9 May 2018, within the required time-scale. 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**

**18 April 2019**