

Report to Westley 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 Council maintained effective governance arrangements and ensured that internal financial controls were in place.

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.

The Accounts for the year confirm the following:

Total Receipts for the year: £2,342.00

Total Payments in the year: £3,033.73

Total Reserves at year-end: £2,627.64

1.3 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 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2018):</i>	<i>Box 1: £3,319</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £1,692</i>
<i>Total Other Receipts:</i>	<i>Box 3: £650</i>
<i>Staff Costs:</i>	<i>Box 4: £1,087</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,947</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £2,627</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £2,627</i>
<i>Total fixed assets:</i>	<i>Box 9: £857</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.4 Sections One and Two of the AGAR were approved and signed at the meeting of the Council on 9 May 2019. The Internal Auditor has completed the Annual Internal Audit Report 2018/19 within the Annual Return.

1.5 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 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. No payments were recorded in the year under the Local Government Act 1972 (Section 137). VAT payments are tracked and identified within the Cashbook to assist future re-claims to HMRC.

2.2 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements 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 examined to confirm that supporting invoices/vouchers were in place

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 Standing Orders are in place. The latest model Standing Orders published by the National Association of Local Councils (NALC) were reviewed and agreed by the Council at the meeting on 9 January 2019 (Minute 51/2018 refers).

3.2 Financial Regulations are in place. These were reviewed by the Council at its meeting on 26 June 2018 when it was agreed that no changes were currently necessary (Minute 23/2018 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 amounts of VAT paid by the Council each year are relatively small. The Clerk/RFO has recently re-claimed £237.00 VAT paid in the years 2017/18 and 2018/19.

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 Data Protection legislation (Registration Number ZA203153, expires 2 October 2019). The Clerk/RFO kept the Council advised during the year of the requirements of the new General Data Protection Regulations (GDPR). The Council demonstrates compliance with the GDPR through the adoption of Data Protection policies, procedures and documentation, including a Data Protection Privacy Statement and a Document Retention Policy (the meetings held on 26 June 2018, Minute 22/2018, and on 1 November 2018, Minute 40/2018, refer)

3.6 The Council adopted the Suffolk Local Code of Conduct at a meeting held on 10 July 2014 (Minute 22/2014 refers). It is good practice for a local council to annually

review the Code of Conduct in order that Councillors are reminded of their duties and responsibilities under the Code.

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 Comprehensive risk management and internal control documents are in place. The documentation was reviewed by the Council at its meeting on 26 June 2018 (Minute 23/2018 refers). The Council accordingly complied with the requirements of Section 4 of the Accounts and Audit Regulations 2015 which state that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, and the Minutes of the Council must formally record that the review has taken place. The Clerk/RFO intends to add a reference in the documents to the risks attached to non-compliance with GDPR.

4.2 Insurance was in place for the year of audit. At its meeting on 20 September 2018 the Council agreed a further 5-year long-term insurance policy to secure additional savings and approved the premium of £167.16 for the forthcoming year (Minute 30/2018 refers). Public Liability cover stands at £10m. The Fidelity Guarantee cover stands at £25,000, 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. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000)

5.1 Westley Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://westley.onesuffolk.net/>

5.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Published on website and 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). No public land/buildings held. Asset Register published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

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

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

Precept 2018/19: £1,692 (11 January 2018, Minute 50/2018 refers).

Precept 2019/20: £2,192 (9 January 2019, Minute 50/2018 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount has been clearly Minuted. The Clerk/RFO ensures that the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves.

6.2 Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

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

6.4 The overall Reserves as at 31 March 2019 were £2,627. As at the year end the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

7.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced with the bank statements on a sample basis and were found to be in order.

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

8.1 A Petty Cash system is not in use; an expenses system is in place.

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; PAYE is in operation. Detailed payslips are being produced.

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 and as at 31 March 2019 displayed the cost value of £857 (unchanged from the value at the end of the previous year, 31 March 2018).

10.2 The value as at 31 March 2019 has been correctly entered into 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 statement as at 31 March 2019 in respect of the Council's Lloyds Treasurer's (Current) Account 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*)

12.1 End of Year accounts are prepared on a Receipts and Payments basis. 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 Clerk/RFO provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 Paid invoices/vouchers are initialled by authorised signatories. Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.

13.3 The Internal Audit report for the previous year (2017/18) was circulated to Councillors and formally reported to Council at its meeting on 26 June 2018 (Minute 18/2018 refers). The Internal Auditor had reported that the controls exercised over the internet banking and electronic payment transactions should be enhanced because the Clerk/RFO was a Service Administrator who was able to both generate payments and authorise payments. This was not good financial practice and potentially placed the Council and its Clerk/RFO in a vulnerable position. The report recommended that there should be a separation of duties in terms of the Clerk/RFO generating the electronic payments and a Councillor or Councillors authorising the payment.

13.4 The Council noted the recommendation at the meeting on 26 June 2018 but decided to accept the risks involved and not to change the current system.

13.5 The Council will understand that it is the duty of its Internal Auditor to raise any significant risks identified in financial management and control within the Council's operations. In this way, Internal Audit assists the Council to demonstrate that it is managing operations and risks effectively on behalf of its residents.

13.6 Accordingly, whilst Internal Audit notes that the Council has previously taken a decision to leave the arrangements as they stand, the Auditor has a responsibility to continue to advise that there should be a separation of duties in terms of the Clerk/RFO generating the electronic payments and a Councillor or Councillors authorising the payment.

13.7 The formal appointment of the Internal Auditor for the 2018/19 year was made by the Council at its meeting on 7 March 2019 (Minute 63/2018 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 26 June 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 21/2018 refers).

14.2 Similarly, the Council is able to claim exemption from a Limited Assurance Review by External Audit for the year 2018/19 because gross income/gross expenditure did not exceed £25,000 in the year.

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 10 May 2018, within the required timescale. 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.



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24 May 2019

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