

## **Report to Fornham All Saints Parish Council**

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

#### **1. Summary**

During the 2016/17 year the Council maintained effective governance arrangements including a robust framework of internal control. The Council displays many examples of strong governance and good financial practice, including a wide range of formally agreed written Policies and Procedures. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's web-site, 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: £22,970.71*  
*Total Payments in the year: £27,946.35*  
*Total Reserves at year-end: £8,686.69*

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

<i>Balances at beginning of year (1 April 2016):</i>	<i>Box 1: £13,663</i>
<i>Annual Precept 2016/17:</i>	<i>Box 2: £16,505</i>
<i>Total Other Receipts:</i>	<i>Box 3: £6,465</i>
<i>Staff Costs:</i>	<i>Box 4: £6,976</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £20,970</i>
<i>Balances carried forward (31 March 2017):</i>	<i>Box 7: £8,687</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £8,687</i>
<i>Total fixed assets:</i>	<i>Box 9: £134,370</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 scope previously approved by the Council. 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 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. Supporting vouchers, invoices and receipts were in place.

Payments made under the Local Government Act 1972 Section 137 and VAT payments are tracked and identified within the End-of-Year Accounts.

Receipts include 3 written back cheques totalling £341.68. It should be noted that it has been recommended by the External Auditors that because cheques written back are not Receipts per se, they should be deducted from Payments. Accordingly, this minor matter may be raised by the External Auditors in their review of the 2016/17 accounts.

A sample of Cash Book transactions in the year was closely examined. All were in very good order.

The End-of-Year Accounts and supporting documentation were extremely well presented for the Internal Audit review.

**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 are in place; at its meeting on 21 March 2017 the Council reviewed its Standing Orders and found them to be compliant with current legislation with no amendments required (Minute 1162 xiv refers).

Similarly, Financial Regulations are in place; at its meeting on 21 March 2017 the Council reviewed its Financial Regulations and found them to be compliant with current legislation with no amendments required (Minute 1162 xiv refers).

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

A claim for £1,375.32 for the VAT paid in the period 1 February 2016 to 31 October 2016 was received at bank on 9 December 2016 and was reported to Council on 17 January 2017 (appendix A in Council's Minutes refers).

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 ZA065591 refers, expiring 20 July 2017).

The Council adopted the revised Suffolk Local Code of Conduct at a meeting held on 15 July 2014 (Minute 833 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 Financial Risk Assessment and Internal Control Review documents were reviewed and approved by the Council at its meeting on 21 March 2017 (Minute 1162 x refers). The General Risk Register was also considered and approved at the meeting. The Council's documents provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

The Council accordingly 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 the management of risk, with the review suitably Minuted.

In addition, at its meetings on 15 November 2016 (Minute 1116 vii) and 21 March 2017 (Minute 1162 xii) the Council received and considered the Internal Control Reviews as per the Reports submitted by the Chairman. The Council confirmed that controls were in place to demonstrate that the Council was operating in compliance with current regulations.

An independent operational inspection of the play areas and equipment was undertaken by the Play Inspection Company Ltd on 7 February 2017.

At its meeting on 15 November 2016 the Council received and reviewed the following Policies: Protocol for Recording; Complaints Policy; Grant Awarding Policy; Media Policy; Expenses Reimbursement Policy; Grievance and Procedure Policy; Health and Safety Policy; Training Policy and Dispensation Policy. The Council reviewed the previously circulated documents and agreed that the revisions should stand and the review dates implemented (Minute 1116 ix refers).

The Council also considered and adopted at the meeting on 15 November 2016 the following Policies: Data Protection Policy; Documents and Retention Policy and the Risk Management Strategy (Minute 1116 x refers).

Insurance was in place for the year of audit. The payment of £1,679.65 in respect of the annual insurance renewal was approved by the Council at its meeting on 20 September 2016. The Fidelity Guarantee cover stands at £50,000, 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)**

Fornham All Saints Parish Council is designated as a 'Smaller Council'. The Council's web-site is: <http://fornhamallsaints.suffolk.cloud/parish-council>

Smaller authorities should publish on their website:

- a) All items of expenditure above £100  
Published – Yes
- b) Annual Governance Statement (By 1 July)  
Annual Return, Section One  
Published (2016) – Yes

- c) End of year accounts (By 1 July):  
Annual Return, Section Two  
Published (2016) – Yes
- d) Internal Audit report (By 1 July)  
Annual Return, Section Four  
Published (2016) – Yes
- e) List of councillor or member responsibilities  
Published – Yes
- f) Details of public land and building assets (By 1 July)  
Published (2016) – Yes
- g) Minutes, agendas and meeting papers of formal meetings  
Published – Yes

The requirements of the Code were met during the 2016/17 year. The Council demonstrates good practice under the Openness of Local Government Bodies Regulation 2014 and includes a wide range of information and data on the Council's web-site.

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

Precept 2016/17: £16,505 (19 January 2016, Minute 1031 v refers).

Precept 2017/18: £20,066 (17 January 2017, Minute 1139 viii refers).

The precepts were agreed in full Council and the precept decision and amount has been clearly Minuted. The Clerk ensures the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

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.

The Reserves available to the Council at the year-end were £8,686.69. Although there was a significant reduction in Reserves from the amount as at 31 March 2016 (£13,662.33) the Council maintained as at the 31 March 2017 sufficient reserves and contingency sums in order to meet, within reason, any unforeseen items of expense that may occur.

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

Income controls were checked and income received and banked cross referenced on a sample basis with the Cash Book and bank statements.

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

No Petty Cash is held; a satisfactory expenses system is in place with supporting paperwork.

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

PAYE is operated in accordance with HMRC regulations. Regular payments have been made to HMRC and detailed pay slips are produced for the Council employees.

P60 End-of-Year Certificates for employees were presented to Internal Audit for examination.

At its meeting on 20 September 2016 the Council noted the acknowledgement from the Pensions Regulator that the Clerk had completed the Declaration of Compliance under the Pensions Act 2008 and that at each payment date the Council should continue to assess its staff and put any staff that becomes eligible into a pension scheme.

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

The Asset Register was reviewed and agreed by the Council at its meeting on 21 March 2017 (Minute 1162 ix refers). The Register displays a total value of £134,370 as at 31 March 2017 and reflects the acquisition of Palisade Fencing at the Community Centre during the year 2016/17. Box 9 of Section 2 of the Annual Return records the cost value of assets in accordance with Regulations.

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.

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

The bank statements for the Council's RBS Accounts as at 31 March 2017 reconciled with the End of Year Accounts. The bank accounts were regularly reconciled to the Accounts during the year.

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

Cheque stubs and paid invoices/vouchers 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), undertaken by Heelis & Lodge, was reported to Council at its meeting on 19 July 2016 (Minute 1086i refers). There were no matters which required attention.

The Internal Auditor for the year 2016/17 was appointed at the Council at its meeting on 21 March 2017 (Minute 1162 xiii refers).

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

No issues were raised by BDO LLP, the External Auditors, following their review of the Accounts for the previous year (2015/16). The External Auditors' report for the year was accepted by the Council at its meeting on 20 September 2016 (Minute 1102 i refers).

**15. Additional Comments**

The Annual Parish Council meeting was held on 17 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**

**24 April 2017**

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