

Report to Fornham All Saints 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 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.

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 for the year: £22,940.66
Total Payments in the year: £20,888.14
Total Reserves at year-end: £10,739.21

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):

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| <i>Balances at beginning of year (1 April 2017):</i> | <i>Box 1: £8,687</i> |
| <i>Annual Precept 2017/18:</i> | <i>Box 2: £20,006</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: £2,935</i> |
| <i>Staff Costs:</i> | <i>Box 4: £7,172</i> |
| <i>Loan interest/capital repayments:</i> | <i>Box 5: nil</i> |
| <i>All Other payments:</i> | <i>Box 6: £13,717</i> |
| <i>Balances carried forward (31 March 2018):</i> | <i>Box 7: £10,739</i> |
| <i>Total cash/short-term investments:</i> | <i>Box 8: £10,739</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £134,370</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 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).

2.1 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 Cashbook transactions in the year was closely examined and was found to be in order with supporting vouchers, invoices and receipts in place.

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

2.3 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).

3.1 Standing Orders are in place; at its meeting on 20 March 2018 the Council reviewed, noted and approved its Standing Orders (Minute 1279v refers).

3.2 Similarly, Financial Regulations are in place; at its meeting on 20 March 2018 the Council reviewed, noted and agreed its Financial Regulations (Minute 1279v 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 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 Clerk/RFO has advised that the re-claim for VAT paid during the period from 1 November 2016 to 31 March 2018 will shortly be submitted to HMRC.

3.5 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 2018).

3.6 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)

4.1 The Council's Risk Assessment was reviewed and up-dated during February 2018 by the Clerk/RFO and the Portfolio Holder for Assets. The Risk Assessments, both general and financial, were noted and approved by the Council at its meeting on 20 March 2018 (Minute 1279v refers). 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.

4.2 The Council undertook a review of Internal Controls and the Audit Plan at its meeting on 20 March 2018 and noted and approved the relevant documents (Minute 1279v refers).

4.3 The Council also received and accepted the Internal Control Report which had been presented by the Chairman of the Council following his review on 1 March 2018 in the presence of the Vice-Chair and Clerk/RFO. The Council agreed that there were no issues of concern to be raised.

4.4 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 the management of risk, with the review suitably Minuted.

4.5 Independent operational inspections of the play areas and equipment were undertaken by the Play Inspection Company Ltd on 16 August 2016 and 6 December 2017.

4.6 Insurance was in place for the year of audit. The payment of £1,742.90 in respect of the annual insurance renewal was approved by the Council at its meeting on 19 September 2017. The Insurance Schedule was reviewed, noted and approved by the Council at its meeting on 20 March 2018 (Minute 1279v refers). Public Liability cover stands at £10m. 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)

5.1 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, Annual Return, Section One
Published (2017) – **Yes**

- c) End of year accounts, Annual Return, Section Two
Published (2017) – Yes
- d) Annual Internal Audit report, Annual Return
Published (2017) – Yes
- e) List of councillor or member responsibilities
Published – Yes
- f) Details of public land and building assets
Published (2017) – Yes
- g) Minutes, agendas and meeting papers of formal meetings
Published – Yes

5.2 The Council is in compliance with the Transparency Code.

5.3 The Council demonstrates good practice under the Openness of Local Government Bodies Regulation 2014 and includes a wide range of information and data on its web-site.

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

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

Precept 2018/19: £21,796 (16 January 2018, Minute 1271 vii and viii refer).

6.1 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.

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

6.3 The Council demonstrates good financial practice by regularly considering a comparative statement – the Budget to Actual Statement – for budgetary control purposes. Variances in the actual versus expenditure are noted and explanations provided for the variances in expenditure to actual and income to actual. The Bank Reconciliation for the period just ended is similarly presented to Council for approval.

6.4 The Reserves available to the Council as at 31 March 2018 were £10,739.21, of which £7,840.00 was earmarked. The Council maintained 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)***

7.1 Income controls were examined on a test-check basis. Income received and banked was cross referenced on a sample basis with the Cash Book and bank statements.

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

8.1 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)***

9.1 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.

9.2 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 19 August 2016 that the Council has completed a declaration of compliance under the Pensions Act 2008 and this was noted by the Council at its meeting on 20 September 2016.

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 The Asset Register was reviewed and agreed by the Council at its meeting on 16 May 2017 (Minute 1187i refers) and on 20 March 2018 (Minute 1279v refers). The Register displays a total value of £134,354 as at 31 March 2018 (a decrease of £16 from the value of £134,370 as at 31 March 2017, reflecting a lower book value of 171 Lloyds Shares in the year).

10.2 The Register complies with the current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. Values are recorded at 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. A nominal value of £1 is placed on community assets and stock/shares are recorded at book value.

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

11.1 The bank statements for the Council's RBS Accounts as at 31 March 2018 reconciled with the End of Year Accounts.

11.2 The bank accounts were regularly reconciled to the Accounts during the year. Bank account balances (with a bank reconciliation) are presented to the Council as a matter of routine at each meeting under the Finance item on the agenda.

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

13.2 Cheque Book counterfoils and paid invoices/vouchers are initialled by cheque signatories and receipts and payments 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 (2016/17) was reported to Council at its meeting on 16 May 2017 (Minute 1187iv refers). There were no matters which required attention.

13.4 The Internal Auditor for the year 2017/18 was appointed at the Council at the meeting held on 20 March 2018 (Minute 1279v refers).

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

14.1 No significant issues were raised by BDO LLP, the External Auditors, following their review of the Accounts for the previous year (2016/17). The External Auditors' report for the year was accepted by the Council at its meeting on 19 September 2017 (Minute 1236 i refers).

15. Responsibilities as a Trustee (Regarding the Council's role and responsibilities under the Charity Acts, submission of returns to Charity Commission).

15.1 The Council is Trustee to Fornham All Saints Charities (Registration No. 212682). The Receipts and Payments Account for the year ended 30 April 2017 was presented to the Annual Parish Meeting held on 16 May 2017.

16. Additional Comments

16.1 The Annual Parish Council meeting was held on 16 May 2017. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

16.2 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