

## **Report to Thurston 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 including a robust framework of internal control. The Council displays many examples of strong governance and good financial practice, including a strategic 3-year Business Plan for the period May 2018 to May 2021 with measurable objectives. The Council demonstrates good practice by maintaining and regularly reviewing a wide range of formally agreed Policies and Procedures. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and that published on the Council's website, 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: £109,434.43*  
*Total Payments in the year: £136,502.35*  
*Total Reserves at year-end: £35,783.39 (of which £31,184.00 is earmarked)*

1.4 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined and the following figures agreed with the Clerk/RFO 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: £62,851</i>
<i>Annual Precept 2018/19:</i>	<i>Box 2: £94,067</i>
<i>Total Other Receipts:</i>	<i>Box 3: £15,368</i>
<i>Staff Costs:</i>	<i>Box 4: £42,771</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £93,731</i>
<i>Balances carried forward (31 March 2019):</i>	<i>Box 7: £35,784</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £35,784</i>
<i>Total fixed assets:</i>	<i>Box 9: £193,090</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 scope previously approved by the Council. Comments and any recommendations arising from the review are made below.

**2. Proper Bookkeeping (*examination of entries in the Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts*)**

2.1 The RBS Rialtas accounting system was used in the year to produce the Council's Financial Reports and Statements. The system has been used for the preparation of the 2018/19 End-of-Year accounts. The Cashbook transactions are referenced and provide an appropriate audit trail. Supporting paperwork is in place and well referenced. VAT payments are tracked and identified within the End-of-Year Accounts.

2.2 A sample of Cashbook transactions in the year was closely examined and was found to be in order.

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

**3. Governance, Standing Orders and Financial Regulations (*examination of Standing Orders and 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 The Council's Standing Orders were reviewed and updated by the Policy and Resources Committee at its meeting on 25 January 2019. The Committee agreed that the Council's Standing Orders would be updated with reference to the new model standing orders issued by NALC in 2018, which incorporated and referenced the requirements of new legislation since the previous model standing orders were published in 2013. At its meeting on 6 February 2019 the Council noted that the Standing Orders had been reviewed and amended by the Committee (Minute 8e refers).

3.2 The Council's Financial Regulations were also reviewed and amended by the Policy and Resources Committee at its meeting held on 25 January 2019. Amendments were approved to Section 10 'Orders for Work, Goods and Services' and the requirement for all orders to be sequentially numbered and to be placed on Council headed paper. At its meeting on 6 February 2019 the Council noted that the Financial Regulations had been reviewed and amended by the Committee (Minute 8e refers).

3.3 At its meeting on 2 May 2018 the Council confirmed the continuation of the Clerk to the Council as the RFO (Minute 10b refers). The Clerk/RFO confirmed at that meeting that the Council would continue to be eligible under the General Power of Competence (GPoC) (Prescribed Conditions) Order 2012 until the next annual meeting in May 2019 (Minute 10c refers).

3.4 The Council considered and agreed some minor amendments to the strategic 3-year Business Plan for the period May 2018 to May 2021 at its meeting on 4 July 2018 (Minute 8b refers).

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

3.6 Re-claims were made in the year to HMRC for VAT paid as follows:

- a) £2,443.39 VAT paid in the period 1 October 2017 to 31 March 2018 was received at bank on 29 May 2018;
- b) £4,258.91 VAT paid in the period 1 April 2018 to 31 January 2019 was received at bank on 6 March 2019.

3.7 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 ZA027284 refers, expiring 12 November 2019). At its meeting on 6 June 2018 the Council noted and approved amendments to the Data Protection Policy and the Document and Electronic Data Retention Policy (Minute 8d refers)

3.8 The Clerk/RFO kept the Council informed during the year of the requirements of the General Data Protection Regulations, which came into force from 25 May 2018. At the meeting held on 6 June 2018 the Council received an update on the work carried out by the Clerk in order to ensure compliance with the GDPR viz. up-dates to relevant procedures and policies including Privacy Statements, Data Impact Assessments and Risk Assessments (Minute 8e refers). Similarly, the Clerk/RFO reported to Council at the meeting held on 4 July 2018 that an impact assessment had been completed and that the risk register was being up-dated to reflect GDPR risks (Minute 8c refers).

3.9 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2019 shows a total amount of £1,629.69 CIL Receipts paid to the Council on 16 April 2018 and retained as at 31 March 2019. Significant CIL sums are anticipated to be received by the Council during the 2018/19 year.

3.10 In accordance to the Localism Act 2011 sections 26 to 37, the Council adopted the revised Suffolk Local Code of Conduct at a meeting held on 2 July 2014 (Minute 7a refers).

#### **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 At its meeting on 1 March 2019 the Policy and Resources Committee reviewed the Council's Financial Risk Assessment and the Risk Management Strategy for 2019. The Committee considered them to be appropriate for a Parish the size of Thurston and that they provided an accurate assessment of the management of risks carried out by the Parish Council. It was understood by the Council that these were

'live' documents and amendments would be included in accordance with changes in legislation.

4.2 At its meeting on 6 March 2019 (Minute 4b) the Council noted the Minutes of the Policy and Resources Committee meeting held on 1 March 2019 and confirmed its acceptance that (a) it had complied with Governance and Accountability Guidance and had carried out an assessment of the risks facing the Council and (b) it had taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required (the Council's Financial Risk Assessment and Risk Management Strategy 2019 refer).

4.3 At its meeting on 1 March 2019, the Policy and Resources Committee reviewed the effectiveness of the Internal Control and Scope of Internal Audit. The Committee reviewed the effectiveness of the internal control arrangements including a specific review of the internal audit and found the scope to be adequate and appropriate. It was confirmed that the scope of the audit covered independence, competence, relationships and audit planning. The meeting felt that the internal control document, following minor amendments for 2018/19 regarding GDPR & Data Protection, CIL Reporting, Corporate Credit Card and Procurement Arrangements, was an effective tool to enable the Council to review its processes and to support the audit process.

4.4 At its meeting on 6 March 2019 the Council agreed that an adequate system of internal control was in place and that it provided measures which were designed to prevent and detect fraud and corruption. The meeting was in agreement with the findings of the Policy and Resources Committee that the procedure was still effective for a parish the size of Thurston (Minute 12e refers).

4.5 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.

4.6 The Council demonstrates good financial practice by considering a quarterly Internal Control Report, prepared by a Councillor and reported to full Council in order to regularly confirm that internal controls are effective; the meetings held on 6 June 2018 (Minute 12e), 5 September 2018 (Minute 12f) and 5 December 2018 (Minute 12e) and 6 March 2019 (Minute 12e) refer.

4.7 Insurance was in place for the year of audit. At its meeting on 3 October 2018 the Council noted that the Clerk/RFO had carried out an annual review of the insurance policy documents and found that the items under cover were consistent with the Council's requirements and the Council's Asset Register. The Council approved the payment of the insurance renewal premium of £1,229.80 to CAS Business Services Ltd (Minute 12a refers).

4.8 The Council's Public Liability insurance cover stands at £10m. The Employee Dishonesty cover stands at £150,000, 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. Policies and Procedures in place**

5.1 The Council has a wide range of formal policies and procedures in place to assist good governance and management, including those relating to the Freedom of Information Publication Scheme, Public Participation in Council Meetings, Reserves Policy, Training & Development Policy and Grant Awarding Policy. These are available for public inspection on the Council's website <https://thurstonparishcouncil.uk/parish-council/> together with information relating to the Business Plan, Community Engagement, GDPR and Openness of Local Government Bodies Regulations 2014.

5.2 The Council undertakes regular reviews of its policies and procedures. At its meeting on 6 June 2018 the Council approved the Electronic Communication & Social Media Policy, the Subject Access Request Policy and the Subject Access Request Procedure (Minute 8c refers). Similarly, the Council noted at its meeting on 6 February 2019 (Minute 6e refers) that the Policy and Resources Committee had reviewed and up-dated the Council's Complaints Procedure and the Member/Officer Protocol at its meeting on 25 January 2019.

5.3 The Policy and Resources Committee similarly reviewed a wide range of key policies and procedures at its meeting on 1 March 2019 and found them all to be relevant and up-to-date (Minute 5h refers).

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

Precept 2018/19: £94,067 (10 January 2018, Minute 9i refers).

Precept 2019/20: £96,889 (23 January 2019, Minute 7c refers).

6.1 The precept for 2018/19 was agreed in full Council and the precept decision and amount has been clearly Minuted.

6.2 The Precept for 2019/20 was considered by the Council at its meeting on 23 January 2019. The meeting instructed the Clerk/RFO to rework the technical aspect of setting the precept at a maximum increase of 3% over that of 2018-2019 with email approval of the setting of the precept to be given by Councillors. The meeting granted approval for the Precept Form to be served on the Charging Authority to be signed by the Chairman, the Clerk/RFO and 2 Councillors and issued to Mid Suffolk District Council on the understanding that the increase for the Precept was to be limited to the maximum increase of 3% (£96,889).

6.3 The Clerk/RFO 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.

6.4 Good budgetary procedures are in place. The Council considered a Draft Budget for 2019/20 at its meeting on 9 January 2019 (Minute 12f refers). The Final Budget for 2019/20 was considered and agreed by the Council at its meeting on 23 January 2019 (Minute 7c refers).

6.5 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.

6.6 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.

6.7 At its meeting on 23 January 2019 the Council considered its overall Reserves, both Earmarked and General, as at 31 December 2018 and noted the possible calls upon them prior to the year-end (Minute 7b refers).

6.8 The Reserves available to the Council at the year-end 31 March 2019 totalled £35,784 of which £31,184 have been earmarked leaving £4,600 as a General Reserve. The generally accepted best practice requires General (non-earmarked revenue) Reserves to be equal to 3 to 6 six months of contractual expenditure; the Council's General Reserves are significantly below the best practice requirement. The Clerk/RFO has explained to Internal Audit that significant Community Infrastructure Levy receipts are expected during 2019/20 and these, whilst being restricted in their use, will increase the level of overall reserves in the year. The Clerk/RFO confirmed that the Council is working towards maintaining 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 Cashbook and bank statements and found to be in order.

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

8.1 No Petty Cash is held; 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 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 P60 End-of-Year Certificates for employees were presented to Internal Audit for examination.

9.3 The Clerk/RFO is enrolled into the Local Government Pension Scheme administered by Suffolk County Council.

**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 At its meeting on 1 March 2019 the Policy and Resources Committee reviewed the Council's Insurance Schedule vis-à-vis the current Asset Register. The Committee noted that there had been only one change to the Asset Register since March 2018 and that once this had been affected the Asset Register was regarded as a true and accurate record of the assets held by the Council. All items on the asset register were confirmed as under insurance. (Minute 5c refers).

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 (where known) and a nominal value for community assets.

10.3 The Register displays a total value of £193,090 (compared to the value of £189,941 at the end of the previous year) and reflects the acquisition of a Vehicle Activated Sign (VAS) brought into the Register in the year of account. Box 9 of Section 2 of the Annual Return correctly records the value of assets in accordance with Regulations.

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

11.1 The Lloyds Treasurer's Account and the Lloyds Business Account bank statements as at 31 March 2019 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. Responsibilities as a Trustee *(Regarding the Council's role and responsibilities under the Charity Acts; submission of returns to Charity Commission)***

13.1 The Council is a sole trustee of the Thurston Recreation Ground Trust Charity (Charity No: 304946). The Council has a standing agenda item for the Trust at each meeting, when the accounts for the month just ended are presented for Council's consideration.

13.2 The Trust's accounts for the year ended 31 March 2018 were presented to and accepted by the Council at its meeting on 4 April 2018 (Minute 11c refers).

13.3 The Charity Commission's Register of Charities confirm that the annual update for 31 March 2018 was received by the Commission on 16 October 2018.

**14. Internal Audit Procedures *(That the Council has satisfactory internal financial controls in place and any previous recommendations implemented)***

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

14.2 The Council received and approved the payments to be made under Direct Debit and Standing Orders for the year 2018/19 at its meeting on 2 May 2018 (Minute 14h refers). Cheque Book counterfoils and invoices/vouchers for payment are initialled by cheque signatories. Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. The legislative basis on which payment is made is notated against the items of expenditure.

14.3 The Internal Audit report for the previous year (2017/18) was received and approved by the Council at its meeting on 2 May 2018 (Minute 14b refers). There were no matters of concern arising from the report.

14.4 At its meeting on 6 March 2019 (Minute 12g) the Council confirmed the appointment of the Internal Auditor for year 2018/19 in accordance with the recommendation received from the Policy and Resources Committee meeting held on 1 March 2019.

**15. External Audit *(Recommendations put forward/comments made following the annual review)***

15.1 No issues were raised by PKF Littlejohn LLP, the External Auditors, following their review of the Accounts for the previous year (2017/18).

15.2 The External Auditors' Report and Certificate were accepted by the Council at its meeting on 5 September 2018 (Minute 12a refers).

**16. Additional Comments**

16.1 The Annual Parish Council meeting was held on 2 May 2018, within the required time limit. 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, CPFA**

**Internal Auditor**

**17 April 2019**