Annual Internal Audit Report 2017/18

Ramsey and Parkeston Parish Council

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓ (1)
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		

K. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed). (1) PETTY CASH NOT HELD.

Date(s) internal audit undertaken: 18/05/18

Name of person who carried out the internal audit: TREVOR BROWN C.P.F.A.

Signature of person who carried out the internal audit: T. Brown

Date: 18/05/18

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Report to Ramsey and Parkeston 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 Internal Audit review 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.

The Accounts for the year confirm the following:

Total Receipts for the year: *£79,497.35*
Total Payments in the year: *£49,535.88*
Total Reserves at year-end: *£78.694.59*

1.3 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 (rounded for purposes of the Return):

Balances at beginning of year (1 April 2017):	*Box 1: £48,733*
Annual Precept 2017/18:	*Box 2: £63,056*
Total Other Receipts:	*Box 3: £16,441*
Staff Costs:	*Box 4: £11,566*
Loan interest:	*Box 5: £0*
All Other payments:	*Box 6: £37,969*
Balances carried forward (31 March 2018):	*Box 7: £78,695*
Total cash/short-term investments:	*Box 8: £78,695*
Total fixed assets:	*Box 9: £214,130*
Total borrowings:	*Box 10: £0*

1.4 Sections One and Two of the AGAR were approved by the Council at its meeting on 19 April 2018 and have been signed, dated and the Minute reference notated accordingly. The Internal Auditor has completed the Annual Internal Audit Report 2017/18 within the AGAR.

1.5 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan previously approved by the Council. Comments and any recommendations arising from the review are made below.

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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 good order and well presented.

2.2 VAT payments are tracked and separately identified within the Cashbook.

2.3 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and the financial information prepared by the Clerk. A sample of payments was examined and found to be in order. Supporting vouchers, invoices and receipts were in place.

2.4 Payments in the year under the Local Government Act 1972 (Section 137) were separately identified in the Spreadsheet.

2.5 All documentation was 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 and were reviewed and up-dated by the Council at the meeting held on 18 May 2017 (Minute 7.1 refers). Standing Orders Item 30.e was correctly revised to reflect the replacement of the Public Contracts Regulations 2006 by the Public Contracts Regulations 2015. New Model Standing Orders (2018) have recently been published by the National Association of Local Councils (NALC) and the Council may wish to consider adopting those during the year 2018/19.

3.2 Financial Regulations are in place and were reviewed and revised by the Council at the meeting on 18 May 2017 (Minute 7.8 refers). The Regulations were revised to reflect the increase of authority for the Clerk to spend up to £1000 (from £500) in case of an emergency and the increase to £3000 (from £1000) prior to projects needing 3 separate quotations for authorised projects.

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

3.4 The VAT claim of £2,266.21 for the period 1 March 2016 to 28 February 2017 was submitted to HMRC on 28 February 2017 and was received at bank on 31 March 2017. The Clerk reported at the meeting of the Council on 19 April 2018 that the claim for £3,194.33 VAT paid in the period 1 March 2017 to 28 February 2018 had been repaid by HMRC on 5 April 2018.

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 Z3600731 refers, expiring 21 April 2019). The Clerk/RFO has

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kept the Council advised regarding the implications arising from the new General Data Protection Regulations (meeting on 15 February 2018, Minute 19 refers).

3.6 The Council re-approved the Members Code of Conduct at its meeting held on 18 May 2017 (Minute 7.2 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 Statement of Internal Control 2017/18 was considered and approved by the Council at its meeting on 19 April 2017 (Minute 19 refers).

4.2 The Financial Risk Assessment Policy was reviewed and revised by the Council at its meeting on 18 May 2017 (Minute 7.8 refers). The Headstone and Memorial Risk Assessment Policy was also reviewed and agreed by the Council at that meeting (Minute 7.11 refers).

4.3 The above documents provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified. The Risk Assessment document may require updating when the new General Data Protection Regulations come into force from 25 May 2018.

4.4 The Council 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 Insurance was in place for the year of audit. At the meeting of the Council on 26 October 2017, the Clerk/RFO reported that following the announcement from AON that they were withdrawing insurance cover for Councils, she had researched for an alternative provider, consulting other Council Clerks and obtaining quotes. The Clerk/RFO found Came & Company Local Council Insurance (under Hiscox Insurance Company Limited) to be the best value for money. The new insurance agreement was put in place as from 1st October 2017 at a 3-year fixed term at £788.55 per annum, a saving of £140 per annum. The Council noted that a rebate due of £362.00 from AON insurance for the current year's premium paid has been confirmed.

4.6 Public Liability cover stands at £10m. The level of Fraud and 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. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000)

5.1 Ramsey and Parkeston Parish Council is not designated as a 'Smaller Council'. The Council's web-site is: http://www.ramseyparkeston-pc.gov.uk/

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

Precept 2017/18: Precept of £63,056 (plus LCTSS grant of £4,034 from Tendring District Council) - Council's meeting on 12 January 2017, Minute 7 refers.

Precept 2018/19: Precept of £64,589 (plus LCTSS grant of £2,621from Tendring District Council) - Council's meeting on 18 January 2018, Minute 19 refers.

6.1 The precepts were agreed in full Council and the precept decision and amount have been 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 As at the 31 March 2018 the Council maintained sufficient Reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur. Total Reserves at 31 March 2018 were £78.694.59.

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

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

7.2 Cemetery Fees are listed on the Council's website (with the notation of having last been reviewed on 1 May 2014 which may require up-dating if the Council has reviewed the fees since that date).

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 Inland Revenue procedures; Records relating to contracts of employment)***

9.1 Payroll is outsourced to Acumen Wages Service and is being operated in accordance with HMRC regulations. PAYE is in operation and payments have been made to HMRC. Detailed pay-slips and the P60 End of Year Certificate were presented to Internal Audit for examination.

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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 An Asset Register is in place and as at 31 March 2018 displays a value of £214,130 (an increase of £1,863 over the value of £212,267 at the end of the previous year). The Register includes the addition of CCTV equipment for the Cemetery and two noticeboards in the year of account.

10.2 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at original purchase cost or, where the original purchase price is unknown, at a proxy/nominal value. The total value of £214,130 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).

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

11.1 The bank statement as at 31 March 2018 for the Co-operative Community Directplus Account reconciled with the End-of-Year accounts and overall bank reconciliation.

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

13.2 The Council maintains Internet Banking Transactions Authorisation Lists in accordance with the Financial Regulations. The Lists are agreed at each Council meeting and record details of the payments due and confirmation of their authorisation by two authorised signatories (the payment date and bank ID reference are later notated). Cheque Book Counterfoils are initialled by signatories where payments by cheque are made. 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 (2016/17) was reported to the Council at its meeting on 18 May 2017 (Minute 15 refers). The report recommended that the Council should undertake a comparison between the items and values listed

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in the Asset Register and those included within the property insured schedules of the Council's Insurance Policy to ensure that (a) the Council is not being charged for cover that is not required and (b) all appropriate assets owned by the Council are adequately covered. The Clerk/RFO looked to address these issues at the time of the change of insurer (item 4.5 above refers).

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

14.1 The Audit Report and End-of-Year Certificate by the External Auditors, PKF Littlejohn LLP, for the previous year 2016/17 was dated 26 July 2017 and raised no matters of concern.

15. Additional Comments

15.1 The Annual Parish Council meeting was held on 18 May 2017, within the required time-frame. The first item of business was the Election of Chairman, in accordance with 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, CPFA

Internal Auditor

18 May 2018

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