

## **Report to Saxtead Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2020**

#### **1. Introduction and Summary.**

1.1 The Internal Audit for the year 2019/20 was undertaken during the period of 'lockdown' following the coronavirus pandemic; at that time travel was severely restricted, social distancing was in place and many Clerks and Councillors were having to self-isolate.

1.2 In view of this unprecedented situation, the essential information required for the completion of the Internal Audit was e-mailed by Mrs Lydia Kirk, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were completed accordingly. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the reports in order that they can be addressed at a later date, either at the next scheduled internal audit or when circumstances permit.

1.3 The Internal Audit work undertaken confirmed that during the 2019/20 year the Council maintained effective governance arrangements including a robust framework of internal control and risk management. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed that the Council maintains an effective framework of financial administration and internal financial control.

1.4 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role of the Council's 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.

1.5 The Accounts for the year confirm the following:

*Total Receipts for the year: £4,939.05*

*Total Payments in the year: £4,688.99*

*Total Reserves at year-end: £5,739.93*

1.6 The Annual Governance and Accountability Return (AGAR) was examined and the following figures were agreed with the Clerk/RFO for display in Section 2 Accounting Statements 2019/20 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £5,490</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £4,750</i>
<i>Total Other Receipts:</i>	<i>Box 3: £189</i>
<i>Staff Costs:</i>	<i>Box 4: £2,703</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,986</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £5,740</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £5,740</i>
<i>Total fixed assets:</i>	<i>Box 9: £4,505</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.7 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 2019/20 within the AGAR.

1.8 The following Internal Audit work was carried out on the adequacy of systems of internal control. Comments and any recommendations arising from the review are made below.

**2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (*examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation*).**

2.1 The Council's Standing Orders were reviewed and approved by the Council at its meeting on 9 May 2019 (Minute 14a refers). The Council's Standing Orders reflect the latest model Standing Orders published by the National Association of Local Councils (NALC).

2.2 Financial Regulations are in place and were also reviewed and approved by the Council at its meeting on 9 May 2019 (Minute 14c refers). Minor amendments were made by the Council to the Financial Regulations at the meeting held on 5 September 2019 to reflect the new model Financial Regulations published by NALC in August 2019 (Minute 9a refers).

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

2.4 The Council formally re-appointed Mrs Lydia Kirk as the Council's RFO at its meeting on 9 May 2019 (Minute 10 refers).

2.5 The Council demonstrates good practice by maintaining a wide range of formal policies and procedures which are published on the Council's website. These include a Freedom of Information Policy and a Publication Scheme.

2.6 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 ZA319355, expiring 18 March 2021 refers). The Council has

adopted and maintains a Data Protection Policy and a Privacy Notice to assist compliance with the General Data Protection Regulations (GDPR).

2.7 At its meeting on 9 May 2019, the Council re-affirmed the adoption of the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area (Minute 15 refers). A copy of the Code has been published on the Council's website.

**3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting*).**

3.1 The Cashbook Spreadsheet was found to be in good order and well referenced and facilitates an audit trail to the Bank Statements, Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. In view of the Internal Audit for 2019/20 being conducted remotely/electronically, the supporting vouchers, invoices and receipts were not examined and a sample of the 2019/20 transactions will be undertaken at the next scheduled audit. The Clerk/RFO has confirmed to Internal Audit that payments made in 2019/20 were supported by invoices/vouchers.

3.2 Local Government Act 1972 (Section 137) payments are separately recorded within the Cashbook Spreadsheet. Similarly, VAT payments are tracked and separately identified to assist re-claims to HMRC.

3.3 Re-claims are regularly made to HMRC for the VAT paid. A re-claim to HMRC for £432.20 VAT paid during the period 23 November 2017 to 28 February 2019 was received at bank on 8 March 2019. The Clerk/RFO has confirmed that a re-claim for the VAT paid to January 2020 has been submitted to HMRC.

3.4 A Statement of Variances (explaining significant differences in receipts and payments between the years 2018/19 and 2019/20) has been prepared by the Clerk/RFO for publication on the Council's website.

**4. Internal Control and the Management of Risk (*Review by the Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*).**

4.1 At its meeting on 9 May 2019 the Council reviewed the Statement of Internal Control and considered the Statement to be fit for purpose and effective (Minute 14d refers).

4.2 The Council's Risk Assessment (Physical Assets) document was reviewed, revised and approved by the Council at its meeting on 9 May 2019 (Minute 14e refers). The Council also considered and adopted a Financial Risk Assessment presented to the meeting by the Clerk/RFO (Minute 16 refers).

4.3 The Council accordingly complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires 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 management of risk, with the review suitably Minuted.

4.4 The Financial Risk Assessment does not currently identify the risks associated with non-compliance with GDPR and the Council may wish to consider making suitable additions to the Assessment, including the actions in place to mitigate the risks involved.

4.5 Insurance was in place for the year of audit. The Council considered the insurance renewal at the meeting held on 14 November 2019 and payment of the renewal premium of £216.49 was approved as part of a three-year long-term undertaking with CAS (Minute 14 refers). Employers Liability cover and Public Liability cover each stand at £10m. The Employee Dishonesty (Fidelity Guarantee) cover is £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. Budgetary controls (Verification of the budgetary process with reference to Council Minutes and supporting documents).**

Precept 2019/20: £4,750.00 (10 January 2019, Minute 11 refers).

Precept 2020/21: £5,147.00 (9 January 2020, Minute 10 refers).

5.1 The Budget for the year 2019/20 was considered in detail and agreed by the Council at its meeting on 10 January 2019 (Minute 10 refers) The Precept for 2019/20 was subsequently agreed by the Council and the precept decision and amount has been clearly Minuted.

5.2 Similarly, the Budget and Precept for the year 2020/21 was considered and agreed by the Council at its meeting on 9 January 2020. The Precept decision and amount has been clearly Minuted.

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

5.4 As at 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £5,739.93, of which £513.61 is earmarked as an Amenity Fund.

## **6. Income Controls (regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms).**

6.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced with the Council's Bank Statements and found to be in order.

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

7.1 A Petty Cash system is not in use; an expenses system is in place, with cheques being made out for expenses incurred.

**8. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).**

8.1 Under the provisions of the Transparency Code, Saxtead Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://saxtead.suffolk.cloud/parish-council/>

8.3 Smaller Councils should publish on their website:

- a) All items of expenditure above £100. Yes, payments included within published Minutes of Council meetings.
- b) Annual Governance Statement: 2018/19 AGAR Annual Return Section One. Yes, published on website.
- c) End-of-Year accounts: 2018/19 AGAR Annual Return, Section Two. Yes, published on website.
- d) Annual Internal Audit report within 2018/19 AGAR Annual Return. Yes, published on website.
- e) List of councillor or member responsibilities. Yes, published on website.
- f) The details of public land and building assets (Asset Register). Yes, published on website.
- g) Minutes, agendas and meeting papers of formal meetings. Yes, published on website.

8.4 The Council is complying with the requirements of the Transparency Code.

8.5 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 requires the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. The Internal Auditor was able to confirm that the document for the year 2018/19 was readily accessible on the Council's website and displayed the Date of Announcement, Details of Person to contact to view the accounts, Dates of Inspection Period and the Details of the person making the announcement.

**9. Payroll Controls (PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment).**

9.1 Payroll Services are operated by the Suffolk Association of Local Councils (SALC) on behalf of the Council in accordance with HMRC requirements. Detailed payslips are produced. A copy of the End-of-Year form P60 for the Clerk/RFO was presented to Internal Audit.

9.2 At its meeting on 10 January 2019 the Council formally approved the Clerk/RFO's revised rate of pay from April 2019 in line with the NALC recommendations and in accordance with the Clerk/RFO's Contract of Employment (Minute 9 refers).

9.3 At its meeting on 13 April 2017 the Council noted that the Clerk in post at that time had registered the Council with the Pension Regulator as an employer. Internal Audit was advised that the Council offered the present Clerk/RFO a workplace pension on 16 January 2018. The Clerk/RFO's salary is below the rate to require mandatory contributions towards a pension and the Clerk/RFO informed the Council on 16 February 2018 that she did not wish to enter into an optional scheme at that time.

**10. Assets Controls (*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. The Council reviewed the Register at its meeting on 9 May 2019 (Minute 14b refers). The Asset Register as at 31 March 2020 displays a value of £4,505.02, unchanged from the value at the end of the previous year (31 March 2019). A copy of the Register has been published on the Council's website.

10.2 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

11.1 The bank statements for the Barclays Community (Current) Account and the Barclays Business Savings (Deposit) Account reconciled with the End-of-Year accounts and agreed with the 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 Financial Controls, Payments Controls and Audit Procedures**  
***(Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented).***

13.1 The Council has satisfactory internal financial controls in place. Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provides financial reports to Council meetings, including details of bank statements and bank reconciliations. The Council demonstrates good financial practice through the appointment (at its meeting on 9 May 2019, Minute 10) of an Examining Councillor who undertakes routine examination of bank statements and confirmation of the bank reconciliations prepared by the Clerk/RFO.

13.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. The Clerk/RFO presents to the Council the Year-to-Date Receipts and Payments Account details. In addition, the Clerk/RFO confirmed that (a) cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment (b) Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made and (c) Cheque Book counterfoils are initialled by Cheque Signatories in accordance with the requirements of the Council's Financial Regulations. These areas were not examined due to the Internal Audit being conducted remotely/electronically but will be test-checked at the next scheduled audit.

13.3 The Council reviewed the Internal Audit report for the previous year (2018/19) at the meeting held on 9 May 2019 (Minute 13 refers). No issues of concern had been raised in the Report. The Auditor had recommended that the Council expands the Risk Assessment to include financial risks and the actions in place to mitigate those risks. The Council agreed to implement the recommendation and considered and adopted a Financial Risk Assessment at its meeting on 9 May 2019 (Minute 16 refers).

13.4 The Internal Auditor for the 2019/20 year was re-appointed by the Council at the meeting held on 9 May 2019 (Minute 17 refers).

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

14.1 An External Audit was not required in the year 2018/19. At its meeting on 9 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 12d refers).

14.2 Similarly, as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2020, the Council is able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Council can accordingly prepare a Certificate of Exemption from a Limited Assurance Review for the year 2019/20, for submission within the due date to PKF Littlejohn LLP.



**15. Additional Comments.**

15.1 The Annual Parish Council meeting was held on 9 May 2019, 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.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**19 April 2020**