

Report to The Saxhams 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 a period when the 'lockdown' following the coronavirus pandemic was only just beginning to be eased; at that time social distancing was still in place and many council offices remained closed.

1.2 In view of this unprecedented situation, the essential information required for the completion of the Internal Audit was emailed and posted by Mrs Michelle Thompson, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. All relevant published data held on the Council's website was accessed by the Internal Auditor. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were accordingly completed. 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 satisfactory framework of financial administration and internal control. This Internal Audit review has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.4 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's RFO, satisfactorily undertook the administration of the Council's financial affairs and produced adequate 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: £7,052.77

Total Payments in the year: £5,874.84

Total Reserves at year-end: £8,599.87

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

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £7,422</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £6,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,053</i>
<i>Staff Costs:</i>	<i>Box 4: £1,522</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £4,353</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £8,600</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £8,600</i>
<i>Total fixed assets:</i>	<i>Box 9: £20,652</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.7 The AGAR has yet to be signed/dated by the RFO and the Chairman. 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 in accordance with the Audit Plan. 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 Standing Orders are in place and were reviewed by the Council, and updates made as necessary, at the meeting held on 20 June 2019 (Minute 8 refers). The Standing Orders reflect the latest model document published by the National Association of Local Councils (NALC) in July 2018 and are published on the Council's website.

2.2 Financial Regulations are also in place. The Council reviewed Financial Regulations at its meeting on 14 June 2018 (Minutes 8 and 9 refer) and adopted minor amendments to the framework as suggested by the Suffolk Association of Local Councils (SALC). New Model Financial Regulations were published by the NALC in August 2019 and the Clerk/RFO has confirmed that these have yet to be adopted by the Council.

2.3 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. The Clerk/RFO confirmed to Internal Audit that each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved.

2.4 The Council is not registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services. Previous Internal Audit Reports have recommended that in view of the application of the General Data Protection Regulations from May 2018, the Council should consider registration with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under current Data Protection legislation. The cost of

Registration is currently £40 per year by cheque or £35 by direct debit. At its meeting on 14 June 2018 the Council decided that as it handles small amounts of confidential data this issue would be reviewed at a later date and the Clerk/RFO has advised the Internal Auditor that this remains the position.

2.5 The Council formally reviewed and re-adopted the Suffolk Local Code of Conduct at the meeting held on 20 June 2019 (Minute 8 refers). The Council demonstrates good practice by the annual review of the Code of Conduct in order that Councillors are reminded of their duties and responsibilities under the Code.

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 is maintained on a Spreadsheet and is well referenced and provides a good audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. A sample of transactions within the Cashbook was closely examined and all was found to be in order with supporting invoices/vouchers in place.

3.2 VAT payments are separately identified and tracked within the accounts to assist future reclaims to HMRC.

3.3 Re-claims for VAT paid are regularly submitted to HMRC. The reimbursement from HMRC of £1,041.11 VAT paid in the period from 1 January 2018 to 31 March 2019 was received at bank on 12 June 2019. The Clerk/RFO confirmed to Internal Audit that a re-claim for the £467.00 VAT paid in the period to 1 April 2019 to 31 March 2020 will shortly be submitted to HMRC.

3.4 There were no payments separately identified as being made under the Local Government Act 1972 Section 137.

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 20 June 2019 the Council considered the Risk Assessment document, which provides a comprehensive analysis of the risks faced by the Council and the internal control measures in place to mitigate the risks identified.

4.2 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.

4.3 The Council agreed at the meeting on 20 June 2019 that the Risk Assessment should include an item identifying the risks associated with non-compliance with the

General Data Protection Regulations and the actions in place to mitigate the risks involved and the Chairman and Clerk agreed to make the necessary additions to the document (Minute 8 refers). The Clerk/RFO confirmed that this matter is still outstanding and is shortly to be addressed.

4.4 The Council demonstrates good practice by regularly receiving and reviewing Play Area Reports which identify any damage incurred or other risk management issues to be addressed.

4.5 Insurance was in place for the year of audit. At the meeting held on 26 September 2019 the Council approved the renewal premium of £337.71 from AXA (through Came and Company), (Minute 13 refers). Employer's Liability cover and Public Liability cover each stand at £10m. and 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 received.

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

5.1 The Saxhams Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://thesaxhams.onesuffolk.net/>

5.2 Smaller Councils should publish on their website:

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

5.3 The Council is meeting the requirements of the Transparency Code.

5.4 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 required the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. Although the document for the year 2018/19 had been prepared, the Clerk/RFO has informed Internal Audit that technical difficulties prevented the document from being published on the website over the required period of time in the Summer of 2019. The Internal Auditor is accordingly unable to certify at Question L in the Annual Internal Audit Report of the AGAR that 'The

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authority has demonstrated that during the Summer of 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations'.

5.5 The Internal Auditor understands that the Council is aware of the technical difficulties involved and the website host has been contacted to provide assistance in order that the statutory deadlines for the publication of documents are met in full for the 2019/20 year. The Council may wish to note that the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have extended the statutory deadlines for the publication of the 2019/20 documents.

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

Precept 2019/20: £6,000 (22 November 2018, Minute 13 refers).

Precept 2020/21: £6,000 (28 November 2019, Minute 11 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount have been Minuted. The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and 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 confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments for the year 2020/21. The estimates can be used effectively for financial control and budgetary control purposes.

6.3 The level of Reserves as at 31 March 2020 amounted to £8,599.87 and were sufficient to meet, within reason, any unforeseen items of expense that may occur.

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

7.1 Receipts recorded in the Cashbook were cross referenced with the bank statements and were 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 with cheques being made out for expenses incurred.

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

9.1 PAYE is operated in accordance with HMRC regulations. The P60 End of Year Certificate for the Clerk/RFO was presented to Internal Audit.

9.2 A Contract of Employment dated 11 October 2017 is in place for the Clerk/RFO.

9.3 At its meeting on 22 November 2018 the Council reviewed the Clerk/RFO's salary in relation to the recommended National Association of Local Councils (NALC) pay scales and agreed to review the salary annually in relation to the recommended national pay scales. During the year 2019/20 the Clerk/RFO was paid for 3 hours per week at SCP5.

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 Register displays a total value of £20,652 as at 31 March 2020 (unchanged from the value as at the end of the previous year, 31 March 2019).

10.2 The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. The Register displays assets at purchase cost or, where the original purchase price is unknown, a proxy value is recorded which will remain unchanged until disposal.

10.3 The value of the assets as at 31 March 2020 has been correctly recorded in Box 9 of the AGAR Annual Return 2019/20.

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

11.1 The bank statements for the HSBC Community (Current) Account (as at 31 March 2020) and the HSBC Business Money Manager Account (as at 19 March 2020) reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

11.2 The Council demonstrates good financial practice by considering and agreeing a Bank Reconciliation at each meeting of the Council.

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. The Clerk/RFO provides financial reports to Council meetings, including bank reconciliations, bank balances and details of reserves held. Details of payments to be made are presented to Council for approval and a list of Income received is also reported to the Council and included in the Council's Minutes as part of the overall financial control framework. Cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment. Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made.

13.2 The Internal Audit report for the previous year (2018/19) was received by the Council at its meeting on 20 June 2019 (Minute 11 refers). The Report confirmed that the Council had maintained effective governance and internal control arrangements during 2018/19 and had put forward the following recommendations:

- a) Review the position regarding registration with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services in order to ensure compliance with current Data Protection legislation (see item 2.4 above).
- b) The Risk Assessment should include an item identifying the risks associated with non-compliance with the General Data Protection Regulations (including the risks resulting from the Council's decision not to register with the ICO) and the actions in place to mitigate the risks involved (see item 4.3 above).

14. External Audit (Exemption Certificate completed. Any recommendations put forward/comments made by External Auditors following the annual review).

14.1 An External Audit was not required in the year 2018/19. As the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2019, the Council was able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Chairman reported to Council upon the Annual Governance and Accountability Return (AGAR) 2018/19 at the meeting held on 20 June 2019 (Minute 11 refers).

14.2 Similarly, an External Audit will not be required in respect of the year 2019/20 and the Council will be able to complete a Certificate of Exemption from a Limited Assurance Review for the year 2019/20, for submission 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

3 July 2020