

## **Report to Parham 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: £10,433.98*

*Total Payments in the year: £6,239.49*

*Total Reserves at year-end: £20,224.01 (of which £13,683.36 is earmarked)*

1.6 The Annual Governance and Accountability Return (AGAR) was examined and the following figures 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: £16,029</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £5,700</i>
<i>Total Other Receipts:</i>	<i>Box 3: £4,734</i>
<i>Staff Costs:</i>	<i>Box 4: £2,995</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,244</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £20,224</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £20,224</i>
<i>Total fixed assets:</i>	<i>Box 9: £12,681</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 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 The Council's Standing Orders were reviewed and approved by the Council at its meeting on 14 May 2019 (Minute 15a 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 14 May 2019 (Minute 15c refers). Minor amendments were made by the Council to the Financial Regulations at the meeting held on 10 September 2019 to reflect the new model Financial Regulations published by NALC in August 2019 (Minute 9b refers).

2.3 The Council formally re-appointed Mrs Lydia Kirk as the Council's RFO at its meeting on 14 May 2019 (Minute 9 refers).

2.4 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. The Council met on 14 May 2019 and again on 10 September 2019, when it was noted that two programmed meetings had been inquorate. The Minutes of the meeting on 10 September 2019 confirm that all Councillors were requested to attend meetings where possible or provide appropriate length of notice of apology for absence (Minute 6 refers).

2.5 The Council demonstrates good financial and management practice by maintaining and regularly reviewing a range of formal written policies and procedures which are published on the Council's website. These include a Freedom of

Information Policy and a Publication Scheme, Equal Opportunity Procedure, Disciplinary Procedure, Grievance Procedure and a Lone Working Policy.

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 ZA240629, expiring 14 March 2021). The Clerk/RFO confirmed the re-registration to Council at its meeting on 10 March 2020 (Minute 6 refers). The Council has adopted and maintains a Privacy Notice to assist compliance with the General Data Protection Regulations (GDPR). A revised version of the Data Protection Policy was adopted by the Council at its meeting on 12 November 2019 (Minute 9b refers).

2.7 At its meeting on 14 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 16 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 presented. VAT payments are tracked and separately identified. There were no payments recorded as being made under the Local Government Act 1972 (Section 137).

3.2 The Cashbook is well referenced and facilitates an audit trail to the Bank Statements and 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 all payments made in 2019/20 were supported by invoices/vouchers.

3.3 The re-claim to HMRC for £354.30 VAT paid in the period February 2018 to August 2018 is recorded in the Cashbook as received on 3 July 2019 and was reported to Council at its meeting on 10 September 2019 (Minute 8d refers),

3.4 The re-claim to HMRC for £86.46 VAT paid during the period September 2018 to February 2020 is recorded in the Cashbook as received on 27 February 2020 and was reported to Council at its meeting on 10 March 2020 (Minute 7b 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 The Council's Statement of Internal Control was reviewed by the Council at its meeting on 14 May 2019 (Minute 15d refers) and was considered by the Council to be fit for purpose and effective.

4.2 The Council's Risk Assessment (Physical Assets) document was reviewed and approved by the Council at its meeting on 14 May 2019 (Minute 15e refers). The Council also considered and adopted a Financial Risk Assessment presented to the meeting by the Clerk/RFO (Minute 17 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 Insurance was in place for the year of audit. The Clerk reported upon the insurance renewal at the Council meeting held on 10 September 2019 and payment of the renewal premium of £468.81 was approved. The Council considered the annual insurance renewal policy provided by Came and Company and agreed it was sufficient for the Council's requirements (Minute 9c refers). Employer's Liability cover and Public Liability cover each stand at £10m. The fraud and dishonesty (fidelity guarantee) 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. Budgetary controls (Verification of the budgetary process with reference to Council Minutes and supporting documents).**

Precept 2019/20: £5,700.00

Precept 2020/21: £5,850.00

5.1 The Budget and Precept for 2019/20 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 1 November 2018, Minutes 9 and 10 refer).

5.2 Similarly, the Budget and Precept for 2020/21 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 14 January 2020, Minutes 7 and 8 refer).

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. The Clerk/RFO provides reports to Council detailing spending compared to budget.

5.4 Examination of the accounts and supporting documentation confirmed that the Council prepares detailed estimates of the annual budget and of receipts and payments. The estimates can be used effectively for financial control and budgetary control purposes during 2020/21.

5.5 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Council considered the reserved funds held at its meeting on 10 March 2020 (Minute

7c refers). Reserves at the year-end totalled £20,224.01, of which £13,683.36 is earmarked as follows:

Election Fund;	£234.72
Closed Churchyard:	£192.00
Emergency Fund	£900.00
Biodiversity Fund	£12,356.64

5.6 The General Reserves totalled £6,540.65 as at 31 March 2020 and is in line with the generally accepted best practice that non-earmarked revenue reserves held should usually lie between three and twelve months of gross expenditure.

**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, Parham Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://parham.suffolk.cloud/parham-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: 2018/19 within 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 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. 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, Dates of Inspection, Details of Person to contact to view the accounts 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 being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. Detailed payslips are produced; PAYE is in operation with payments being made to HMRC. A copy of the End-of-Year form P60 for the Clerk/RFO was presented to Internal Audit.

9.2 At its meeting on 8 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).

**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 Assets Register is in place and displays each asset at its original purchase cost (a nominal value of £1 is displayed in respect of Community Assets). The Register was reviewed by the Council at its meeting on 14 May 2019 (Minute 15b refers).

10.2 The total value of the Assets Register as at 31 March 2020 stood at of £12,680.50, unchanged from the end of the previous year. The value as at 31 March 2020 has been correctly placed in 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 as at 31 March 2020 for the Barclays Current Account and the Barclays 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. Identifying VAT payments and re-claims. Any previous audit recommendations implemented).**

13.1 The Council has satisfactory internal financial controls in place. The Clerk provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Council's bank balances, reserved fund balances, bank statements and bank reconciliations are regularly reviewed by the Council during the year and Minuted to confirm that the review has taken place.

13.2 The Council demonstrates good financial practice through the appointment (at its meeting on 14 May 2019, Minute 9) of an Examining Councillor who undertakes routine examination of bank statements and confirmation of the bank reconciliations prepared by the Clerk/RFO. The Council's Minutes record that bank statements and bank reconciliations are reviewed and signed off by the appointed Examining Officer (or the Vice-Chair in her absence).

13.3 Payments and Receipts are listed in the Council's Minutes as part of the overall financial control framework. The Year-to-Date Receipts and Payments Account details are presented to the Council by the Clerk/RFO. 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.

13.4 The Council reviewed the Internal Audit report for the previous year (2018/19) at the meeting held on 14 May 2019 (Minute 14 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 14 May 2019 (Minute 17 refers).

13.5 The Internal Auditor for the 2019/20 year was re-appointed by the Council at the meeting held on 14 May 2019 (Minute 18 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 14 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 13c 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 14 May 2019. 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**

**29 April 2020**