

Report to Westley 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 Ms Jen Larner, 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 During the 2019/20 year the Council maintained effective governance arrangements and ensured that internal financial controls were in place.

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 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: £2,930.60

Total Payments in the year: £2,927.97

Total Reserves at year-end: £2,630.27

1.6 The Annual Governance and Accountability Return (AGAR) was examined and the following figures confirmed 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: £2,627</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £2,192</i>
<i>Total Other Receipts:</i>	<i>Box 3: £739</i>
<i>Staff Costs:</i>	<i>Box 4: £1,004</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,924</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £2,630</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £2,630</i>
<i>Total fixed assets:</i>	<i>Box 9: £5,561</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.7 Sections One and Two of the AGAR are 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 Standing Orders are in place. The latest model Standing Orders published by the National Association of Local Councils (NALC) were reviewed and agreed by the Council at the meeting on 9 January 2019 (Minute 51/2018 refers).

2.2 Financial Regulations are in place. These were last reviewed by the Council at its meeting on 26 June 2018 when it was agreed that no changes were currently necessary (Minute 23/2018 refers). New model Financial Regulations were published by NALC in August 2019 and the Clerk/RFO has informed Internal Audit that she will be reporting to the Council on the new model Regulations at a forthcoming meeting.

2.3 The Council formally re-appointed Ms Jen Larner, the Clerk to the Council, as the Council's Responsible Financial Officer (RFO) at the meeting held on 9 May 2019 (Minute 2/2019 refers).

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

2.5 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 Number ZA203153, expires 2 October 2020). The contact address under the Registration lists the Clerk/RFO's previous address. The

Clerk/RFO confirmed to Internal Audit that she has informed the ICO of the Council's current contact address.

2.6 The Council demonstrates compliance with the GDPR through the adoption of Data Protection policies, procedures and documentation, including a Data Protection Privacy Statement and a Document Retention Policy (the meetings held on 26 June 2018, Minute 22/2018, and on 1 November 2018, Minute 40/2018, refer).

2.7 The Council adopted the Suffolk Local Code of Conduct at a meeting held on 10 July 2014 (Minute 22/2014 refers). The Council noted at its meeting on 9 January 2020 that a copy had been circulated to Councillors (Minute 49/2019 refers). The Council accordingly demonstrated good practice by reminding Councillors 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 Spreadsheet was found to be in good order and well presented. Payments made under Section 137 of the Local Government Act 1972 are separately identified. VAT payments are tracked and identified within the Cashbook to assist future re-claims to HMRC.

3.2 The amounts of VAT paid by the Council each year are relatively small. The Clerk/RFO reported to Council on 12 September 2019 that the VAT paid in the years 2017/18 and 2018/19 overall amounted to £237.00 (Minute 28/2019 refers). This amount was reclaimed in the year 2019/20.

3.3 The Cashbook Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements 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 can 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 and that reference is made in the Council's Minutes regarding the payment where no invoice or voucher is available.

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 Comprehensive risk management and internal control documents are in place. The documentation was reviewed by the Council at its meeting on 9 January 2020, when an amendment was agreed to the risk assessment to cover the General Data Protection Regulations (Minute 48/2019 refers). The Council accordingly complied with the requirements of Section 4 of the Accounts and Audit Regulations 2015 which state that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management

of risk, and the Minutes of the Council must formally record that the review has taken place.

4.2 Insurance was in place for the year of audit. At its meeting on 12 September 2019 the Council agreed that insurance cover would be obtained for both the defibrillator and the cabinet with immediate effect (Minute 28/2019 refers). The Council approved the renewal premium of £185.64 on 7 November 2019, as a 3-year long-term undertaking which included the assets of VAS and defibrillator (Minute 37/2019 refers). Employer's Liability cover and Public Liability cover each stand at £10m. The Fidelity Guarantee cover stands at £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. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).

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

5.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Published on website and 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). No public land/buildings held. 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. 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, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement.

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

Precept 2019/20: £2,192 (9 January 2019, Minute 50/2018 refers).

Precept 2020/21: £2,271 (9 January 2020, Minute 47/2019 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount has been clearly Minuted. The Clerk/RFO ensures that the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves.

6.2 Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions. The Budget for the year 2020/21 was considered and agreed by the Council at its meeting on 9 January 2020.

6.3 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.

6.4 The Council noted at its meeting on 11 July 2019 that reserves were high in proportion to running costs and that it would be helpful to consider earmarking some reserves for future projects (Minute 16/2019 refers). However, the Clerk/RFO has confirmed that earmarked reserves currently stand at £4,000 (£2,000 for a cycle track and £2,000 for road improvements) and this amount exceeds the total reserves available (£2,630.27) as at 31 March 2020.

Recommendation 1: The Council maintains sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur, but the Earmarked Reserves require review and reduction in order that they do not exceed the overall reserves available.

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

7.1 The Receipts recorded in the Cashbook Spreadsheet during the year consisted of Precept (£2,192), reclaim of VAT (£237) and contribution from Westley Club for the defibrillator (£501.60).

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 with electronic payments being made for expenses incurred.

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 SALC on behalf of the Council; PAYE is in operation, as appropriate. Detailed payslips are being produced.

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 and as at 31 March 2020 displays a value of £5,561, an increase of £4,704 over the stated value at the end of the previous year. The Clerk/RFO has advised the Internal Auditor that the increase reflects the purchase of a defibrillator and cabinet in the year of account (at the cost value of £1,655), the cost value of a Vehicle Activated Sign (£2,500) not previously recorded in the Register, and other amendments arising from her recent review of the Register.

10.2 The previous year's value for Assets of £857 has been re-stated as £3,906 in the comparative year (2018/19) in the AGAR to ensure consistency in the comparison between the two years 2018/19 and 2019/20.

10.3 Current requirements provide that each asset should be recorded at a consistent valuation, year-on-year. Accordingly, the basis of valuation used in 2019/20 should continue to be used in 2020/21 to ensure consistency.

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

11.1 The bank statement as at 31 March 2020 in respect of the Council's Lloyds Treasurer's (Current) Account reconciled with the End of Year Accounts.

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

13.2. Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework. The Clerk has confirmed that paid invoices/vouchers are initialled by authorised signatories and that each internet banking payment confirmation is attached to the paid invoice to secure an audit trail.

13.3 The Internal Audit report for the previous year (2018/19) was circulated to Councillors and formally reported to Council at its meeting on 11 July 2019 (Minute 17/2019 refers). The Internal Auditor had reported that the controls exercised over the internet banking and electronic payment transactions should be enhanced because the Clerk/RFO was a Service Administrator who was able to both generate payments and authorise payments. This was not good financial practice and potentially placed the Council and its Clerk/RFO in a vulnerable position. The report recommended that there should be a separation of duties in terms of the Clerk/RFO generating the electronic payments and a Councillor or Councillors authorising the payment. The Council noted the recommendation at the meeting on 11 July 2019 but decided to accept the risks involved and not to change the current system.

13.4 However, the Council's Financial Regulations do not provide that the current arrangements for internet banking are allowed. The Financial Regulations require different authorising arrangements from those currently being operated.

Recommendation 2: The Council should review and amend its Financial Regulations as soon as practicably possible in order that the existing practice of the Clerk/RFO (as the Service Administrator) being authorised to both generate payments and authorise payments shall operate. The Clerk/RFO has confirmed to the Internal Auditor that she plans to put proposals forward to Council in this respect.

13.5 The formal appointment of the Internal Auditor for the 2019/20 year was made by the Council at its meeting on 12 March 2020 (Minute 56/2019 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 10/2019 refers).

14.2 For the year 2019/20 the Council may similarly apply for Exemption from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities)

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Regulations 2015 as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account.

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

22 May 2020