

Report to Homersfield 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 The documents and information required for the audit were provided to the Internal Auditor by Mrs Lua Leggatt, the Locum Clerk/Responsible Financial Officer (RFO), who is in post during the current illness of the Council's Clerk/RFO.

1.3 The Internal Audit review, undertaken on the documentation provided to the Internal Auditor, has confirmed the overall adequacy of the financial arrangements in place within the Council. There are, however, areas where the overall governance arrangements can be improved, particularly in terms of ensuring that key documents, such as Standing Orders and Financial Regulations, are up to date and reflect the latest model documents published by the National Association of Local Councils.

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, produced appropriate 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: £3,544.80

Total Payments in the year: £3,145.04

Total Reserves at year-end: £8,215.42

1.6 The following figures were confirmed for entry into Section 2 (Accounting Statements 2019/20) of the Annual Governance and Accountability Return (AGAR), rounded for purposes of the Return:

Balances at beginning of year (1 April 2019): Box 1: £7,817

<i>Annual Precept 2019/20:</i>	<i>Box 2: £3,514</i>
<i>Total Other Receipts:</i>	<i>Box 3: £30</i>
<i>Staff Costs:</i>	<i>Box 4: £1,620</i>
<i>Loan interest/principal repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,525</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £8,216</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £8,216</i>
<i>Total fixed assets:</i>	<i>Box 9: £6,365</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 Standing Orders and Financial Regulations are in place. However, the approved copies published on the Council's website are now out of date and have been replaced by new model documents.

Recommendation 1: It is recommended that during the year 2020/21 the latest Model Standing Orders (2018) and Model Financial Regulations (2019) published by the National Association of Local Councils (NALC) are considered by the Council, tailored to the particular requirements of the Council, and formally adopted as required.

2.2 The Minutes of the Council are well presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved.

2.3 At its meeting on 13 May 2019 the Council approved the renewal of the registration with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA115530, expiring 31 May 2020 refers).

2.4 The Council agreed on 12 March 2018 to utilise the services of the Local Council Public Advisory Service (LCPAS) to provide a professional Data Protection Officer Service (Minute 13.1 refers) but this arrangement has now lapsed (the address of the

Clerk/RFO is currently displayed in the ICO Registration as the contact for data protection issues). At its meeting on 14 May 2018 the Council noted that the Clerk/RFO had completed a General Privacy statement and had prepared a list of relevant documents from the pack provided by LCPAS (Minute 15.1 refers). However, these documents could not be located on the Council's website.

2.5 As part of the Council's response to the Freedom of Information requirements, a Publication Scheme is in place and published on the Council's website. A Complaints Procedure is also in place and has been published on the Council's website. However, the Council's current governance arrangements would be further strengthened with the development of a wider range of formal policies, procedures and protocols.

Recommendation 2:

- a) **The Council should consider the development and adoption of a range of formal Policies, Procedures and Protocols in order to enhance the existing overall governance arrangements.**
- b) **The Council should also put into place a programme for the regular review of all its policies and procedures, including Standing Orders, Financial Regulations and those relating to General Data Protection Regulations (GDPR), to ensure that all documentation remains up to date and fit for purpose.**

2.6 At its meeting on 27 June 2012, the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. It is good governance practice for local councils to periodically review and re-adopt the Code as this usefully highlights the requirements and responsibilities placed upon each individual Councillor. The Internal Auditor and the Locum Clerk/RFO were unable to identify the Council's review of the Code in recent years.

Recommendation 3: It is recommended that the Council should review and re-adopt the Local Code of Conduct during the year 2020/21 in order to comply with good governance practice.

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 is well referenced and provides an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. These documents provided good evidence in support of the receipts and payments in the year. Supporting paperwork is in place and well referenced.

3.2 Payments made under the Local Government Act 1972 Section 137 are separately identified in the Cashbook Spreadsheet and Receipts & Payments Account.

3.3 VAT is separately identified in the Cashbook Spreadsheet to assist subsequent re-claims to HMRC. The £25.76 VAT paid in the year 2018/19 was refunded by HMRC to the Council on 10 July 2019.

3.4 A sample of Cashbook transactions in the year was examined and overall was found to be in good order. It was noted that the payment of £60 in respect of website hosting was made to the Clerk/RFO on 4 November 2019 in response to an email received on 28 October 2019 from the website host 'One Suffolk' regarding the service for the forthcoming year. The renewal price included VAT of £10 which was not identified in the accounts for the year.

Recommendation 4: Formal invoices relating to the operating of the website should in future be obtained from One Suffolk and should include details of VAT charged in order that the VAT element paid can be re-charged to HMRC.

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 A review of the Internal Control and Risk Management arrangements was undertaken by the Chair and the Clerk/RFO and reported to Council at its meeting on 2 March 2020 (Minute 11 refers). The Council noted that the review of risk management and internal control usually takes place mid-way through the accounting year but the Clerk/RFO had been absent from work and the review was undertaken just prior to year-end. The Council intends to hold the next review in September 2020. On 2 March 2020 the Council received a completed checklist, summarising all aspects of the internal control arrangements reviewed, which included the review of:

- a) Proper book-keeping
- b) Standing Orders
- c) Financial Regulations
- d) Payment Controls
- e) Financial Risk Management (amendments agreed)
- f) Budgetary Controls
- g) Income Controls
- h) Asset Controls
- i) Year-end procedures.

4.2 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.

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4.3 The insurance renewal premium of £218.00 to Came and Co. was considered and approved by the Council at its meeting on 4 November 2019 and is recorded in the Cashbook as being paid on 19 November 2019. The renewal is due in September each year and accordingly the Council's insurance cover may have lapsed during the period between September and November 2019. The Council agreed on 4 November that from 2020/21 the renewal item will be listed for the Council's meeting in July to ensure the approved payment is made prior to renewal (Minute 13.1 refers).

4.4 The insurance records were not made available to the Internal Auditor to confirm the level of cover. During 2018/19 the Public Liability cover stood at £10m. and Fraud and Dishonesty (Fidelity Guarantee) cover stood at £150,000 (which met 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). The Locum Clerk/RFO advised the Internal Auditor that she had contacted Came and Co. on 19 May 2020 to obtain details of the Council's insurance cover.

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

5.1 Homersfield Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://homersfield.onesuffolk.net/parish-council/>

5.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:
Published – Yes
- b) Annual Governance Statement, AGAR Annual Return, Section One:
Published (2018/19) – No (copy of Annual Internal Audit Report is displayed on the link to the Annual Governance Statement)
- c) End of year accounts, AGAR Annual Return, Section Two:
Published (2018/19) – Yes
- d) Annual Internal Audit report within the AGAR Annual Return:
Published (2018/19) – Yes
- e) List of councillor or member responsibilities:
Published – Yes
- f) Details of public land and building assets (Asset Register):
Published – Yes
- g) Minutes, agendas and meeting papers of formal meetings:
Published – Yes

5.3 Due to item b) above the Council has not met the requirements of the Transparency Code in full.

Recommendation 5: The Council should publish the Annual Governance Statement for the year 2018/19 and aim to ensure that the Code is met in full in respect of the publication of 2019/20 information.

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 unable to confirm that the document for the year 2018/19 was readily accessible on the Council's website. The Locum Clerk/RFO was similarly unable to confirm that the Notice had been published on the website.

Recommendation 6: The Council should ensure that evidence is available to demonstrate that each year the Council correctly provides for the exercise of public rights as required by the Accounts and Audit Regulations.

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

Precept 2019/20: £3,514 (14 January 2019, Minute 12.1 refers).

Precept 2020/21: £3,514 (20 January 2020, Minute 11.1 refers).

6.1 The Precepts were agreed in full Council and the Precept decision and amount have been clearly Minuted. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

6.2 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. Statements were prepared by the Clerk/RFO as at 5 May 2019 and 25 August 2019 providing a comparison of the Accounts against the Budget (copies of the Statements have been published on the Council's website).

6.3 The Draft Budget for the year 2020/21 and explanatory notes prepared by the Clerk/RFO were distributed to and reviewed by Councillors at the meeting on 20 January 2020, when a Precept of £3,514 was formally approved. The estimates for 2020/21 can be used effectively for financial/budgetary control purposes.

6.4 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur. The Overall Reserves available to the Council at the year-end totalled £8,215.42. The records presented to Internal Audit showed that these overall reserves included earmarked sums for Homersfield Wood (£1,250), Contested Elections (£1,250) and Replacement Equipment for use by volunteers (£500).

6.5 The General Reserves of £5,215.42 (the Overall Reserves less the Earmarked Reserves) are significantly higher than the generally accepted best practice (which is

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that non-earmarked revenue reserves held should be approximately six months of contractual expenditure or 50% of the Precept).

Recommendation 7: As the Council's General Reserves are higher than the generally accepted best practice, the Council should consider earmarking further reserves for specific future projects.

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

7.1 The Receipts in the year consisted of Precept (£3,514), Vat reclaim received from HMRC (£25.76) and Bank Interest (£5.04).

7.2 Income controls were checked; income received was cross referenced with the Cashbook Spreadsheet and bank statements and 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 supporting paperwork.

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

9.1 The Council is operating Payroll Services in-house and PAYE payments have been made regularly to HMRC. Detailed pay slips are produced.

9.2 A Contract of Employment dated 1 October 2010 is in place for the Clerk/RFO.

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. Asset Controls were reviewed by the Council as part of its examination of internal controls and risk management and were found to be in order (the meeting held on 2 March 2020, Minute 11 refers). The Internal Control Checklist presented to Council includes confirmation that asset valuations had been agreed with insurance cover, as appropriate.

10.2 The Register published on the Council's website displays a total value of £6,365 as at 31 March 2020, unchanged from the value as at the end of the previous year.

10.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are

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displayed at replacement value or at a nominal/community value as a proxy cost. However, the presentation of the Register requires review as it does not provide easy reference in terms of the assets included in the total value.

Recommendation 8: The Council should review the presentation of the Asset Register in order to clearly identify assets currently in place and included in the overall total and those disposed assets which are no longer included in the overall value.

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

11.1 At the time of the audit review the accounts failed to reconcile correctly to the bank statements by an amount of £1.04. During Internal Audit's examination, it was identified that the Clerk/RFO had notated a bank statement on 3 April 2019 of an historical discrepancy of £1.04. As this sum is not material in the overall context of the Council's accounts, it has been agreed with the Locum Clerk/RFO that an adjustment of £1.04 in the accounts will be made as at 31 March 2020 to bring the accounts into line with the bank statements. The accurate balance of £8,215.42 as at 31 March 2020 will accordingly be carried forward into the year 2020/21.

11.2 The reconciliation as at 31 March 2020 can be displayed as follows:

	£ . p
Account Balance b/f as at 31 March 2019:	7,816.70
Add Total Receipts in the year:	3,544.80
Deduct Total Payments in the year:	3,145.04
Deduct Adjustment for historical accounting discrepancy:	1.04

Account Balance c/f as at 31 March 2020:	<u>8,215.42</u>
Represented by:	
Barclays Bank Current Account as at 31 March 2020:	5,597.47
Less Unpresented cheques (nos. 100819 and 100820)	127.00

	5,470.47
Add Barclays Bank Deposit Account (statement at 2 March 2020):	2,744.95

	<u>8,215.42</u>

11.3 The Barclays Bank Deposit Account statement provided to the Internal Auditor was dated 2 March 2020 (and not the year-end 31 March 2020) and the above reconciliation has been confirmed on that basis.

Recommendation 9: The Locum Clerk/RFO should confirm on behalf of the Council that the balance on the Barclays Bank Deposit Account as at 31 March

2020 remained unchanged from that as at 2 March 2020 in order to ensure that no further transactions are required to be brought into the reconciliation as at 31 March 2020.

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. As referred to at item 11 above, an adjustment has had to be brought into the accounts to ensure that the end of year accounts are accurate as at 31 March 2020.

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 detailed financial reports to Council meetings, including bank balances and a schedule of payments. Councillors are provided with sufficient financial information to enable them to make informed decisions.

13.2 Cheque Book counterfoils and invoices/vouchers for payment are initialled by cheque signatories. Cheque numbers are displayed on the paid invoices/vouchers to complete the audit trail. Payments 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 2018/19 was reported to Council at its meeting on 2 September 2019, having previously been presented to Councillors (Minute 15 refers).

13.4 The Council's Internal Auditor was formally appointed by the Council at its meeting on 13 November 2017 (Minute 10 refers).

14. Sole Trustee (To confirm that the Council has met its responsibilities as a trustee, if appropriate).

14.1 The Council is not currently recorded as a Sole Trustee.

14.2 During the review of Legal Liabilities within the Financial Risk Management document considered by the Council on 2 March 2020, there is reference to the Homersfield Playing Field Charity (1066181) at item 4.1.6 which states that '*The Council obtained confirmation from the Charity Commission confirming that it is the sole trustee for the Playing Field Charity (1066181). The Council has discharged the asset into the hands of a public management committee in accordance with advice from the Charity Commission*'.

14.3 The Council has previously ticked 'not applicable' to the box in the Annual Governance Statements regarding any responsibilities as Sole Trustee.

Recommendation 10: The Council and Locum Clerk/RFO should clarify the Council's position with regard to the Homersfield Playing Field Charity and confirm, as necessary, that the Council has no responsibilities as a Sole Trustee.

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

15.1 An External Audit was not required in the year 2018/19. The Council completed the Certificate of Exemption from a Limited Assurance Review for that year (a copy has been published on the Council's website). However, the Council received a penalty of £48.00 from the External Auditors, PKF Littlejohn LLP, because of late submission of the Certificate of Exemption. At its meeting on 4 November 2019 the Council agreed to hold an additional meeting in April for consideration and approval of the end of year accounts to enable the process to be followed without putting undue pressure on the Council or RFO (Minute 12.1 refers).

15.2 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.

16. Additional Comments.

16.1 The Annual Parish Council meeting was held on 13 May 2019 within the required timescale. The first item of business was the election of a Chairman in accordance with the Local Government Act 1972, ss15(2) and 34(2).

16.2 I would like to record my appreciation to the Clerk/RFO and to the Locum Clerk/RFO for their assistance during the course of the audit work.

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20 May 2020

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