

Report to Westhall 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 Ann Donnachie, 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 and the Clerk/RFO were working to ensure that effective and efficient financial administration continued to operate.

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: £4,047.15

Total Payments in the year: £3,396.64

Total Reserves at year-end: £5,481.76

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 2019/20 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £4,831</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £2,826</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,221</i>
<i>Staff Costs:</i>	<i>Box 4: £1,086</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £2,311</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £5,481</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £5,481</i>
<i>Total fixed assets:</i>	<i>Box 9: £9,827</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 agreed 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 following review were approved and adopted by the Council at its meeting on 8 July 2019 (Minute 5c refers). Financial Regulations are in place and were reviewed and approved by the Council at its meeting on 13 May 2019 (Minute 6c refers).

2.2 The National Association of Local Councils (NALC) issued new model Standing Orders in 2018 and new model Financial Regulations in 2019. The Clerk/RFO informed Internal Audit that she plans to present them to the Council for consideration and possible adoption during the 2020/21 year.

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

2.4 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 ZA218208 refers, expiring 11 December 2020). The Registration states a contact address of the previous Clerk (Paradise Farm, Cox Common, Westhall) and the Clerk/RFO has advised the ICO of the current contact address.

2.5 In response to the Freedom of Information requirements, a Publication Scheme is in place and published on the Council's website. However, the contact address for the previous Clerk is displayed.

2.6 The Council demonstrates good financial practice by maintaining a Reserves Policy to manage its General Reserves and Earmarked Reserves. The Policy was reviewed by the Council at its meeting on 8 July 2019 (Minute 5b refers). The Clerk/RFO has advised Internal Audit that she is looking to develop some further formal policies and procedures during 2020/21 for the Council to review and to consider adopting.

Recommendation 1:

- 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. In addition, the existing Policies in place should be reviewed and up-dated as soon as practicably possible to ensure, inter alia, that all have current contact details.**
- b) **The Council should look to adopt specific Data Protection Policies and Procedures to ensure that the Council demonstrates compliance with the General Data Protection Regulations.**

2.7 A Code of Conduct applies to all Councillors for the purposes of assisting a Local Council to discharge 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 Clerk/RFO were unable to identify the Council's review of the Code in recent years.

Recommendation 2: It is recommended that the Council should review and re-adopt the Suffolk Local Code of Conduct during the year 2020/21 in order to comply with good governance practice.

2.8 New website accessibility regulations are required to be complied with no later than 23 September 2020. At the meeting of the Council on 11 November 2019 the Clerk/RFO confirmed that she had been advised by the company which hosts the Council's website that the website is already meeting the requirements (Minute 11 refers).

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 being maintained on a handwritten ledger and was found to be in good order. VAT payments are tracked and separately identified within the Cashbook. Payments made under Section 137 of the Local Government Act 1972 are separately identified in the End of Year Accounts.

3.2 The Cashbook Spreadsheet 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. However, a hand-written ledger is not as efficient as a computerised Spreadsheet system nor does it provide the flexibility that a Spreadsheet system allows in the construction and presentation of financial reports.

Recommendation 3: The Council should consider maintaining its Accounts in a Spreadsheet system in order to secure greater efficiency and achieve greater flexibility in financial reporting.

3.3 Relatively small amounts of VAT are paid in the year. A re-claim to HMRC for £168.01 VAT paid in the period 1 January 2019 to 30 September 2019 was recorded in the Cashbook as received on 23 October 2019.

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 Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly).

4.1 The Council has published on its website a Risk Assessment and Management (financial) document for the period 1 April 2015 to 31 March 2016. Following discussions with the Clerk/RFO it became evident that the Council did not review the document during the year 2019/20.

4.2 Accordingly, during the year 2019/20 the Council failed to comply 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 management of risk, with the review suitably Minuted.

Recommendation 4: In order to comply with the Accounts and Audit Regulations 2015, during the year 2020/21 the Council should review the Risk Assessment documents which detail the controls in place to secure good governance, identify the risks (both financial and otherwise) and record the actions in place to mitigate the risks identified. The review by the Council during the year 2020/21 should be Minuted in accordance with the Accounts and Audit Regulations.

4.3 Insurance was in place for the year of audit. The Council approved the insurance renewal premium of £234.08 to CAS Insurance at the meeting held on 9 September 2019 (Minute 5d refers). Employer's Liability cover and Public Liability cover each stand at £10m. The Employee Dishonesty 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. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*).

Precept 2019/20: £2,826.41

Precept 2020/21: £3,120.00

5.1 The Precept for 2019/20 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 14 January 2019, Minute 5e refers). The Budget and Precept for the year were confirmed by the Council at its meeting on 11 March 2019 (Minute 5b refers).

5.2 Similarly, the Draft Budget for the 2020/21 year was considered and agreed by the Council at its meeting on 13 January 2020 and a Precept of £3,120 was approved. The Precept was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 13 January 2020, Minute 5b refers).

5.3 The Clerk/RFO ensures that 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 The Council has sound budgetary procedures 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 for 2019/20 were used effectively for financial control and budgetary control purposes.

5.5 The half-year Budget monitoring report for 2019/20 was presented to Council on 11 November 2019, when the 2020/21 draft Budget was also discussed as part of expenditure plans for the forthcoming year (Minute 5b refers).

5.6 The Council has a Reserves Policy in place, as referred to at item 2.6 above, to ensure that adequate funds are available to secure viability beyond the immediate future. As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. Overall Reserves at the year-end 31 March 2020 totalled £5,481.76. At its meeting on 9 July 2019 the Council earmarked up to £500 for the purchase of IT Equipment (computer, printer and software license) and these purchases were made in the year of account. The Earmarked Reserves as at 31 March 2020 totalled £3,500 and consisted of the following:

Election Costs (4 yearly):	£900
Full External Audit:	£700
Future Asset Acquisition:	£400
Possible repayment to donor:	£300
Tree Cutting:	£1,200

5.7 The General Reserves (Overall Reserves less the sums Earmarked) were £1,981.76 and are in line with the generally accepted best practice of non-earmarked revenue reserves being at least equal to three to six months of contractual expenditure or 50% of the Precept.

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

6.1 Receipts in the year consisted of Precept (£2,826.41), Allotment Rents (£186), Reimbursement of Recreation Ground asset maintenance (£266.73), VAT reclaim from HMRC (£168.01), Grant received for laptop/printer (£500) and Donations for the Memorial to Mr Tony Whatling (£100) and were all recorded correctly in the Cashbook.

6.2 The Clerk/RFO advised Internal Audit that an Allotments Register is in place from which she controls the renewals and the rents due and received. The sums collected are initially paid into the Council's bank account and later transferred to the bank account of Westhall Recreation Ground Charity, as owner of the Allotments site.

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, Westhall Parish Council can be designated as a 'Smaller Council'. The Council's website is: <http://westhall.onesuffolk.net/>

8.2 Smaller authorities should publish on their website:

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

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

8.4 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require 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 a form was published on the Council's website and displayed the inspection dates for the year 2018/19 accounts. However, the notice published was not the official form specifically designed for publication which the Clerk/RFO has confirmed will be used in future to display the Date of the Announcement, Inspection Dates, 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 operated in-house. The Clerk/RFO is paid for 9 hours per month. The Clerk/RFO's salary is paid on presentation to the Council of detailed payslips.

9.2 The Clerk/RFO advised Internal Audit that she understands from the Suffolk Association of Local Councils (SALC) that she is not currently holding an up to date Contract of Employment and that she would be looking to complete the new version.

9.3 At its meeting on 13 January 2020 the Council undertook the annual review of the Clerk/RFO's salary and allowance and agreed that the home working allowance would be £18 per month in accordance with a recommendation from the Suffolk Association of Local Councils (SALC) (Minute 20 refers).

9.4 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed that the Council has completed a declaration of compliance under the Pensions Act 2008 and submitted the declaration to the Pensions Regulator on 14 August 2018.

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 displays a total valuation of £9,827 as at 31 March 2020, and reflects the purchase of a laptop (£449), the operating system (£109), software (£120), printer (£80) and the notice boards (gifted) acquired in the year.

10.2 The assets are valued at cost or a proxy value which will remain unchanged until disposal. A separate Register is maintained in respect of the land and other Playing Field Charity assets held under the Council's Sole Trusteeship.

10.3 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 Bank Reconciliations are presented to meetings of the Council. The Barclays Bank Community Current Account and Business Premium Account statements as at 31 March 2020 reconciled to 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 documentations 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 The Council demonstrates good financial practice by receiving at each meeting details of the financial position of the Council, including details of funds held and a completed bank reconciliation.

13.3. Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. In addition, the Clerk/RFO confirmed that:

- (a) cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment and
- (b) Cheque Book counterfoils are initialled by Cheque Signatories.

These areas of control were not examined due to the Internal Audit being conducted remotely/electronically but can be test-checked at the next scheduled audit.

13.4 The Internal Audit Report for the previous year, 2018/19 was received and reviewed by the Council at its meeting on 13 May 2019. The Report raised no issues of concern.

13.5 The Internal Auditor for the year 2019/20 was appointed by the Council at its meeting on 13 January 2020 (Minute 4 refers).

14. Responsibilities as a Trustee (*Regarding the Council's role and responsibilities under the Charity Acts; submission of returns to Charity Commission*).

14.1 The Council is a Sole Trustee of the Westhall Recreation Ground Charity (Charity No: 304833). The Charity was registered with the Commission on 13 August 1965 as a Recreation Ground for events, fetes, sports events and allotments for the benefit of the residents of Westhall and the neighbourhood.

14.2 The Charity Commission's Register of Charities confirm that the most recent annual update was for 31 March 2019, having been received by the Commission on 27 January 2020. The update displays Income of £253 and Expenditure of £345 in the 2018/19 year of account. Formal Accounts are not required to be submitted to the Commission as the Charity is below the Annual Return £10,000 threshold.

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. At its meeting on 13 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 6f refers).

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

16. Additional Comments.

16.1 The Annual Parish Council meeting was held on 13 May 2019. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

16.2 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**

26 May 2020

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**TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk**