

## **Report to Horringer cum Ickworth 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:

<i>Total Receipts for the year:</i>	<i>£39,129.25</i>
<i>Total Payments in the year:</i>	<i>£33,393.41</i>
<i>Total Reserves at year-end:</i>	<i>£39,476.15</i>

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: £33,740</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £23,888</i>
<i>Total Other Receipts:</i>	<i>Box 3: £15,241</i>
<i>Staff Costs:</i>	<i>Box 4: £3,214</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £30,179</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £39,476</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £39,476</i>
<i>Total fixed assets:</i>	<i>Box 9: £105,089</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.7 Sections 1 and 2 of the AGAR for the year ending 31 March 2020 were approved by the Council at its meeting on 15 June 2020. 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. All documents for the audit were extremely well presented by the Clerk/RFO. 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. A copy of the Council's Standing Orders is published on the Council's website and accord with the Model Standing Orders published by the National Association of Local Councils (NALC) in 2018. The Council reviewed the Standing Orders at its meeting on 20 May 2019 and agreed that no changes were required (Minute 7 refers). Standing Orders were also reviewed by the Council at its meeting on 15 June 2020.

2.2 Financial Regulations are in place. The Council reviewed the Financial Regulations at its meeting on 20 May 2019 and agreed that no changes were required (Minute 7 refers). NALC published updated Model Financial Regulations in August 2019 for local councils to consider and adopt, as required. The Clerk/RFO has confirmed to the Internal Auditor that at its meeting on 15 June 2020 the Council reviewed and agreed the latest Model Standing Orders published by NALC.

2.3 The Council had a Temporary Clerk/RFO, Mrs Sandra Brown, in post at the beginning of the year 2019/20. At the meeting on 20 May 2019 the Council noted that interviews had taken place for a permanent Clerk/RFO and that the position had been offered to Mrs Michelle Thompson with effect from 10 June 2019.

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

2.5 The Council has a Data Protection Policy and a Privacy Policy, both of which have been published on the Council's website. The Council was registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services during the year of account (Registration Z2651622, expiring 18 April 2020).

2.6 The Council demonstrates compliance with the General Data Protection Regulations (GDPR), having adopted at its meeting on 19 November 2018 data protection policies and protocols including the Data Protection Impact Assessment, Privacy Notice for Staff, Councillors and Role Holders, Document and Electronic Data Retention Policy, Social Media and Electronic Communications Policy, Subject Access Request Policy, Subject Access Request Form, Data Security Breach Reporting Form and a Risk Assessment for Compliance with Data Protection Legislation (Minute 8 refers).

2.7 The Council has adopted the Suffolk Local Code of Conduct, a copy of which has been published on the Council's website. The Code applies to all Councillors for the purpose of assisting a Local Council to discharge its duty to promote and maintain high standards of conduct within its area. Local Councils are currently being consulted upon an up-dated Code of Conduct.

### **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. These documents provided good evidence in support of the receipts and payments in the year.

3.2 A sample of payments in the year was closely examined and all was found to be in order with supporting invoices and vouchers in place.

3.3 During the year of account there were payments totalling £1.030 identified as being made under the Local Government Act 1972 Section 137.

3.4 VAT payments are separately identified and tracked within the accounts to assist future reclaims to HMRC. A reimbursement of £5,472.03 from HMRC for VAT paid in the period 1 April 2018 and 28 February 2019 was received at bank on 9 May 2019 and was reported to Council at the meeting on 17 June 2019 (Minute 16 refers).

3.5. 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 submission to the External Auditors.

**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 Risk Assessment and Management (Financial) document is in place. The Council reviewed the document at its meeting on 20 May 2019 and agreed that no changes were required. The Council also maintains a Risk Assessment relating to the Council's Assets which the Council has agreed to review annually.

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 demonstrates good practice by receiving and reviewing Play Area Reports which identify any damage incurred or other risk management issues to be addressed. The Council put into place an arrangement whereby a councillor conducts the weekly inspections required to ensure that the warranty on the play area equipment is maintained and to enable any issues arising to be brought before the Council.

4.4 Insurance was in place for the year of account. At its meeting on 21 October 2019 the Council discussed the insurance policy due for renewal on 18 November 2019 (Minute 16 refers). The Council approved the renewal premium of £596.47 to Came and Company at its meeting on 18 November 2019 (Minute 12i refers). The Employer's Liability cover and the Public Liability cover each stand at £10m. The 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. Budgetary controls (Verification of the budgetary process with reference to Council Minutes and supporting documents).**

Precept 2019/20: £23,888 agreed on 19 November 2018 (£23,538 for Horringer and £350 for Ickworth) (Minute 12ii refers).

Precept 2020/21: £24,000.00 agreed on 16 December 2019 (£23,653 for Horringer and £347 for Ickworth) (Minute 9 refers).

5.1 The Draft Budget for 2019/20 and notes were considered by the Council at its meeting on 19 November 2018 and, following amendments, were agreed (Minute 12i refers).

5.2 Similarly, a draft Budget for 2020/21 with an analysis of income and expenditure was considered and agreed by the Council at its meeting on 16 December 2019.

5.3 The precepts were agreed in Full Council and the precept decision and amount have been clearly Minuted. The Clerk/RFO ensures the Council is aware of its

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responsibilities and commitments and the need for forward planning and adequate reserves.

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

5.5 The level of Reserves as at 31 March 2020 amounted to £39,476.15. The Budget for 2020/21 displays an earmarked reserve of £10,000 for the Villages Hall. The General Reserves of £29,476.15 are sufficient to meet, within reason, any unforeseen items of expense that may occur.

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

6.1 Receipts recorded in the Cashbook were cross referenced on a sample basis with the bank statements and were found to be in order.

**7. Petty Cash (*Associated books and established system in place*).**

7.1 No Petty Cash is held; an expenses system is in place with cheques prepared for expenses incurred.

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

8.1 The Council's Payroll Services are being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC regulations. PAYE payments have been made to HMRC in the year, as appropriate. The P60 End of Year Certificate for the present Clerk/RFO was presented to Internal Audit.

8.2 A Contract of Employment dated 10 June 2019 is in place for the Clerk/RFO. The Contract provides that salary is at scale point 16 (£12.15 as from 1 April 2019) in accordance with the National Joint Council for Local Government Services (NJC) agreement. The Clerk/RFO is required to work 20 hours per month.

**9. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).**

9.1 An Asset Register is in place. The Clerk/RFO reported to Council on 21 October 2019 that the Asset Register had been revised following the purchase of a computer and that the updated Register had been circulated to all Councillors (Minute 16

refers). The Register is comprehensive and lists each asset, its location, the date of acquisition and its valuation.

9.2 The Asset Register as at 31 March 2020 displays a total value of £105,089, an increase of £329 over the value at the end of the previous year and reflects the purchase of a computer for the Clerk/RFO during the year of account.

9.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. The assets are displayed at original purchase cost or, in appropriate cases, at a nominal (community) value of £1. The value as at 31 March 2020 has been correctly placed in Box 9 of Section 2 of the AGAR.

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

10.1 The bank statements for the NatWest Current Account (as at 31 March 2020) and the NatWest Business Reserve Account (as at 10 January 2020) reconciled with the End-of-Year Accounts and agreed with the overall Bank Reconciliation.

**11. 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*).**

11.1 End-of-year Accounts are prepared on a Receipts and Payments basis and, following some minor corrections, were found to be in good order. Sample audit trails were undertaken and all was found to be in order.

**12. 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*).**

12.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings, including details of financial transactions in the period prior to the meeting and bank balances. Details of payments to be made are presented to Council for approval. The Clerk/RFO ensures that Councillors are provided with information to enable them to make informed decisions.

12.2 Receipts and payments are included in the Minutes of the Council's meetings as part of the overall financial control framework exercised by the Council. Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made and cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment.

12.3 The Clerk/RFO confirmed that Cheque Book counterfoils are being initialled by Cheque Signatories in accordance with the requirements of the Council's Financial Regulations (Item 6, Instructions for the Making of Payments). This area was not examined due to the Internal Audit being conducted remotely/electronically but can be test-checked at the next scheduled audit.

12.4 The Internal Audit for the previous year (2018/19) was undertaken by SALC and was received by the Council at its meeting on 20 May 2019 (Minute 15i refers).

12.5 The Council formally appointed the Internal Auditor for the 2019/20 year at its meeting on 16 September 2019 (Minute 15 refers).

**13. External Audit (*Recommendations put forward, issues arising/comments made following the annual review*).**

13.1 The Report and Certificate by the External Auditors, PKF Littlejohn LLP, for the year 2018/19 was dated 20 August 2019. The External Auditors did not raise any issues of concern.

13.2 An External Audit will be required for the year 2019/20 as gross income and gross expenditure exceeded £25,000 in the year of account ending 31 March 2020. The due date for submission of the AGAR and supporting documents to the External Auditors is 31 July 2020.

**14. Publication Requirements.**

14.1 Under the Accounts and Audit Regulations 2015, authorities were required to publish in 2019 the following information on a publicly accessible website:

Before 1 July 2019 authorities must publish:

Notice of the period for the exercise of Public Rights  
AGAR - Sections 1 and 2.

Not later than the 30 September 2019 authorities must publish:

Notice of Conclusion of Audit  
AGAR - Section 3  
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

14.2 The Internal Auditor was able to confirm that the documents were readily accessible on the Council's website <http://horringer.org.uk/parish-council/> other than the 'Notice for the period of the exercise of Public Rights'. The document had been prepared in May 2019 by the Temporary Clerk/RFO. However, the Internal Auditor and the Clerk/RFO were unable to confirm that the document had been published on a 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 authority has demonstrated that during the Summer of

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2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations’.

14.3 The Clerk/RFO has advised Internal Audit that the statutory deadlines for the publication of all documents will be met 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.

**15. Additional Comments.**

15.1 The Annual Parish Council meeting was held on 20 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**

**12 July 2020**