# Report to Chediston and Linstead Grouped Parish Council

### The Internal Audit of the Accounts for the year ending 31 March 2020

**1. Introduction and Summary.**

1.1 During the 2019/20 year the Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. This Internal Audit review has confirmed the overall adequacy of the financial arrangements currently in place within the Council.

1.2 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council’s Responsible Financial Officer (RFO), is satisfactorily undertaking the administration of the Council’s financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

1.3 All documents were well presented for the Internal Audit review.

1.4 The Accounts for the year confirm the following:

*Total Receipts for the year: £3,444.62*

*Total Payments in the year: £4,982.02*

*Total Reserves at year-end:* *£4,217.26*

1.5 Sections One and Two of the Annual Governance and Accountability Return (AGAR) were approved by the Council at the meeting held on 20 May 2019. Following examination of the Return by Internal Audit, the following figures were agreed with the Clerk/RFO for inclusion in Section Two:

*Balances at beginning of year (1 April 2019): Box 1: £5,755*

*Annual Precept 2019/20: Box 2: £3,000*

*Total Other Receipts: Box 3: £445*

*Staff Costs: Box 4: £1,981*

*Loan interest/capital repayments: Box 5: nil*

*All Other payments: Box 6: £3,001*

*Balances carried forward (31 March 2020): Box 7: £4,218 (Note 1) \**

*Total cash/short-term investments: Box 8: £4,218 (Note 1) \**

*Total fixed assets: Box 9: £5,427 (Note 2) \**

*Total borrowings: Box 10: nil*

*\* Note 1: Boxes 7 and 8 in Section 2 of the AGAR approved by the Council on 20 July 2020 both display a figure of £4,281 which needs to be amended in both cases to £4,218.*

*\* Note 2: Box 9 in Section 2 of the AGAR approved by the Council on 20 July 2020 displays a figure of £5,068 which needs to be amended to £5,427.*

1.6 The Internal Auditor has completed the Annual Internal Audit Report 2019/20 within the AGAR. The following Internal Audit work was carried out on the adequacy of systems of internal control. 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; they were reviewed and adopted by the Council at its meeting on 16 September 2019 (Minute 9 refers) and accord with the latest model documentation published by the National Association of Local Councils.

2.2 One issue still to be addressed is the requirement that the Standing Orders and Financial Regulations are fully tailored to the council’s requirements by removing the alternative options for a council and in particular removing the square brackets [ ] to eliminate any ambiguity. For example, Financial Regulations item 3.2 requires a month of the year to be included to determine when budgets should be prepared and items 6.21 and 6.22 provide alternative options for the council.

**Recommendation 1. The model Standing Orders and Financial Regulations adopted by the Council on 16 September 2019 should be tailored to the particular requirements of the Council where alternative options or square brackets are displayed in order to eliminate any ambiguity.**

2.3 The Clerk was formally re-confirmed as the Council’s Responsible Financial Officer (RFO) at the meeting held on 20 May 2019 (Minute 13 refers).

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

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 (Registration ZA509545, expiring on 4 April 2021). A General Data Protection Policy, Privacy Notices and Consent Forms are in place. At the Council’s meeting on 20 May 2019 Privacy Notices for Councillors and Staff were circulated and consent given to have Councillors’ details on the website (Minute 14 refers).

2.6 The Council reviewed and re-adopted the Local Code of Conduct at its meeting held on 15 July 2019 (Minute 9 refers). The Council demonstrates good practice by periodically reviewing and re-adopting the Code of Conduct, which details the requirements and responsibilities placed upon each individual Council Member. 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 in the form of a hand-written ledger and facilitates an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. The Internal Auditor examined the payments in the year and was able to agree the entries in the Cashbook and the Receipts and Payments Account with the invoices/vouchers held and the entries in the bank statements. The Cashbook was examined and found to be in good order. Supporting invoices and vouchers were in place.

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

3.3 VAT payments are separately identified in the Cashbook to assist future claims to HMRC for re-imbursement. Relatively small amounts of VAT are normally paid in the year. An on-line claim to HMRC for the £442.32 VAT paid in the period 18 October 2017 to 13 March 2019 was submitted by the Clerk/RFO on 18 March 2019 and received at bank on 1 April 2019.

**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 Risk Assessment documentation was reviewed and approved by the Council at the meeting held on 20 May 2019 (Minute 11 refers). A separate Risk Assessment for the usage of grit bins is in place. The internal control and risk assessment documents provide an analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 The Council accordingly complied with Section 4 of 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 Insurance was in place for the year of audit. The Council approved the renewal premium of £146.56 to CAS Insurance at its meeting on 16 September 2019 (Minute 7 refers). The premium included a discount for a three-year long-term undertaking with CAS. The Employer’s Liability cover and Public Liability cover each stand at £10m. The Fidelity (Councillor/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. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).**

5.1 Chediston and Linstead Grouped Parish Council is designated as a ‘Smaller Council’. The Council’s website is: *http://chedistonandlinstead.onesuffolk.net/*

5.2 Smaller authorities should publish on their website:

a) All items of expenditure above £100

Published – Yes, included within published Financial Statements

b) Annual Governance Statement, AGAR Annual Return, Section One:

Published (2018/19) – Yes

c) End of year accounts, AGAR Annual Return, Section Two:

Published (2018/19) – Yes

d) Annual Internal Audit report within AGAR Annual Return:

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 are owned

g) Minutes, agendas and meeting papers of formal meetings:

Published – Yes

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: £3,000 (19 November 2018, Minute 8 refers).

Precept 2020/21: £3,250 (2 December 2019, Minute 8 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount has been clearly Minuted. The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

6.2 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 are being used effectively for financial control and budgetary control purposes.

6.3 The Reserves available to the Council at the year-end were £4,217.26. The level of Reserves and Contingency sums available are sufficient to meet, within reason, any unforeseen items of expense that may occur.

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

7.1 Income controls were checked and income received and banked cross referenced with the Cashbook and bank statements. The income received in the year consisted of the Precept (£3000), repayment of VAT from HMRC (£442.32) and bank interest (£2.30).

**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 has previously agreed (at its meeting on 24 March 2014 - Minute 9 refers) to make salary payments to the Clerk/RFO gross of tax by standing order to take account of the Clerk’s tax code. Accordingly, no payments were made by the Council to HMRC in respect of PAYE during 2019/20.

9.2 The Council noted at the meeting held on 21 May 2018 that the Clerk’s wages were to be increased in accordance with the National Joint Council for Local Government Services (NJC) recommended rates, with effect from April 2018 (Minute 12 refers) and Scale Point 16 at £9.52 per hour at 4 hours per week x 52 weeks = £1,980.16 p.a. became payable. This was paid as a Standing Order of £165.01 per month and continued to be paid during the year 2019/20.

9.3 However, the NJC agreed new pay scales with effect from 1 April 2019 and the old Scale Point 16 was replaced by a new Scale Point 6 at £9.96 per hour, which at 4 hours per week x 52 weeks = £2,071.68 per annum, and equates to £172.64 per month.

**Recommendation 2: The Council should note the NJC Pay Scales that applied from 1 April 2019 and consider increasing the salary of the Clerk/RFO accordingly.**

**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 was reviewed by the Council at its meeting on 20 May 2019 (Minute 11 refers).

10.2 The Register displayed a total of £3,928.27 as at 31 March 2019. During the year 2019/20 a defibrillator was acquired at the cost of £1,498.80. The value of assets accordingly increased to £5,427.07 as at 31 March 2020.

10.3 No public land or building assets are owned by the Council.

10.4 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are recorded at original purchase cost or, where the original purchase price is unknown, a proxy value is given which will remain unchanged until disposal.

10.5 Box 9 of Section 2 of the AGAR (Annual Return) should record the value of Assets as £5,427 as at 31 March 2020 (rounded for purposes of the Return).

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

11.1 The bank statements for the Barclays Community (Current) Account and the Barclays Business Premium (Savings) Account as at the 31 March 2020 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. Following a minor correction to the comparative year within the Receipts and Payments Account Summary, all was 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 Council’s internal financial controls were examined. The Clerk/RFO provides detailed financial reports to Council meetings including Quarterly Financial Statements. Councillors are provided with information to enable them to make informed financial decisions. Details of payments made are listed within the Minutes of the Council’s meetings.

##### 13.2 Cheque book counterfoils and invoices/vouchers for payment are initialled by cheque signatories as part of the overall financial control framework operating within the Council.

##### 13.3 The Internal Auditor was formally appointed by the Council at the meeting held on 20 May 2019 (Minute 12 refers).

##### 13.4 The Internal Audit report for the previous year 2018/19 was reported to Council at its meeting on 15 July 2019 (Minute 8 refers). There were no matters of concern raised in the report.

## **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 20 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review alongside the remaining parts of the Annual Governance and Accountability Return for 2018/19 (Minute 12 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. Accordingly, at its meeting on 20 July 2020, the Council completed the Certificate of Exemption from a Limited Assurance Review in respect of the year 2019/20.

## **15. Additional Comments.**

## 15.1 The Annual Parish Council meeting was held on 20 May 2019, within the required lawful timescale set by the Local Government Act 1972. The first item of business was the Election of Chairman, in accordance with the requirements of the Act.

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, CPFA**

**Internal Auditor**

**22 August 2020**