

## **Report to Palgrave 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 Caroline Emeny, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were completed accordingly. 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 robust framework of internal control and risk management. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed that the Council maintains an effective framework of financial administration and internal financial control.

1.4 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role of the Council's RFO, satisfactorily undertook the administration of the Council's financial affairs in the year and produced appropriate financial and management information to enable the Council to make well-informed decisions. The Council has adopted and maintains a wide range of formal Policies and Procedures which can act as a basis for strong financial management and control.

1.5 The Accounts for the year confirm the following:

*Total Receipts for the year: £24,956.82*

*Total Payments in the year: £22,543.12*

*Total Reserves at year-end: £52,823.40*

1.6 The Annual Governance and Accountability Return (AGAR) to the External Auditors 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: £50,410</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £14,595</i>
<i>Total Other Receipts:</i>	<i>Box 3: £10,362</i>
<i>Staff Costs:</i>	<i>Box 4: £7,675</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £14,869</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £52,823</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £52,823</i>
<i>Total fixed assets:</i>	<i>Box 9: £33,938</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.7 Sections One and Two of the AGAR were approved and signed/dated at the meeting of the Council held on 29 April 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. 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. At its meeting on 11 October 2018 the Council adopted the latest model Standing Orders published by the National Association of Local Councils (NALC), Minute 09.18.20 refers.

2.2 Financial Regulations are in place. Financial Regulations were reviewed and accepted in a slimmed-down version by the Council at its meeting on 14 March 2019 (Minute 03.19.10.2 refers). New model Financial Regulations were published by NALC in August 2019 and the Clerk/RFO has advised Internal Audit that these will be considered by the Council during the forthcoming year.

2.3 The Council formally re-appointed Mrs Caroline Emeny, the Clerk to the Council, as the Council's Responsible Financial Officer (RFO) at the meeting held on 16 May 2019 (Minute 05.19.05.2 refers). The annual review of the documents which details the 'Powers Specifically Delegated to the Clerk' was undertaken by the Council at its meeting on 14 November 2019 (Minute 11.14.11 refers) and were also reviewed and approved at the meeting on 12 December 2019 (Minute 12.12.19 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. 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 under Data Protection legislation (Registration ZA189657 refers, expiring 20 June 2020). The Council has approved and adopted a Data Protection Policy, General Privacy Notices and a Consent Form, all of which are published on the Council's website. A Document and Electronic Data Retention Policy was approved and adopted by the Council on 11 April 2019 (Minute 04.19.10.1 refers) and has similarly been published on the website.

2.6 The Council demonstrated good governance during the year by maintaining a standing agenda item for General Data Protection Regulations (GDPR) and Governance issues.

2.7 The Council's website confirms that the revised Suffolk Local Code of Conduct (2014) is being applied within the Council. The Council demonstrates good practice by having a standing agenda item at each meeting formally reminding Councillors of their obligations under the Code of Conduct, including the Nolan Principles of Public Office.

2.8 Policies and procedures relating to Freedom of Information, Filming and Videoing at Council meetings, Public Participation Protocol and the Subject Access Request (SAR) Policy have been adopted by the Council and have been published on the Council's website.

2.9 The Council demonstrates good practice through the regular review of its Policies, Procedures and Protocols. At its meeting on 9 January 2020 the Council reviewed and approved the Policy for Financial Support, Grants and Awards (Minute 01.09.18 refers). Similarly, at the meeting on 20 February 2020 the Council reviewed and adopted the Disciplinary Procedure, Health & Safety Policy and Lone Worker Policy (Minute 02.20.19 refers).

2.10 At the meeting on 12 March 2020 the Council again reviewed and amended the Policy for Financial Support, Grants and Awards (Minute 01.09.18 refers).

2.11 The Clerk/RFO has constructed a Community Infrastructure Levy (CIL) Annual Report for the year 2019/20. The Report displays the amount of £7,168.45 received by the Council in the year of account; a payment of £903.74 was made from those Funds. The CIL balance as at 31 March 2020 stood at £32,099.89.

2.12 The Council demonstrated effective community engagement to obtain ideas and guidance from the local community relating to the development of a Parish Infrastructure Investment Plan (PIIP), which was approved and adopted by the Council at its meeting on 17 October 2019 (Minute 10.17.15 refers).

2.13 The Council is making appropriate preparations to ensure that the new website accessibility regulations will be complied with no later than 23 September 2020. The Clerk/RFO reported to Council on this matter on 12 September 2019 (Minute 09.12.10 refers).and again on 12 March 2020 (Minute 03.12.22). However, the

Clerk/RFO's external training session regarding the new regulations has since been cancelled due to the current pandemic.

**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 facilitates an audit trail to the Bank Statements and Cheque Book counterfoils 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.

3.2 Payments made under the Local Government Act 1972 Section 137 are tracked and identified under the heading 'Donations' in the Cashbook and within the End-of-Year Accounts.

3.3 VAT payments are separately identified in the Cashbook Spreadsheet. A reclaim to HMRC for £2,092.37 VAT paid during the period 1 February 2019 to 30 November 2019 was received at bank on 6 December 2019 and reported to Council at the meeting on 9 January 2020.

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's Risk Assessment (Assets) and Risk Assessment (Financial) documents were reviewed and approved by the Council at its meeting on 12 March 2020 (Minute 03.12.19 refers). The documents provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 It is considered that the Council accordingly complied with the Account and Audit Regulations 2015 which require a review, at least once during each year of account, by the full Council 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 Statement of Internal Control was last reviewed in the year 2018/19 by the Council at its meeting on 14 March 2019, with no amendments considered necessary (Minute 03.19.10.5 refers).

**Recommendation 1: In order to clearly demonstrate that the Account and Audit Regulations 2015 requirements regarding the review of internal controls and risk management are met in full each financial year, the Statement of Internal Control should be reviewed and approved alongside the Risk Management documents at the annual review.**

4.4 Insurance was in place for the year of audit. The payment of £522.03 in respect of the annual insurance premium renewal was agreed by the Council at its meeting on 13 June 2019 (Minute 06.13.17.1 refers). Employer's Liability cover and Public Liability cover each stand at £10m. Employee Dishonesty (Fidelity Guarantee) 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.

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

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

5.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100  
Published – Yes, within published Minutes
- 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 – Yes
- 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 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. However, the notice published was the form to be used for notifying PKF Littlejohn LLP, the External Auditors, of the dates of the public inspection. There is an 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.

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

Precept 2019/20: £14,595 (10 January 2019, Minute 01.19.08 refers).

Precept 2020/21: £14,770 (12 December 2019, Minute 12.12.20e refers).

6.1 The precepts were agreed in full Council and the precept decision and amount have been clearly Minuted. The Clerk/RFO ensures that the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed budgetary and precept 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 were used effectively for financial control and budgetary control purposes. The Clerk/RFO presented reports to the Council in the year comparing expenditure with budgeted amounts.

6.3 The Clerk/RFO presented a provisional budget for the year 2020/21 at the Council's meeting on 14 November 2019 (Minute 11.14.18.3 refers). The Budget was given final approval by the Council at its meeting on 12 December 2019.

6.4 The Reserves available to the Council at the year-end, 31 March 2020 were £52,823.40 of which £37,599.89 were earmarked, as follows:

Community Infrastructure Levy (CIL) Balance:	£32,099.89
Replacement Street Lighting:	£5,000.00
Purchase of The Green as Community Asset:	£500.00

6.5 The General Reserve of £15,223.51 was in line with the generally accepted best practice that requires General (non-earmarked revenue) Reserves to be equal to at least six months of contractual expenditure. 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.

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

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

7.2 At its meeting on 12 July 2018 the Cemetery Committee reviewed the Fees and Charges applied to the Cemetery. The Committee agreed that as the Fees and Charges had only recently been increased (from 1 January 2018) no further increases were deemed necessary (Minute 5 refers). Similarly, at the meeting of the Cemetery Committee on 20 February 2019 it was agreed to leave charges unchanged (Minute 5 refers).

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

8.1 No Petty Cash is held; an expenses system is in place with cheques made out for expenses incurred.

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

9.1 The Contract of Employment for the Clerk/RFO was approved and signed at the meeting of the Council held on 17 May 2018 (Minute 05.18.27 refers). The Council confirmed at its meeting on 13 September 2018 that the Clerk had successfully completed the probationary period and no amendment was required to the Contract of Employment (Minute 08.18.27 refers).

9.2 A meeting of the Personnel Committee was held on 12 December 2019. The Clerk/RFO's employment was reviewed in line with the contract of employment and job description. The Clerk/RFO's annual appraisal was also completed. The Committee noted that the NJC Scale Points had been renumbered (Clerk/RFO's SCP 28 amended to SCP22). The Committee agreed to recommend to Council an increase of 1 Scale Point (to SCP23 effective from 1 April 2020). The recommendation of the Committee was reported to and agreed by the Council at its meeting on 12 December 2019 (Minute 12.12.24 refers).

9.3 PAYE is operated in-house. The Council is registered with HMRC and regular PAYE payments have been made. A P60 End-of-Year Certificate for the Clerk/RFO was made available to Internal Audit.

9.4 With regard to the legislation in respect of workplace pensions, the Council has completed a re-declaration of compliance the Pensions Regulator as from 1 July 2019.

**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 The Register of Assets was reviewed by the Council at its meeting on 12 March 2020 (Minute 03.12.20).

10.2 The Register displays a total value of £33,938 as at 31 March 2020, an increase of £2,820 over the value at the end of the previous year 31 March 2019, reflecting the acquisition of Speed Indicator Devices (£4,000) and Hi-Vis jackets/waistcoats (£20) and the removal of safe key (£100) and a Diamond Jubilee Bench (£1,100) in the year of account.

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

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

11.1 The NatWest Current Account bank statement as at 31 March 2020 reconciled with the End-of-Year Accounts and agreed with the overall Bank Reconciliation.

11.2 The Clerk/RFO presents financial reports to the Council which include bank reconciliations for the period just ended; these are approved and signed at the meeting in accordance with the Council's Financial Regulations.

11.3 At its meeting on 20 February 2020 the Council approved and signed for the closure of an old NatWest bank account holding £1 (Minute 02.20.20d refers).

**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 documentation to support/evidence payments made. Any previous audit recommendations implemented*).**

13.1 The Council had satisfactory internal financial controls in place during the year of account. Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provides comprehensive financial reports and financial statements to Council meetings. Reports showing the up to date financial position with bank reconciliations are regularly presented to the Council by the Clerk/RFO.

13.2 At the meeting of the Council held on 12 March 2020 the Clerk/RFO reported on future e-banking options. The Clerk/RFO advised the Internal Auditor that the Council continues to examine internet banking and no decisions have yet been taken.

13.3 Details of 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
- (b) invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made and
- (c) Cheque Book counterfoils are initialled by Cheque Signatories in accordance with the requirements of the Council's Financial Regulations (Item 6, Instructions for the Making of Payments).

These areas 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 by the Council at its meeting on 16 May 2019 (Minute 05.19.18.5 refers). The Report had raised no matters of concern.

13.5 The Council formally appointed the Internal Auditor for the year 2019/20 at its meeting on 12 March 2020 (Minute 03.12.21e refers).

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

14.1 The Report and Certificate by the External Auditors, PKF Littlejohn LLP, for the previous year (2018/19), dated 1 September 2019, was noted by the Council at its meeting on 12 September 2019 (Minute 09.12.19.4 refers). No matters of concern were raised in the Report, which has been published on the Council's website.

14.2 For the year 2019/20 the Council may 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.

#### **15. Additional Comments,**

15.1 The Annual Parish Council meeting was held on 16 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**

**18 May 2020**