

Report to Levington and Stratton Hall Parish Council

End of Year Internal Audit Review 2019/20

1. Introduction and Summary.

1.1 This End-of-Year Internal Audit builds upon the audit work already undertaken in the 2019/20 year, as detailed in the Interim Internal Audit Report dated 17 February 2020. The work has been undertaken with the following aims:

(a) to inform the Council in its completion of the Annual Governance Statement (Section 1) in the Annual Governance and Accountability Return (AGAR) for the year 2019/20.

(b) to confirm the correctness of the End-of-Year accounts prepared as at 31 March 2020 and the entries in the Accounting Statements (Section 2) of the AGAR.

(c) to enable the Annual Internal Audit Report within the AGAR to be fully completed.

1.2 The Interim Internal Audit recognised the Council's strong and effective engagement with residents. The 100th Edition of the Parish Council Newsletter was published in January 2020. Parish Councillors are strongly committed to providing benefit to the community, including the detailed consideration of planning applications and other issues impacting upon the village, and ensuring that a high standard of governance exists within the Council.

1.3 Having experienced some significant challenges during the previous financial year (2018/19) which resulted in a delay in the completion and publication of the AGAR and other documents for that year, the Council can point to a number of significant achievements in the year 2019/20. Good governance arrangements have been secured through the setting up of a structure of Committees, Working Parties and Lead Councillors for addressing important areas of responsibility. In addition, the current Clerk/Responsible Financial Officer (RFO) continues to construct policies and procedures which will further assist in providing strong governance. The Clerk/RFO is developing the financial systems and data to ensure that a high standard of accounting and financial management can be maintained.

1.4 The Internal Audit work undertaken confirmed that during the 2019/20 year the Council and the current Clerk/RFO were working to ensure that effective and efficient financial administration is in operation.

1.5 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the current Clerk, in the role as the Council's RFO, satisfactorily undertook the administration of the Council's financial affairs and correctly produced

end-of-year accounting information that can be relied upon by the Council to complete the AGAR for the year 2019/20.

1.6 The Accounts for the year confirm the following:

Total Receipts for the year: £9,464.52
Total Payments in the year: £7,767.58
Total Reserves at year-end: £27,148.20

1.7 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £25,451</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £8,759</i>
<i>Total Other Receipts:</i>	<i>Box 3: £706</i>
<i>Staff Costs:</i>	<i>Box 4: £4,667</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,101</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £27,148</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £27,148</i>
<i>Total fixed assets:</i>	<i>Box 9: £10,767</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.8 Sections One and Two of the AGAR are to be approved and signed/dated at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2019/20 within the AGAR.

1.9 All documents were very well presented by the Clerk/RFO for the Internal Audit Review. The following Internal Audit work was carried out on the adequacy of the systems of internal control in accordance with the Audit Plan. Comments and the 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 Governance and Regulatory matters were examined in detail during the Interim Audit Review in February 2020 but will be summarised below for completeness and to support the entries made in the Annual Internal Audit Report in the AGAR 2019/20.

2.2 Standing Orders are in place. The latest Model Standing Orders published by the National Association of Local Council (NALC) were presented to Council at its meeting on 15 May 2019. The Council gave formal approval to the up-dated Standing Orders for the year 2019/20 at its meeting on 8 July 2019 (Minute 8 refers).

2.3 Financial Regulations are also in place. At the meeting on 6 November 2019 the Council noted that NALC had issued new model Financial Regulations. The Council

agreed to adopt the new Model (Minute 6g refers). However, the Model Financial Regulations were subsequently not tailored to the Levington and Stratton Hall Parish Council and the Model document required the removal of alternative options to avoid ambiguity. The current Clerk/RFO accordingly re-visited the Model Financial Regulations and successfully tailored them to the Council's requirements, as appropriate, to eliminate any ambiguity.

2.4 At its meeting on 15 May 2019 the Council considered its key governance arrangements and agreed Committee membership and Lead Councillors for specific areas of work (Minute 5 refers). The current Clerk/RFO is maintaining an up-to-date list of Committees, Working Parties and Groups, Lead Councillors and Officers and their respective responsibilities.

2.5 At its meeting on 6 November 2019 the Council considered the possibility of adopting a Mission Statement which would formally identify Strategic Objectives and Achievements. Whilst the Council's immediate focus is upon meeting its basic administrative and financial responsibilities and increasing transparency, the Council recognises that its longer-term objectives and aspirations should also be identified. At the meeting on 6 November 2019 a Councillor agreed to draft a Briefing Paper to the Council on a possible Mission Statement (Minute 10 refers). The Council is due to consider this matter further during the year 2020/21.

2.6 Also at its meeting on 6 November 2019 the Council formally agreed to appoint Mrs Angie Buggs as Clerk/RFO with effect from 1 January 2020 (Minute 13 refers), replacing Mrs Lucy Buckle, the previous Clerk/RFO.

2.7 The Council is currently 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 ZA065556, expiring 12 August 2020).

2.8 The current Clerk/RFO has prepared a number of Data Protection policies and procedures to ensure that the Council is compliant with the General Data Protection Regulations (GDPR). These include a Data Governance Policy, a Personal Data Assessment Matrix, a Privacy Policy, a Data Breach Log and a General Data Protection Awareness Checklist for Councillors. The Clerk/RFO has confirmed that the draft Data Protection Policies and Procedures (dated 1 February 2020) will be presented to the Council for consideration and adoption at a forthcoming meeting.

2.9 The Council maintains a standing item at each meeting for the Code of Practice and Declaration of Interest issues to be considered. It is also good practice to periodically bring the full Code of Conduct to the attention of Councillors and to invite them to review and re-adopt the Code. This can normally be done at the Annual General Meeting of the Council in May, to emphasise the requirements and responsibilities placed upon each individual Councillor.

2.10 Similarly, it is good management practice for a local council to ensure that formal Policies, Procedures and Protocols are in place and are regularly reviewed, up-dated as necessary and receive formal approval in full Council. The Interim Audit Report put forward the recommendation that the Council should programme a review of all its Policies and Procedures during 2020/21 in order that they are brought up-to-

date and fully comply with the latest legislation and regulations in force. New Policies and Procedures can also be considered and developed during 2020/21, as necessary, to reflect any changing needs of the Council. The Clerk/RFO has confirmed that work will progress on this matter during the forthcoming year.

2.11 The Minutes of the Council are well presented and provide clear evidence of the decisions taken by the Council. Each page of the numbered Minutes is signed by the Chairman to ensure that a lawful and authentic record is maintained.

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 current Clerk/RFO has brought all the 2019/20 financial data into a Spreadsheet system which records all payments made and income received from 1 April 2019 through to 31 March 2020. This facilitated a reconciliation between the accounting information and the bank statements as at 31 March 2020 (see item 4.3 below) and the system will enable future bank reconciliations to be promptly completed.

3.2 The Cashbook Spreadsheet has been well constructed; it is comprehensive and well referenced and facilitates an audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. Payments are sub-analysed over specific headings and VAT transactions are tracked and separately identified to assist future reclaims to HMRC. Payments made under Section 137 of the Local Government Act 1972 are being separately recorded, as required.

3.3 An overall Summary Receipts and Payments Account as at 31 March 2020 has been constructed by the Clerk/RFO from the Spreadsheet to itemise the types of receipts and payments and provides a comparison to the receipts and payments for the previous year (the comparative figures had to be reconstructed by the present Clerk/RFO because the information relating to the previous year was unavailable).

3.4 The Internal Auditor examined the Expenditure Analysis within the Spreadsheet in order to confirm that each entry agreed with the bank statements. Invoices and vouchers were largely in place to support the payments but not in every case as some of the invoices/vouchers to support the cheque payments made by the Council prior to the current Clerk/RFO taking up her duties in January 2020 have not been located.

3.5 The Council is making re-claims to HMRC for VAT paid. A re-claim for the amount of £242.21 VAT paid in the period 1 April 2018 to 31 March 2019 was submitted on-line to HMRC and was received at bank on 9 October 2019. Relatively small amounts of VAT are paid in the year and as at 31 March 2020 the amount of £36.50 was available for a future re-claim from HMRC.

3.6 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. An explanation is required where the carried forward (end of year) reserves are greater than twice the income from the Precept and the Clerk/RFO has addressed this matter in the Statement of Variances (under Explanation of High Reserves).

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

4.1 The previous Internal Audit Report in February 2020 noted that whilst the Council had been informed of the balances held in the Current Account and the Deposit Account at its meetings between May 2019 and January 2020 and that the bank statements were signed at the meetings to confirm the amounts held, it was unclear whether a reconciliation between these bank balances and the Council's accounts (a formal Bank Reconciliation) had been completed. The current Clerk/RFO advised Internal Audit that she had been unable to identify that a full Bank Reconciliation had been completed after 31 March 2019.

4.2 The Clerk/RFO subsequently brought all the 2019/20 financial data into a Spreadsheet system which facilitated a reconciliation between the accounting information and the bank statements.

4.3 The Clerk/RFO has constructed a Bank Reconciliation as at 31 March 2020 which the Internal Auditor confirmed as correct. For ease of reference, the Bank Reconciliation as at 31 March 2020 is displayed as follows:

	£ . p	£ . p
Account Balance B/F at 1 April 2019:		25,451.26
Add Total Receipts in the year 2019/20:		9,464.52
Deduct Total Payments in the year 2019/20:		7,767.58

Account Balance as at 31 March 2020:		27,148.20

Represented By:		
Barclays Community A/C (31 March 2020) :	20,406.10	
Less Unpresented cheques	658.19*	

		19,747.91
Add Barclays Business Premium A/C (31 March 2020):		7,400.29

		27,148.20

* Unpresented Cheques: 101045 (£18.60), 101049 (£5.18), 101051 (£350.00), 101052 (£131.99) and 101055 (£152.42).

5. 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).

5.1 End-of-Year accounts are prepared on a Receipts and Payments basis; sample checks were undertaken on the documents constructed by the Clerk/RFO and all was found to be in good order.

6. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000) and Publication Requirements (Notice of the period for the exercise of public rights).

6.1 Under the provisions of the Transparency Code, Levington and Stratton Hall Parish Council can be designated as a 'Smaller Council'.

The Council's website is: <http://levingtonandstrattonhall.onesuffolk.net>

6.2 Smaller authorities should publish on their website:

- a) *All items of expenditure above £100. Included in the Minutes of Council meetings.*
- b) *Annual Governance Statement 2018/19 AGAR Annual Return Section One (By 1 July 2019). Not published on website, document cannot be located.*
- c) *End-of-Year accounts 2018/19 AGAR Annual Return, Section Two (By 1 July 2019). Not published on website, document cannot be located.*
- d) *Annual Internal Audit report 2018/19 within AGAR Annual Return. Yes, published on the website.*
- e) *List of councillor or member responsibilities. Yes, published on the website.*
- f) *The details of public land and building assets (Asset Register). Yes, published on the website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Yes, published on the website.*

6.3 Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR) 2018/19 were reviewed and agreed by the Council and signed by the Chairman at the meeting held on 4 September 2019 (Minute 6g refers) but have not been located and have not been published. The publication deadline of 1 July 2019 for those documents was not met. Accordingly, the Transparency Code was not met in full during the year.

6.4 The Clerk/RFO reported to the Council on 15 January 2020 that the website information did not comply with the Transparency Code and since that time has updated the information on the website as far as possible.

6.5 Similarly, a copy of the Certificate of Exemption from an External Audit for the year 2018/19 has not been located.

6.6 The Clerk/RFO and the Internal Auditor were also unable to confirm that the Council's Accounts for the year 2018/19 were made available for public inspection

within the dates prescribed by legislation. Notice of the period for the exercise of public rights and other information is required by Regulation 15 (2) of the Accounts and Audit Regulations 2015. For the 2018/19 Accounts, the period for the exercise of public rights was to be exercised within a single period of 30 working days to include the first 10 working days of July 2019. The Internal Auditor is accordingly required to place 'No' to Question L in the Annual Internal Audit Report in the AGAR which states that *'The authority has demonstrated that during the Summer of 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations'*.

6.7 Similarly, the Council is advised to place 'No' at Item 4 of the Annual Governance Statement 2019/20 in response to the statement *'We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations'*.

7. Budgetary Controls (Verification of the budgetary process with reference to Council Minutes and supporting documents).

Precept 2019/20: £8,759 (16 January 2019, Minute 9f refers).

Precept 2020/21: £8,740 (15 January 2020, Minute 09.20a refers)

7.1 At its meeting on 16 January 2019 the Council agreed the final 2019/20 Budget and approved the Precept for the 2019/20 year. The Minutes of the meeting record that the Precept represented a 15% increase from the previous year's Precept due primarily to the Clerk/RFO's salary increase, a training allowance for any new Councillors and the potential election costs. A detailed budget with supporting notes was provided to the Council.

7.2 Similarly, at the meeting on 15 January 2020 the Council considered and approved the Budget and Precept for 2020/21 and agreed that a Precept of £8,740 would be applied in the year 2020/21. The Precept decision and amount has been clearly Minuted.

7.3 The Budget document for 2020/21 is detailed and can act as a sound basis on which the Council can undertake budgetary control and scrutiny during the 2020/21 year of account. It is good financial practice for a Council to receive regular reports of the income and expenditure in the year compared with the budget headings to enable the Council to promptly identify any significant variations from budget and take remedial action as necessary.

7.4 The Council is currently maintaining sufficient Reserves and Contingency sums to meet, within reason, any unforeseen items of expense that may occur. As at the 31 March 2020 the Council's overall Reserves totalled £27,148.20, which included £15,000 relating to Solar Farm Funds which will be used for future projects.

7.5 The General Reserves of £12,148.20 remain significantly in excess of the generally accepted best practice guideline which requires General (non-earmarked revenue) Reserves to be equal to three to six months of running costs or 50% of the

precept. In such situations, Councils often increase the sums earmarked for specific future projects or consider adjusting future precept demands to reflect the amount of reserves held.

Recommendation 1: The Council should consider setting aside further Earmarked Reserves for specific future projects and continue to monitor the level of General Reserves being maintained.

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

8.1 As noted in the Interim Internal Audit Report, the previous Clerk/RFO, Mrs Lucy Buckle, updated the Council during the year on her impending departure from the post. At the meeting on 8 July 2019 the Council noted that Mrs Buckle had submitted her resignation to the Council but had agreed to continue to work for the Council whilst attempting to secure a replacement Clerk/RFO.

8.2 At its meeting on 6 November 2019 the Council formally appointed Mrs Angie Buggs to the position with effect from 1 January 2020 (Minute 13 refers). A Contract of Employment between the Council and Mrs Buggs was agreed and signed on 14 December 2019. The Contract records Mrs Buggs's commencement date of employment and that the working hours would remain (on average) at a maximum 8 hours per week at a starting salary commensurate with Mrs Buggs holding the CiLCA qualification.

8.3 Payroll Services are outsourced to the Suffolk Association of Local Councils (SALC) which is administering the payroll on the Council's behalf in accordance with HMRC requirements. PAYE and NI payments to HMRC are being made, as appropriate.

8.4 With regard to the Council's responsibilities relating to workplace pension schemes, the Clerk/RFO has confirmed that she has contacted the Pensions Regulator to ascertain whether the Council is suitably registered in accordance with the legislative requirements under the Pensions Act 2008.

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

9.1 The Clerk/RFO has constructed a Spreadsheet detailing the income received in the 2019/20 year of account. As at the year-end 31 March 2020 the Council had received the two half-yearly Precept payments from the District Council (totalling £8,759), VAT reimbursement from HMRC (£242.21), a SCC Locality Grant (£450.00) and bank interest in the Business Premium Account (£13.31). The entries in the Spreadsheet were confirmed to the bank statements.

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

10.1 No Petty Cash is held. Any expenses incurred by the Clerk/RFO are reimbursed by cheque payment.

11. Internal Control and the Management of Risk (*Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*).

11.1 The Interim Internal Audit reported upon the issues under this heading in February 2020 but for completeness the core matters will be summarised in this End of Year Internal Audit Report.

11.2 In compliance with the Accounts and Audit Regulations 2015, which require that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, the Council undertook a review of internal controls and risk assessments at its meeting on 15 May 2019. The Risk Register and the System of Internal Controls Statement were considered and approved by the Council (Minute 10 refers).

11.3 The Council considered the insurance renewal through Came & Co. at its meeting on 4 September 2019 and approved the payment of the renewal premium of £324.88 (Minute 6e refers). The Council's Insurance Policy is with the Ecclesiastical Insurance Group and covers the period 1 October 2019 to 30 September 2020. The Employer's Liability cover and Public Liability cover each stand at £10m. The Fidelity Guarantee (Employee/Councillor Dishonesty) cover is for £150,000, which is in line with 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.

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 receives detailed Financial Reports at its meetings. The Reports include details of Payments made since the previous meeting and any Payments requiring approval. The Financial Reports also include details of Income received since the previous meeting, any anticipated Income and Bank Balances held. The details are recorded in the Council's Minutes. Cheque counterfoils and invoices/vouchers for payment are initialled by signatories as part of the overall framework of financial control being maintained.

12.2 A well-constructed Spreadsheet is being utilised by the Clerk/RFO to maintain the Council's Receipts and Payments accounting system and this provides the necessary financial control over each transaction.

12.3 During the Interim Audit in February 2020 tests were undertaken on transactions between April 2019 and January 2020 to confirm that payments had been correctly recorded in the accounts. Although not all invoices/vouchers were in place for the payments made in the year of account, the current Clerk/RFO had reviewed each invoice/voucher and entered the appropriate cheque number on each to secure an audit trail. During this End-of-Year Audit a sample of transactions between January 2020 and March 2020 was examined and all was found to be in order.

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

13.1 A comprehensive Asset Register is in place and includes a description of each asset, the location, the value at cost, the year of acquisition with explanatory notes and comments. The copy of the Asset Register presented to the Internal Auditor was dated May 2020.

13.2 As at 31 March 2020 the Asset Register displayed a total value of £10,767, unchanged from the value at the end of the previous year, 31 March 2019.

13.3 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.

13.4 The Internal Auditor examined the Asset Register in relation to the Council's insurance cover. It was unclear when the Council last formally reviewed the assets in comparison to the insurance cover to ensure that adequate cover was in place and that those items not covered (e.g. the War Memorial) has received the approval of the Council.

Recommendation 2: The Asset Register should be compared with the details of cover under the insurance policy to ensure that adequate cover for all appropriate assets is in place and the Minutes of the Council should formally record that the review has taken place.

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 8 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year of account. A copy of the form has not been located

14.2 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.

15. Additional Comments.

15.1 I would like to record my appreciation to Mrs Angie Buggs, the Clerk/RFO, for her assistance during the course of this audit work.

15.2 In the event of the Council or the Clerk/RFO requiring further details or explanation regarding any of the issues raised above, please do not hesitate to contact me.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

1 June 2020