

## **Report to Lindsey 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 Vicky Waples, 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. The Council displays many examples of good financial practice.

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 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: £4,461.00*

*Total Payments in the year: £4,002.22*

*Total Reserves at year-end: £788.60*

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: £330</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £4,111</i>
<i>Total Other Receipts:</i>	<i>Box 3: £350</i>
<i>Staff Costs:</i>	<i>Box 4: £2,051</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,951</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £789</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £789</i>
<i>Total fixed assets:</i>	<i>Box 9: £1,016</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. At the meeting held on 11 March 2020 the Council reviewed and approved the Standing Orders, having agreed that they were fit for purpose (Minute 7a refers).

2.2 Similarly, Financial Regulations are in place. At its meeting on 11 March 2020 the Council reviewed and adopted the amended Financial Regulations, having agreed that they were also fit for purpose (Minute 7b refers).

2.3 The Council reviewed and agreed bank signatories and re-confirmed the Clerk as the Council's Responsible Financial Officer (RFO) at the meeting held on 15 May 2019 (Minutes 10ix and 10xii refer).

2.4 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council in the year. The pages of the Minutes are consecutively numbered and suitably signed/initialled as required by the Local Government Act 1972 Sch.12 para 41 (1).

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 under Data Protection legislation (Registration Z2744022 refers, expiring 17 July 2020).

2.6 Formal Data Protection Policies and Procedures have been adopted by the Council including a Data and Electronic Information Retention Policy, Data and Information Security Policy, Privacy Policy – General and Subject Access Policy, all of which were reviewed and agreed by the Council on 11 March 2020 (Minute 7a

refers). A Privacy Statement, including an explanation of the lawful basis for processing data, is held on the Council's website. Details of the application of the General Data Protection Regulations (GDPR) are also shown on the website.

2.7 The Council demonstrates good practice by adopting and regularly reviewing a wide range of other formal policies and procedures. At its meeting on 11 March 2020 the Council approved a number of its key policies including Freedom of Information Procedures, Training Policy, Grant Awarding Policy, Complaints Procedure, Disciplinary Rules and Grievance and Disciplinary Procedure (Minute 7a refers).

2.8 At its meeting on 4 July 2012, the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. This was subsequently reaffirmed at the Council's meeting on 9 July 2014. A copy of the Code has been published on the Council's website.

2.9 The Council is making appropriate preparations to ensure that the new website accessibility regulations will be complied with no later than 23 September 2020. At the meetings held on 13 November 2019 and 15 January 2020 the Clerk/RFO updated the Council regarding its the compliance with the Public Sector Bodies (Websites and Mobile Applications) (No 2) Accessibility Regulations 2018 which require the accessibility of each local council's website. On 15 January 2020 the Clerk/RFO advised the Council that she was in the process of undertaking checks to ensure that the website was compliant with the regulations (Minute 8ix refers).

2.10 With regard to Community Infrastructure Levy (CIL), no sums were received by the Council in the year 2019/20. At the meeting held on 13 November 2019 the Clerk/RFO advised the Council that an amount of £5,560.26 may potentially be paid to the Council at some time in the future by way of the Neighbourhood CIL following approval of two planning applications The Council noted that Neighbourhood CIL can now be spent on the maintenance of infrastructure. (Minute 7viii 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 Spreadsheet was found to be in good order and well presented. Local Government Act 1972 (Section 137) payments are separately identified in the Cashbook and within the Minutes of the Council meetings. VAT payments are tracked and separately identified within the Cashbook. The legislative powers under which payments are made are clearly identified.

3.2 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. The documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and was found to be in order; supporting invoices and vouchers were in place.

3.3 Relatively small amounts of VAT are paid each year. The most recent VAT re-claim received was for £140.00 for the period 1 April 2018 to 31 January 2019 and was received at bank on 8 March 2019 and reported to Council on 13 March 2019 (Minute 7i refers).

3.4 The Council has comprehensive documentation and financial data in place. 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.

#### **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 At its meeting on 11 March 2020, the Council reviewed the Risk Assessment and Financial Management document and agreed to make amendments to reflect the risks surrounding cyber security (Minute 8g refers). The document is comprehensive and provides details of identified risks, the level of risk, the internal control arrangements in place to mitigate the risks, the actions taken by the Council and Clerk/RFO and the frequency of the checks.

4.2 The Council also reviewed at its meeting on 11 March 2020 the effectiveness of the internal audit arrangements and the scope of internal audit and agreed that the audit terms of reference and audit plan were appropriate for a parish the size of Lindsey (see item 13.5 below).

4.3 The Council accordingly complied with its own Financial Regulation (FR) 14.1 and 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.

4.4 Insurance was in place during the 2019/20 year. The Council approved the insurance renewal premium of £154.28 at the meeting held on 11 September 2019 (Appendix C, attached to the Minutes, refers). The Public Liability cover and Employers Liability cover both stand at £10m. The Fidelity Insurance (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. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*).**

Precept 2019/20: £4,111.00

Precept 2020/21: £4,342.00

5.1 The Final Budget and the Precept for 2019/20 were agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 16 January 2019, Minute 7vi refers). 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. In accordance with the Council's FR 4.8, the Clerk/RFO presented Budget Monitoring Reports to the Council throughout the year and ensured that the estimates for 2019/20 were used effectively for financial control and budgetary control purposes.

5.2 A Draft Budget for 2020/21 was considered by the Council at its meeting on 13 November 2019 (Minute 7v refers). The Council noted that this was an indicative budget. A revised Draft Budget for 2020/21 was presented to Council at its meeting on 15 January 2020 and it was agreed that a Budget of £4,342 should be set for the year which would allow a contribution of £765 to the Council's Reserve Fund.

5.3 The Clerk/RFO ensures that the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. The Clerk/RFO presented a report to Council on 11 March 2020 regarding the year-end reserves and the Council noted the indicative position (Minute 8e refers). A previous Internal Audit recommendation had put forward that the Parish Council should aim to maintain between 3-months and 6-months expenditure in General Reserves which the Council felt was appropriate for a parish the size of Lindsey. The 2020/21 Budget papers prepared ensured that Councillors had sufficient information to make informed decisions and are suitable to be used for financial control and budgetary control purposes during the year 2020/21.

5.4 The Precept for 2020/21 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 15 January 2020, Minute 7vi refers).

5.5 The Council's overall Reserves at the year-end 31 March 2020 totalled £788.60, a significant increase over the amount of £329.82 at the end of the previous year. In aiming to provide a contribution of £765 to overall Reserves during the year 2020/21, the Council continues to work towards maintaining sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

## **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 with the Council's Bank Statements and were found to be in order.

## **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. Publication Requirements and the Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).**

8.1 In December 2014 the Department for Communities and Local Government (DCLG) issued the Transparency Code for Smaller Authorities. Under the provisions of the Transparency Code, Lindsey Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://www.lindsey.suffolk.cloud/> The website is maintained to a high standard and is both informative and up to date.

8.3 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 – Yes
- g) Minutes, agendas and meeting papers of formal meetings:  
Published – Yes

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

8.5 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, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.6 Similarly, the Council has published the Notice for the year 2019/20 on its website. The Notice provides all the required details including the dates when the documents will be available for inspection during 2020.

**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 accordance with HMRC requirements, detailed payslips are produced and PAYE is in operation. A copy of the Clerk/RFO's P60 End of Year Certificate for the Tax Year ending 5 April 2020 was presented to Internal Audit. A sample of salary and PAYE items was examined and found to be in order.

9.2 At its meeting on 15 May 2019 the Council formally approved the increase in the Clerk's salary for 2019/20 (from 1 April 2019) in accordance with the NJC agreement on pay for local government employees (Minute 12 refers).

9.3 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 30 April 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008 and this was noted by the Council at its meeting on 10 May 2017 (Minute 8x refers). The Clerk/RFO has confirmed that re-declaration to the Pensions Regulator is not due until September 2020.

**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 and agreed by the Council at the meeting held on 11 March 2020. The Clerk/RFO provided explanation of how the Register is held in accordance with Proper Practices (Minute 8f refers).

10.2 As at 31 March 2020, the Asset Register displays a total valuation of £1,016, unchanged from the end of the previous year. The assets are valued at cost or at a nominal (community) value of £1 to ensure that the Council's ownership and responsibility are recognised and not lost or forgotten.

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 The Barclays Community Current Account statement 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 documentation to support/evidence payments made. Any previous audit recommendations implemented).**

13.1 The Council has satisfactory internal financial controls in place. 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 a Schedule of Receipts and a Schedule of Verified Invoices awaiting authorisation and payment. The Council also receives 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. The legislative basis on which payment is made is notated against the items of expenditure. Invoices/vouchers for payment are initialled by cheque signatories. The Clerk/RFO has confirmed that Cheques and Cheque counterfoils raised are signed/initialled by relevant signatories in accordance with the Council's Financial Regulations 6.4 and 6.5.

13.4 The Internal Audit Report for the previous year, 2018/19 was received and approved by the Council at its meeting on 15 May 2019 (Minute 10i refers). The Report had raised no matters of concern.

13.5 At the meeting held on 15 January 2020 the Council reviewed the effectiveness and scope of Internal Audit, including the proposed terms of reference and the audit plan, and formally appointed the Internal Auditor for the year 2019/20 (Minutes 8vii and 8viii refer). By reviewing the terms of reference, the Council followed good practice in accordance with the Governance and Accountability Guide and recognised internal audit's function to test and report on the Council's internal control arrangements.

**14. External Audit (Exemption declared or any Recommendations put forward/ comments made following the Limited Assurance Review).**

14.1 An External Audit was not required in the year 2018/19. At its meeting on 15 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 10 vi refers).

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 The Annual Parish Council meeting was held on 15 May 2019. within the required timescale. The first item of business was the Election of Chair, in accordance with the requirements of the Local Government Act 1972 Sch.15.

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**

**14 April 2020**