

## **Report to Hollesley 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 Judi Hallett, 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 continued to maintain effective governance arrangements including a robust and effective 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: £39,134.76*

*Total Payments in the year: £34,061.01*

*Total Reserves at year-end: £36,342.36*

1.6 At the time of the Internal Audit, the External Auditors PKF Littlejohn LLP had not issued instructions for the completion of the 2019/20 Annual Governance and Accountability Return (AGAR). Accordingly, the AGAR for 2019/20 was not available for examination by Internal Audit.

1.7 PKF Littlejohn LLP had, however, published a copy of the Annual Internal Audit Report 2019/20 to be completed by Internal Auditors. Accordingly, the Internal Auditor completed the Report in order that it may inform the Council in its eventual completion of Section 1, the Annual Governance Statement, within the 2019/20 AGAR.

1.8 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 are in place and were reviewed and adopted by the Council at its meeting on 21 November 2019 (Minute 15a refers).

2.2 Financial Regulations are also in place and were reviewed and approved by the Council at its meeting on 19 September 2019 (Minute 16b refers).

2.3 The Council applied the General Power of Competence (GPoC) in the year 2019/20. At its meeting on 16 May 2019 the Council declared that it met the relevant criteria regarding elected Councillors and a suitably qualified Clerk and adoption of the Power was agreed (Minute 7 refers).

2.4 At its meeting on 16 May 2019 the Council considered its key governance arrangements and agreed Advisory Groups and Lead Councillors for specific areas of work. The Clerk's position as Responsible Financial Officer (RFO) was also reaffirmed by the Council at that meeting (Minute 8 refers).

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

2.6 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 ZA150248 refers, expiring 16 November 2020).

2.7 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of formal policies including a Data Protection Statement, a Data Protection Impact Assessment, a Data Protection Risk Assessment, an Information Security Incident Policy, an Information Protection Policy and a Retention of Documents and Records Policy. Whilst the Council is not required to formally appoint a Data Protection Officer, it has demonstrated good practice by resolving at its meeting on 17 May 2018 that the Clerk/RFO should undertake this role (Minute 12b refers) and by issuing a Data Protection Awareness Checklist to each Councillor.

2.8 The Council also demonstrates good practice by maintaining a wide range of formal policies and procedures, including a Health and Safety Policy, Safeguarding Children and Vulnerable Adults Policy, Equal Opportunities Policy, Reporting Protocol, Public Participation Protocol, Formal Complaints Procedure, Grievance Procedure, Disciplinary Procedure and a Sickness and Absence Policy, all of which have been published on the Council's website.

2.9 At its meeting on 16 January 2020 the Council considered and adopted Cemetery Regulations and an Interment Policy (Minute 11 refers). The Council's Grants Awards Policy was reviewed and adopted at the meeting held on 20 February 2020 (Minute 16a refers).

2.10 The Suffolk Local Code of Conduct was reviewed by the Council at its meeting on 20 February 2020 (Minute 16d 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 very good order and well presented. VAT payments are tracked and identified within the Cashbook.

3.2 The Cashbook Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements and Cheque Book counterfoils and the monthly 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 will be undertaken at the next scheduled audit. The Clerk/RFO has confirmed to Internal Audit that payments made in 2019/20 were supported by invoices.

3.3 The Council has comprehensive documentation and financial data in place. The documentation and information were very well presented for the internal audit.

3.4 Re-claims to HMRC for VAT paid are being made regularly. A re-claim of £1,957.57 for VAT paid in the period 1 February 2019 to 31 July 2019 is recorded in the Cashbook as received on 14 August 2019. A further claim to HMRC for £687.49 VAT paid in the period 1 August 2019 to 31 January 2020 is recorded as being received on 5 February 2020.

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 and a copy has been published on the Council's website.

3.6 A Community Infrastructure Levy (CIL) Annual Report for 2019/20 has been prepared by the Clerk/RFO in accordance with Regulation 62A, Community Infrastructure Levy Regulations (2010), as amended. The Report confirmed the total CIL Receipts as £1,506.00 and a nil total CIL Expenditure during the year. This total amount has been earmarked to the Pavilion Replacement Project (see item 5.5

below). The CIL Annual Report for 2019/20 is due for publication and submission to the District Council no later than 31 December 2020.

**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 Internal Control mechanisms and the effectiveness of Internal Audit were reviewed by the Council at its meeting on 16 January 2020 (Minute 14d refers).

4.2 The Council's Risk Assessment documents were reviewed and adopted by the Council at its meeting on 20 February 2020 (Minutes 16b and 16c refer). The Risk Assessment (Financial) and Risk Assessment (Non-Financial) documents provide a detailed analysis of risks faced by the Council and the internal control measures in place to mitigate the risks identified.

4.3 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 management of risk, with the review suitably Minuted.

4.4 The Council arranged for Play Park Inspections to be undertaken by SC Norse during the 2019/20 year as part of the overall risk management arrangements in place.

4.5 Insurance was in place for the year of audit. At its meeting on 19 September 2019 the Council reviewed the three quotations obtained by Came and Co. and agreed to insure with Inspire (underwritten by AXA) under a Long-Term Agreement for three years (Minute 14b refers). The payment of the insurance premium of £773.87 was confirmed (Minute 14d refers). The insurance policy includes cover for Public Liability of £10m. Cover for Fraud and Dishonesty is 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: £30,500.00 (agreed by Council on 20 December 2018, Minute 6c).

Precept 2020/21: £32,140.00 (agreed by Council on 19 December 2019, Minute 16).

5.1 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. Detailed Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

5.2 The Draft 2019/20 Budget figures were presented to the Council at its meeting on 15 November 2018 (Minute 15d refers) and both the Final Budget and Precept were confirmed and approved at the meeting on 20 December 2018.

5.3 The Draft 2020/21 Budget figures were presented to the Council at its meeting on 21 November 2019 (Minute 14c refers) and a Final Budget and Precept for 2020/21 were confirmed and approved at the meeting on 19 December 2019.

5.4 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 agreed estimates were used effectively for financial control and budgetary control purposes throughout the year.

5.5 The total Reserves available to the Council as at 31 March 2020 were £36,342.36. Of those, the Allocated (Earmarked) Reserves totalled £18,903.00 and were comprised of the following:

Play Equipment renewal	£5,397
Pavilion Replacement Project	£6,506
Village Hall Roof	£3,000
Staff Sickness Costs	£4,000

5.6 General Reserves as at 31 March 2020 accordingly totalled £17,439.36. The Reserves available to the Council at the year-end were appropriate. The Council aims to hold between 3-months and 12-months expenditure in General Reserves and, 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.

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

6.1 Cemetery Receipts, Allotment Receipts and some Other Receipts recorded in the Cashbook Spreadsheet were cross referenced with bank statements on a test-check basis and were found to be in order.

6.2 The Council last formally reviewed the Cemetery pricing scales at its meeting on 15 November 2018, when the charging documentation was amended accordingly (Minute 12a refers). A Councillor is currently undertaking a comprehensive review of all aspects of the Cemetery and a Progress Report was issued in March 2020. The review includes overall policy, procedures and risk management issues, finance and documentation, record management and maintenance. The Clerk/RFO has advised Internal Audit that the review may also lead into an examination of the current pricing structure.

6.3 The Council reviewed Allotment charges at its meeting on 21 February 2019 and agreed to increase the square metre charge per allotment as from 1 November 2019 (Minute 9b refers).

**7. Petty Cash (*Associated books and established systems 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. Payroll Controls (*PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment*).**

8.1 Payroll Services are operated by the Suffolk Association of Local Councils (SALC) on behalf of the Council in accordance with HMRC requirements. Detailed payslips are produced, PAYE is in operation and contributions are being made to the Local Government Pension Scheme.

8.2 At its meeting on 20 December 2018 the Council agreed that the Clerk/RFO's salary should be increased as from 1 April 2019 in accordance with the NJC pay scales (Minute 6d refers). The Council agreed at its meeting on 21 February 2019 that the Clerk/RFO's paid hours should increase from 10.5 to 12 hours per week with effect from 1 April 2019 (Minute 7 refers). The Clerk/RFO's Contract of Employment (as amended, to apply from 1 April 2019) was reviewed and adopted by the Council at its meeting on 21 March 2019 (Minute 15a refers).

8.3 At its meeting on 18 October 2018 the Council agreed that the Clerk/RFO should be enrolled on the Suffolk County Council pension scheme (Minute 7 refers). Payment of pension contributions commenced from April 2019.

8.4 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to Internal Audit that the necessary declaration of compliance as required by the Pensions Regulator under the Pensions Act 2008 had been made and that a re-declaration is due in May 2020.

**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 A comprehensive Asset and Responsibility Register is in place and was reviewed and adopted by the Council at its meeting on 19 September 2019 (Minute 16a refers).

9.2 The assets are recorded at cost value. In the instances where the actual cost is unknown the asset is recorded at a nominal £1 community value. The total value of £87,292.40 as at 31 March 2020, displays an increase of £2,969 from the £84,323.40 value at the end of the previous year, 31 March 2019. The increase reflects the

purchase of a litter bin (£480) and a Container (£2,490) and the removal of a dog bin (£1) at the Recreation Ground.

9.3 A copy of the Asset Register has been published on the Council's website.

9.4 The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent value, year-on-year.

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

10.1 The bank statements for the Barclays Community (Current) Account, the Business Premium Account and the Business Saver Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation as at 31 March 2020.

**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 were in good order. Sample audit trails were undertaken and were 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 effective internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Council's Cashbook Spreadsheet Accounts are agreed at meetings of the Council and a Councillor is designated to check the Council's bank statements.

12.2 The Council receives at each meeting a list of payments for review and authorisation, payments made since the previous meeting and any sums received. Receipts and Payments are listed in the Minutes of the Council as part of the Council's overall financial control framework.

12.3 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, all as a matter of routine. These areas were not examined due

to the Internal Audit being conducted remotely/electronically but will be test-checked at the next scheduled audit.

12.4 The Internal Audit Report for the previous year (2018/19) was received and accepted by the Council at its meeting on 18 April 2019 (Minute 13b refers). No matters of concern had been raised in the report.

12.5 The Internal Auditor for the year 2019/20 was appointed by the Council at its meeting on 16 May 2019 (Minute 8j refers).

**13. External Audit (*Recommendations put forward or comments made following the Limited Assurance Review*).**

13.1 The Report and Certificate from the External Auditor PKF Littlejohn LLP for the previous year (2018/19) is dated 27 July 2019. No matters of concern were raised in the Report, which has been published on the Council's website. The Report and Certificate were forwarded by the Clerk/RFO to Councillors but were not formally recorded in the Council's Minutes as being received, considered and accepted. The Clerk/RFO advised the Internal Auditor that this matter will be addressed at a forthcoming meeting of the Council.

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

14.1 In December 2014 the Department for Communities and Local Government (DCLG) issued the Transparency Code for Smaller Authorities. For the year 2019/20 Hollesley Parish Council is not considered a smaller authority and it is not necessary to publish Transparency Code information.

14.2 However, under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website by the 30 September following the end of the year of account:

AGAR - Sections 1 and 2 (2018/19 copy published)

AGAR - Section 3 (2018/19 copy published)

Notice of Public Rights (2018/19 copy published)

Notice of Conclusion of Audit (2018/19 copy not published)

14.3 The Clerk/RFO has confirmed that the Notice of Conclusion of Audit for the year 2018/19 was placed on the Parish Noticeboard for local residents and will in future years be published on the Council's website <https://hollesley.suffolk.cloud/council>.

**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**

**4 April 2020**