

Report to Buxhall 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 Tina Newell, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. All relevant published data held on the Council's website was accessed by the Internal Auditor. This detailed Audit Report, alongside the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR), were accordingly completed. 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 demonstrates many examples of good 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: £11,320.64
Total Payments in the year: £9,425.34
Total Reserves at year-end: £112,308.81 (of which £108,970.22 is earmarked)

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 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £110,413</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £4,119</i>
<i>Total Other Receipts:</i>	<i>Box 3: £7,202</i>
<i>Staff Costs:</i>	<i>Box 4: £2,542</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £6,883</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £112,309</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £112,309</i>
<i>Total fixed assets:</i>	<i>Box 9: £55,751</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.7 Sections One and Two of the AGAR are to be approved 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 schedule of work. 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 amended by the Council at the meeting held on 13 May 2019 (Minute 130519/37 refers). Standing Orders were also reviewed and agreed by the Council at its meeting on 15 April 2020 (draft Minute 150420/23 refers).

2.2 Revised Financial Regulations were reviewed by the Council at its meeting on 13 May 2019 (Minute 130519/40 refers). At the meeting on 11 November 2019 the Clerk/RFO reported to Council on the new Model Financial Regulations published in August 2019 by the National Association of Local Councils (NALC). The Council agreed to amend the Financial Regulations in line with the recommendations put forward by the Clerk/RFO and NALC (Minute 111119/37 refers). Financial Regulations were also reviewed and agreed by the Council at its meeting on 15 April 2020 (draft Minute 150420/23 refers).

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

2.4 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 ZA125286 refers, expiring 27 July 2020).

2.5 The Council's appointment in April 2018 of the Local Council Public Advisory Service (LCPAS) as the Council's Data Protection Officer for a period of one year lapsed in 2019. At its meeting on 8 July 2019 the Clerk/RFO read out the '12 Steps to General Data Protection Regulations (GDPR) Compliance' (originally issued by the Clerk/RFO to Councillors in May 2018) and confirmed that with all points successfully actioned the Council was compliant with the GDPR Regulations (Minute 080719/25 refers). The Clerk/RFO completed an e-learning course on GDPR during the year of account.

2.6 At its meeting on 9 December 2019 the Council adopted a Model Publication Scheme and Guide to Information as required under the Freedom of Information Act (Minute 091219/22 refers) and published the documents on the Council's website.

2.7 The Council demonstrates good practice by maintaining a wide range of formal Policies and Procedures, some of which were considered, amended as necessary and adopted by the Council at its meeting on 9 September 2019 (Minute 090718/24 refers) following recommendations received from the Policy and Procedures Working Party.

2.8 At its meeting on 14 October 2019 the Council agreed that the Policy and Procedures Working Party should review draft policies and provide recommendations at the next meeting of the Council (Minute 141019/32 refers). At its meeting on 11 November 2019 the Council agreed to accept the Working Party's recommendations and the following policies and procedures were approved and adopted:

Accessibility Statement
Complaints Procedure
Document and Electronic Data Retention Policy
Electronic Communication and Social Media Policy
Employment Policy
General Contact Privacy Notice
General Data Protection Regulations Policy
Lawful Basis for Processing Data Policy
Policy and Procedure for Handling Requests for Information
Subject Access Request
Conflict of Interest
Equality Statement
Filming, Videoing, Photography and Audio Recording Policy
Health and Safety Policy
Lone Worker Policy
Safeguarding Policy
Training Policy.

2.9 The Council resolved to adopt the Internet Banking Policy at its meeting on 8 July 2019 (Minute 080719/19 refers) in preparation for the future use of Internet Banking facilities during the 2019/20 year of account. At the meeting of the Council held on 9 March 2020, Councillors confirmed receipt of the Internet Banking Policy and resolved to adopt the Policy (Minute 090320/30 refers).

2.10 The Council has demonstrated good practice by publishing an Accessibility Statement on the Council's website regarding the new website accessibility regulations. The Clerk/RFO reported on this matter to the Council on 9 September 2019 (Minute 090919/36 refers). An Accessibility Statement was agreed and adopted by the Council at its meeting on 14 October 2019 and confirmed at the meeting on 11 November 2019.

2.11 The Council formally adopted the Suffolk Local Code of Conduct at its meeting on 21 July 2014 (Minute 2014/523 refers). At the meeting on 13 May 2019 the Clerk/RFO re-issued all Councillors with a copy of the Code in order to confirm the role and responsibilities attached to the position (Minute 130519/05 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 is very well referenced and facilitates an audit trail to the Bank Statements, Cheque Book counterfoils and the financial information prepared by the Clerk. 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/vouchers.

3.2 No payments were recorded as having been made under the Local Government Act 1972 Section 137 in the year of account. VAT payments are tracked and identified within the End-of-Year Accounts.

3.3 Re-claims for the amounts of VAT paid are regularly submitted to HMRC. The Clerk/RFO submitted a re-claim of £243.28 to HMRC on 1 April 2019 for the VAT paid in the year 2018/19. This was reported to Council on 8 April 2019 and the amount is recorded in the Cashbook as being received on 2 May 2019. The Clerk/RFO reported to Council on 15 April 2020 that a re-claim for the amount of £794.35 VAT paid during the year 2019/20 had been submitted to HMRC.

3.4 The Clerk/RFO has constructed a Statement of Variances (explaining significant differences in receipts and payments between the years 2018/19 and 2019/20) and has published the Statement 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 At its meeting on 8 July 2019 the Council received and agreed the recommendations from the Policy and Risk Assessment Working Group following the review undertaken of the Council's risk assessments (Minute 080719/24 refers). The Council's Financial and Management and Physical Equipment Risk Assessments are comprehensive and clearly identify the risks involved, the action being taken to manage and mitigate those risks and the review processes in place.

4.2 At its meeting on 9 September 2019 the Council considered and resolved to accept the Internal Control Statement, which was signed and dated by the Chairman on behalf of the Council (Minute 090919/35 refers).

4.3 Similarly, at the meeting held on 10 February 2020 two Councillors confirmed that they had reviewed the Statement of Internal Control and were satisfied with current procedures. The Council agreed to accept the review and the completed Statement (Minute 100220/25 refers).

4.4 At the meeting held on 9 March 2020 the Council received the risk assessment for installing and taking down the Vehicle Activated Sign (VAS) and agreed to adopt the risk assessment (Minute 090320/37 refers).

4.5 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 the management of risk, with the review suitably Minuted.

4.6 An independent Playground Inspection was undertaken in the year. At the Council's meeting on 11 November 2019 Councillors confirmed their receipt of the inspection report prior to the meeting and confirmed that the findings were of low or very low risk. The Council agreed that all immediate remedial work required by the report would be actioned (Minute 111119/45 refers). At the meeting held on 9 December 2019 it was confirmed that a Councillor is undertaking monthly checks on the Playingfield equipment and would forward completed checklists to the Clerk/RFO for retention (Minute 091219/30 refers).

4.7 Insurance was in place for the year of audit. Renewal quotations were considered by the Council at its meeting on 19 September 2019 The Council authorised the Clerk/RFO to proceed with either of the two quotations and report back at the next meeting (Minute 090919/26 refers). The Clerk/RFO provided a report to Council on 14 October 2019 confirming insurance cover had been taken out with Business Services at Community Action Suffolk (CAS) with property cover of £50,000 and

Fidelity Guarantee cover of £115,000 (Minute 141019/27 refers). The Council approved the payment of the premium of £274.89 to CAS.

4.8 The Employer's Liability cover and Public Liability cover under the CAS policy each stands at £10m. The Employee/Councillor Dishonesty (Fidelity Guarantee) cover of £115,000 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 The Transparency Code for smaller Councils was introduced by central government in 2015 to ensure that all Councils with an annual turnover of up to £25,000 make public a raft of information about their financial dealings and governance. Buxhall Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://buxhall.onesuffolk.net>

5.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Published on website and included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2018/19 AGAR Annual Return Section One. Published on the website.*
- c) *End-of-Year accounts: 2018/19 AGAR Annual Return, Section Two. Published on the website.*
- d) *Annual Internal Audit report from 2018/19 AGAR Annual Return. Published on the website.*
- e) *List of councillor or member responsibilities. Published on the website.*
- f) *The details of public land and building assets (Asset Register). The Asset Register has been published on the website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on the website.*

5.3 The Council is in compliance with the requirements of the Transparency Code.

5.4 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 requires 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: £4,119.21 (10 December 2018, Minute 101218/31 refers).

Precept 2020/21: £4,617.70 (9 December 2019, Minute 091219/20 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount have been clearly Minuted. The Clerk/RFO ensures 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 decisions. The Clerk/RFO presented a first draft budget for 2020/21 at the meeting of the Council on 11 November 2019 (Minute 111119/30 refers). The draft budget was considered and agreed by the Council on 9 December 2019 (Minute 091219/20 refers).

6.2 Good budgetary procedures are in place. The Clerk/RFO reports to Council on actual spending against the budget. 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 for the 2020/21 year can be used effectively for financial control and budgetary control purposes.

6.3 The Reserves available to the Council at the year-end were £112,308.81, of which £108,970.22 is earmarked. As at the 31 March 2020, the Council maintained sufficient general reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur. The General Reserve of £3,338.59 is in line with the generally accepted best practice of general (non-earmarked revenue) reserves being equal to three to six months of gross expenditure.

6.4 At its meeting on 15 April 2020 the Council considered the Reserves at the year end and resolved to accept them as proposed (draft Minute 150420/17 refers).

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 on a test-check basis to the bank statements and were found to be in order.

7.2 Allotment Rents were reviewed by the Council at its meeting on 11 March 2019 and agreed that the charges should remain unchanged (Minute 110319/25 refers). The Clerk/RFO provided regular reports on allotment rent income in the year, including confirmation on 9 September 2019 that all allotment invoices had been sent out (Minute 090919/42).

7.3 An Allotments Register is in place. This was not examined by Internal Audit for the year 2019/20 because the audit had to be undertaken remotely/electronically but the Clerk/RFO confirmed that the Register continues to ensure that the correct and full amount of income is being received each year in respect of Allotment Rents.

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

8.1 No Petty Cash is held; an expenses system is in place with cheque payments being made during the year for expenses incurred.

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

9.1 The Council is registered with HMRC and the Clerk/RFO has confirmed that the Payroll is operated in-house in accordance with HMRC regulations, a P60 End of Year Certificate for the Clerk/RFO has been completed and detailed pay slips are produced.

9.2 At its meeting on 10 December 2018 the Council agreed to increase the Clerk/RFO's salary to SCP 21 from 1 April 2019 and the working hours to 4 hours per week (Minute 101218/27 refers).

9.3 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 15 August 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008. The Clerk/RFO has confirmed that a re-declaration is due to take place in May 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 A comprehensive Asset Register is in place and was reviewed, amended and approved by the Council at its meeting on 9 September 2019 (Minute 090919/25 refers). The Register records the original purchase cost, where known and a nominal/community value where appropriate.

10.2 Current requirements provide that each asset should be displayed at a consistent value, year-on-year. The value of £53,315 as at 31 March 2019 was increased by the purchase in the year of account of a SID Westcotec (£2,900) and a MacBook for the Clerk's office (£670). Disposals in the year amounted consisted of Defibrillator and Cabinet (£912.50), Chairman's Filing Cabinet (£129) and Scanner in Clerk's Office (£91.66). Accordingly, for purposes of Box 9 of the AGAR 2019/20 the valuation as at 31 March 2020 was £55,751 (rounded for purposes of the Return).

10.3 It was confirmed that the Clerk/RFO has compared the items included in the Asset Register with the insurance cover. The Asset Register includes a column that lists the insurance cover for each relevant asset and identifies, for insurance valuation purposes, any asset that is low in value or not at risk. The Asset Register dated 31 March 2020 was agreed by the Council at its meeting on 15 April 2020 (draft Minute 150420/18 refers).

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

11.1 At its meeting on 8 April 2019 the Council agreed to re-invest £85,000 (in accordance with FSCS) into a Santander Business Bond (Draft Minute 080419/22 refers).

11.2 The Council agreed at its meeting on 9 September 2019 to close the Barclays Business Active Saver Account and to transfer the balance to the Barclays Premium Account (Minute 090919/27 refers).

11.3 At the meeting on 9 March 2020 the Council discussed the £85,000 Santander investment and resolved to transfer the total investment at term (April 2020) into the Council's Barclays Business Savings Account. The Council agreed to invest £50,000 to a Halifax 2-year fixed saver account with the remaining £25,000 and accrued interest to remain in the Barclays Business Savings Account (Minute 090320/27 refers).

11.4 The bank statements for the Barclays Community Account and the Business Premium Account and the Santander investment of £85,000 reconciled with the End-of-Year accounts and Bank Reconciliation for all accounts.

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. Identifying VAT payments and re-claims. Any previous audit recommendations implemented*).

13.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides the Council with monthly Finance Reports which are considered and

approved by the Council at each meeting. Bank balances are routinely reported to Councillors, who are provided with information to enable them to make informed decisions.

13.2 Payments and receipts 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. These areas were not examined due to the Internal Audit being conducted remotely/electronically but will be test-checked at the next scheduled audit.

13.3 The previous Internal Audit Report noted that the Council resolved to apply for Internet Banking and agreed that the Clerk/RFO and a nominated Councillor would be the signatories on-line. At its meeting on 11 February 2019 the Council confirmed that Internet Banking should be brought into effect by the Clerk/RFO (Minute 110219/20 refers). At the meeting on 11 November 2019 the Council noted that the Mandate for Internet Banking had been received and was being completed for return to the bank for processing (Minute 111119/29 refers). Electronic payments by means of Internet Banking, as recorded within the Cashbook, commenced in March 2020.

13.4 The Internal Audit report for the previous year (2018/19) was considered by the Council at its meeting on 13 May 2019 (Minute 130519/27 refers). The report had recommended the following:

- a) The Council should examine the controls being exercised over the Internet Banking arrangements in order to ensure that they are both adequate and effective (this has since been addressed).
- b) Suitable additions should be made to Financial Regulations to formally document the specific procedures that are to apply to ensure secure Internet Banking operations (this has since been addressed).
- c) The Council's Risk Assessments should be reviewed and additions made regarding the risks attached to Internet Banking and electronic payments and the actions in place to mitigate those risks (this recommendation is still outstanding but the Clerk/RFO has confirmed that the review of these risks is programmed to take place in June 2020) .

13.5 The Council appointed the Internal Auditor for the 2019/20 year at its meeting on 13 January 2020 (Minute 130120/35 refers).

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 13 May 2019 the Council completed the Certificate of Exemption from a Limited

Assurance Review, under section 9 of the Local Audit (Smaller Authorities) Regulations 2015, for the year 2018/19 (Minute 130519/31 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 13 May 2019, within the required timescale. The first item of business was the Election of Chairman, in accordance with 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, FCPFA

Internal Auditor

21 April 2020