

Report to Kedington Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2020

1. Introduction and Summary.

1.1 During the 2019/20 year the Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. The Council demonstrates many examples of good financial practice. The Internal Audit review has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.2 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (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.

1.3 All documents were extremely well presented for the review by Internal Audit.

1.4 The Accounts for the year confirm the following:

<i>Total Income for the year:</i>	<i>£82,256.08</i>
<i>Total Expenditure in the year:</i>	<i>£67,441.34</i>
<i>Total Reserves at year-end:</i>	<i>£65,010.79</i>

1.5 The Annual Governance and Accountability Return (AGAR) to be submitted to the External Auditors was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2019/20 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £50,196</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £81,840</i>
<i>Total Other Receipts:</i>	<i>Box 3: £416</i>
<i>Staff Costs:</i>	<i>Box 4: £23,827</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £43,614</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £65,011</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £71,034</i>
<i>Total fixed assets:</i>	<i>Box 9: £388,706</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

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

1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan. Comments and any recommendations arising from the review are made below.

2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (*examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation*).

2.1 The Council has Standing Orders and Financial Regulations in place. The National Association of Local Councils (NALC) published updated Model Standing Orders In 2018. At its meeting on 21 May 2019 the Council formed a Working Party to consider its existing Standing Orders and Financial Regulations in the light of the new model document to ensure that the Council is fully compliant with current regulations (Minute 12 refers). The review is on-going and will include consideration of the new Model Financial Regulations published by NALC in August 2019.

2.2 As part of its consideration of the overall governance arrangements, at its meeting on 21 May 2019 the Council considered and agreed Appointments and Councillor Responsibilities for the year 2019/20 and resolved to appoint the Employment, Grievance and Policy Committee and the Finance Committee (Minute 8 refers).

2.3 Bank Account Signatories were considered and agreed by the Council at the meeting on 11 June 2019 (Minute 7.3) and updated by the Council at its meeting on 17 September 2019 (Minute 8.1 refers).

2.4 The Council's Minutes and Committees' Minutes are extremely well presented and provide clear evidence of the decisions taken in the year. Each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved.

2.5 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under Data Protection legislation (Registration ZA160422, expiring 21 January 2021).

2.6 The Council adopted the Suffolk Local Code of Conduct at a meeting held on 24 June 2014 (Minute 3 refers). The Code applies to all Councillors for the purpose of assisting a Local Council to discharge its duty to promote and maintain high standards of conduct within its area. Local Councils are currently being consulted upon an up-dated Code of Conduct.

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 Spreadsheets are well referenced and provide a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. Supporting paperwork is in place and well referenced. VAT payments are tracked and separately identified.

3.2 Payments made under the Local Government Act 1972 Section 137 are separately identified in the accounts and detailed within the Minutes of the Council's meetings.

3.3 VAT Returns were submitted regularly and promptly to HMRC during the year. The £3,131.75 VAT paid in the period 1 October 2018 to 31 March 2019 was reimbursed by HMRC and received at bank on 25 April 2019. The Clerk/RFO reported to Council at its meeting on 15 October 2019 that a claim for the £2,631.46 VAT paid during the period 1 April 2019 to 30 September 2019 had been submitted to HMRC (Minute 8.2 refers). The amount of £2,631.46 was received at bank on 16 October 2019, as reported to Council on 19 November 2019 (Minute 8.2 refers).

3.4 The re-claim for £3,788.18 VAT paid in the period 1 October 2019 to 31 March 2020 was submitted to HMRC on 19 April 2020. The Clerk/RFO confirmed that the reimbursement was received at bank on 24 April 2020.

3.5 A sample of transactions within the Cashbook Spreadsheets was closely examined and all were found to be in order with supporting invoices/vouchers in place.

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 19 April 2019 the Council noted that Risk Assessments were in place for the forthcoming year 2019/20, the Clerk/RFO having undertaken the necessary assessment work. Comprehensive documentation is in place. Two Councillors agreed to review the Risk Assessments to ascertain if any changes were required (Minute 8 refers).

4.2 The Internal Control, the Management of Risk and the Internal Audit documentation was considered and agreed by the Council at its meeting on 17 March 2020 (Minute 8 refers). The documents identify the risks to the Council, the risk level and the internal controls in operation to manage and 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 Risk Assessment of the play equipment was undertaken on a monthly basis by the District Council. Monthly Play Inspection Reports are presented to the Council and remedial action, where necessary, is agreed and Minuted.

4.5 At the meeting held on 17 September 2019 the Council received the Annual Play Equipment Inspection Report prepared by The Play Inspection Company; all defects were noted and necessary repairs were to be actioned (Minute 9.1 refers).

4.6 Insurance was in place for the year of account. The Insurance Renewal for the period 1 October 2019 to 30 September 2020 was received by the Council at its meeting on 17 September 2019. The Clerk/RFO had checked the document and was asked to contact the insurers to correct some details to ensure cover fully met the Council's requirements. The Employer's Liability cover and the Public Liability cover each stand at £10m.

4.7 The Fidelity Guarantee (Councillor/Employee Dishonesty) cover is £150,000 and was confirmed and approved by the Council on 17 September 2019 (Minute 8.2 refers). The Fidelity Guarantee cover meets the current recommended guidelines of at least the sum of the year-end balances plus 50% of the precept/grants. The cover of £150,000 for the year 2020/21 was agreed by the Council at its meeting on 17 March 2020 (Minute 7.6 refers).

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

Precept 2019/20: £81,840 (Council meeting on 18 December 2018, Minute 7.2).

Precept 2020/21: £84,070 (Council meetings on 19 November 2019, Minute 8.3, and on 17 December 2019, Minute 7.3).

5.1 Comprehensive budgetary procedures are in place. The Precept decisions have been agreed in Full Council and the amounts have been clearly Minuted. The Clerk/RFO ensures that the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. The Finance Committee meeting on 5 November 2019 considered the Budget/Precept for 2020/21 and the Full Council undertook a final review on 17 December 2019.

5.2 Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions. 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 income and expenditure. The estimates were used effectively for financial control and budgetary control purposes and the Clerk/RFO presented detailed reports to the Finance Committee and the Council comparing Budget to the Expenditure incurred.

5.3 As at 31 March 2020 the overall Reserves stood at £65,010.79 of which £5,900 has been earmarked (Recreation Equipment £3,000 and War Memorial £2,900). The Council has sufficient General Reserves (£59,110.79) available to meet, within reason, any unforeseen items of expense that may occur.

6. Income controls (Regarding Precept and other income, including credit control mechanisms).

6.1 Sample audit trails were examined using the details displayed in the Cashbook Spreadsheets. Overall income controls were reviewed on a test-check basis; a sample of income received was cross referenced with the bank statements and with supporting paperwork and found to be in order.

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

7.1 A Petty Cash system is in use and is working satisfactorily with vouchers and receipts supporting the expense claims.

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

8.1 Payroll Services are being operated in-house; the Council operated Real Time Information during the year in accordance with HMRC regulations. P60 End of Year Certificates were made available to Internal Audit to confirm compliance in the year of account. PAYE payments have been made to HMRC in the year. Detailed pay slips are produced and the Clerk maintains a Register of hours worked.

8.2 At the meeting held on 19 April 2019 the Council reviewed the salary for the Village Cleaner and agreed an increase of 2%. Similarly, the School Crossing Supervisor's salary was reviewed and a 2.4% increase awarded (Minute 7.1 refers).

8.3 At the meeting on 21 January 2020, the Council agreed to award the Clerk/RFO a 2.4% salary increase in 2019/20 (backdated to 1 April 2019) to place the post on SCP25. A further 2.4 % salary increase was awarded with effect from 1 April 2020 (Minute 7.3 refers). Clerk/RFO's hours of work are 105 hours per month (as agreed by the Council at its meeting on 15 May 2018).

8.4 With regard to the legislation for workplace pensions, the Clerk/RFO reported to Council at its meeting on 21 May 2019 that a re-declaration of compliance with the Pensions Act 2008 had been submitted to the Pensions Regulator on 17 April 2019 to confirm pension eligibility for employees (Minute 10 refers). The re-declaration had been acknowledged by the Pensions Regulator on 1 May 2019.

9. Asset control and valuation (*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 Register is in place. The Register was reviewed and agreed by the Council at its meeting on 19 April 2019 (Minute 7.3 refers).

9.2 The Asset Register displays a value of £338,705.83 as at 31 March 2020, a net increase of £911.60 over the value at the end of the previous year and reflects the replacement of an office printer the replacement of dog bins.

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

9.4 Box 9 in Section 2 of the AGAR (Annual Return) has correctly recorded the value of assets as at 31 March 2020.

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

10.1 The Bank Statements for the NatWest Current Account (as at 31 March 2020) and the Bank of Ireland UK Treasurers Account (as at 23 March 2020) reconciled with the End-of-Year accounts and agreed with the Bank Reconciliation for all accounts.

10.2 The Clerk/RFO presents detailed bank account information to each meeting of the Finance Committee in order to ensure the Committee fully meets its responsibilities under its terms of reference. The Council receives detailed reports from the Finance Committee and the Clerk/RFO on the up-to-date financial position.

10.3 At its meeting on 21 January 2020, the Council agreed to switch to Nationwide Building Society Deposit Accounts following the end of the year 2019/20 and close the Bank of Ireland UK Account (Minute 7.4 refers). The Clerk/RFO has confirmed that this has been delayed due to the current pandemic.

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 an Income and Expenditure basis and were in good order. Sample audit trails were undertaken and all were found to be in good order. The £3,788.18, VAT owing as at 31 March 2020 was correctly recorded as a Listed Debtor in the End-of-Year Accounts.

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 satisfactory internal financial controls in place. The Clerk/RFO provides detailed financial reports to Council meetings to ensure that Councillors are provided with adequate financial information and data to enable them to make informed decisions.

12.2 The Council continues to demonstrate many examples of good financial practice and robust governance arrangements. The Clerk/RFO provides comprehensive financial reports to the Finance Committee and the Council, including standing items relating to the expenditure compared with the budget, bank balances and reserves available. Cheque Book counterfoils and invoices/vouchers for payment are initialled by signatories as part of the overall financial control framework in place.

12.3 The Internal Audit Report for the previous year (2018/19) was received by the Council at its meeting on 30 July 2019 (Minute 8.1 refers). The Report raised no matters of concern.

12.4 The Internal Auditor for the 2019/20 year was appointed by the Council at its meeting on 18 February 2020 (Minute 7.2 refers).

13. External Audit (Recommendations put forward/comments made following the annual review).

13.1 The Council received the Report and Certificate from the External Auditor, PKF Littlejohn LLP, for the previous year (2018/19) at its meeting on 15 October 2019 (Minute 8.2 refers). No matters of concern had been raised by the External Auditors.

14. Publication Requirements.

14.1 Under the Accounts and Audit Regulations 2015, statutory deadlines are in place for publication of certain documents. Local authorities were required to publish in 2019 the following information on a publicly accessible website:

Before 1 July 2019 authorities must publish:

Notice of the period for the exercise of Public Rights
AGAR - Sections 1 and 2.

Not later than the 30 September 2019 authorities must publish:

Notice of Conclusion of Audit
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

14.2 The Internal Auditor was able to confirm that the 'Notice of the period for the exercise of Public Rights' was readily accessible on the website <https://www.facebook.com/Kedington-Parish-Council> and the remaining documents were listed on the website and available on application from the Clerk/RFO. The Clerk/RFO has confirmed that the documents relating to the year 2019/20 are due to be published on the website. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have extended the statutory deadlines for the publication of the 2019/20 documents.

15. Additional Comments.

15.1 The Annual Meeting of the Council was held on 21 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. I would particularly like to commend the Clerk for maintaining a very high standard of documentation and for the excellent presentation of the Council's documents at the audit.



Trevor Brown, CPFA

Internal Auditor

25 June 2020