

## **Report to Badingham 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. This Internal Audit review has confirmed the overall adequacy of the financial arrangements currently 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), is satisfactorily undertaking 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 very well presented for the Internal Audit review.

1.4 The Accounts for the year confirm the following:

*Total Receipts for the year: £9,508.41*  
*Total Payments in the year: £10,286.66*  
*Total Reserves at year-end: £14,691.34*

1.5 The Annual Governance and Accountability Return (AGAR) was examined and the following figures confirmed 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: £15,469</i>  |
| <i>Annual Precept 2019/20:</i>                       | <i>Box 2: £9,500</i>   |
| <i>Total Other Receipts:</i>                         | <i>Box 3: £8</i>       |
| <i>Staff Costs:</i>                                  | <i>Box 4: £6,288</i>   |
| <i>Loan interest/capital repayments:</i>             | <i>Box 5: nil</i>      |
| <i>All Other payments:</i>                           | <i>Box 6: £3,998</i>   |
| <i>Balances carried forward (31 March 2020):</i>     | <i>Box 7: £14,691</i>  |
| <i>Total cash/short-term investments:</i>            | <i>Box 8: £14,691</i>  |
| <i>Total fixed assets:</i>                           | <i>Box 9: £327,909</i> |
| <i>Total borrowings:</i>                             | <i>Box 10: nil</i>     |

1.6 Sections One and Two of the AGAR were approved and signed on 7 July 2020. 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. 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's Standing Orders were ratified by the Council at the meeting on 5 February 2020 (Minute 13 refers). A copy of the Standing Orders is published on the Council's website. Some elements of the Standing Orders require up-dating; for example, Section 30 'Financial matters' refers to the Public Contract Regulations 2006 (at section 30 e) which have been replaced by the Public Contract Regulations 2015. The National Association of Local Councils (NALC) has published updated Model Standing Orders (2018) for local councils to consider and adopt, as required.

**Recommendation 1: During the year 2020/21 the Council should review and consider the adoption of the latest Model Standing Orders published by NALC in 2018.**

2.2 The Council's Financial Regulations were ratified by the Council at the meeting on 5 February 2020 (Minute 13 refers). A copy of the Financial Regulations is published on the Council's website. The Financial Regulations are dated January 2004. In August 2019 NALC published updated Model Financial Regulations for local councils to consider and adopt, as required.

**Recommendation 2: During the year 2020/21 the Council should review and consider the adoption of the latest, up-to-date Model Financial Regulations published by NALC in August 2019.**

2.3 The Minutes of the Council are well presented and provide clear evidence of the decisions taken by the Council in the year. The Minutes are kept in loose-leaf form and individual papers are numbered in respect of each meeting. However, where Minutes are kept in loose-leaf form, each page must be initialled by the person presiding at the meeting at which the Minutes are approved (paragraph 41(2) of Schedule 12 to the Local Government Act 1972 refers). The Clerk/RFO agreed to remind the Council to ensure that each page of the Minutes is consecutively numbered and always initialled by the Chair at the meeting at which the Minutes are approved.

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 current Data Protection legislation (Registration ZA487034, expiring 13 January 2021). At its meeting on 6 September 2018 the Council resolved to approve a range of Policies and Procedures aimed to meet the requirements of the General Data Protection Regulations (GDPR) (Minute 6 refers).

2.5 The Council prepared a cheque for £50 on 24 July 2019 as the annual fee to the Local Council Public Advisory Service (LCPAS) for the provision of Data Protection Officer services. The cheque was presented by LCPAS to bank on 1 October 2019. However, it is understood that Jayne Cole, who operated LCPAS, no longer provides this service, having started work for Thame Town Council in October 2019.

2.6 The Council received Community Infrastructure Levy (CIL) receipts of £7,490.70 on 26 October 2018. This was reported to Council at its meeting on 5 December 2018 and was committed to the Village Hall Community Improvement Project (Minute 5.2 refers). The Clerk/RFO has completed a CIL End-of-Year Report as at 31 March 2020, which confirms the balance of £7,490.70 at the year-end. The Report has to be submitted to the District Council no later than 31 December 2020.

2.7 The Council's website displays the Suffolk Local Code of Conduct published in July 2014. Local Councils are currently being consulted on a new national 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 Spreadsheet is referenced and provides a good audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. These 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.

3.2 VAT payments made in the year have been separately entered into a VAT column in the Spreadsheet to assist re-claims to HMRC. The Internal Auditor advised the Clerk/RFO of some VAT payments not listed in the Cashbook which could be considered for reclaim from HMRC.

3.3 The previous Internal Audit Report noted that a reclaim to HMRC for the £458.20 VAT paid during the period 15 June 2017 to 15 March 2019 had been prepared for submission to HMRC. However, there is no record of that amount being received from HMRC. A further reclaim for £493.40 VAT paid during the period 16 March 2019 through to 31 March 2020 has been prepared by the Clerk/RFO for submission to HMRC.

**Recommendation 3: The Council should submit an electronic reclaim to HMRC for the VAT paid from 15 June 2017 through to 31 March 2020. This should be completed as soon as possible because HMRC normally applies a three-year cut off after which VAT may not be reimbursed.**

3.4 No payments were recorded in the year of account as having been made under the Local Government Act 1972 Section 137.

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 for publication 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 The Council has a detailed Risk Assessment document in place. The Risk Assessment was considered and ratified by the Council at its meeting on 5 February 2020 (Minute 13 refers). The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified. The previous Internal Audit recommended that the document should include an item identifying the risks associated with non-compliance with the General Data Protection Regulations and the actions in place to mitigate the risks involved. This recommendation remains outstanding.

4.2 The Council complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires 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.

4.3 Insurance was in place for the year of audit. At its meeting on 21 October 2019 the Council approved the payment of £356.72 to Zurich Insurance, being the premium for the second year of the existing long-term 5-year agreement for insurance cover.

4.4 The Clerk/RFO confirmed to the Internal Auditor that under the long-term agreement in place with Zurich Insurance, the cover detailed in the previous Internal Audit Report (Public Liability cover at £10m and Employee/Councillor Dishonesty cover at £25,000) remained in force during the 2019/20 year of account.

4.5 The Asset Register lists the Village Hall as an asset valued at £303,000 and in the ownership of the Council. The Clerk has previously advised Internal Audit that insurance cover is organised by the Village Hall Management Committee, according to a Deed of Covenant which requires a Management Committee to manage and conduct the business of the Hall.

4.6 At its meeting on 2 October 2019 the Council noted that PlaySafety had completed the Pocket Park pond and play equipment inspections and the ROSPA reports. The Clerk/RFO had sent all Councillors the completed reports (Minute 4 refers).

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

Precept 2019/20: £9,500.00 (included within the approved 2019/20 Budget).

Precept 2020/21: £9,691.81 (4 December 2019, Minute 5.1 refers).

5.1 The Budget and Precept for the year 2020/21 were agreed in full Council and the decision and Precept amount of £9,691.81 were clearly Minuted.

5.2 The Clerk/RFO ensures that the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. 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.

5.3 The estimates are used effectively for financial control and budgetary control purposes; the Council demonstrates good financial practice by considering at each meeting a financial statement that compares the budget for the year against actual receipts and payments.

5.4 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Overall Reserves at the year-end totalled £14,691.34, of which £8,665.52 is listed as restricted funds or earmarked reserves, as follows:

- a) Community Infrastructure Levy Funds (restricted funds): £7,490.70
- b) Training Fund: £685.00
- c) Election Fund: £472.48
- d) Village Hall Project: £17.34

5.5 General Reserves (Overall Reserves less Earmarked/Restricted Funds) of £6,025.82 were accordingly available to the Council as at 31 March 2020. This is in line with the generally accepted best practice which requires General (non-earmarked revenue) Reserves to be equal to at least six months of contractual expenditure or at least 50% of the Precept.

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

6.1 Receipts recorded in the Cashbook Spreadsheet 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. Transparency Code (*Compliance for smaller councils with income/ expenditure under £25,000*).**

8.1 Under the provisions of the Transparency Code, Badingham Parish Council can be designated as a 'Smaller Council'. The Council's website is: <http://badinghampc.onesuffolk.net/>

8.2 Smaller Councils should publish on their website:

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

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

8.4 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, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement.

**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-house with a monthly standing order being paid to the Clerk/RFO. PAYE is not in operation and payments are made gross of tax. The Clerk/RFO has advised Internal Audit that she has previously reported to Council that HMRC has confirmed that there is no liability for PAYE/NI as the Clerk/RFO's salary is under the lower limit for PAYE.

**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. The Register records the value of the assets as at 31 March 2020 as £327,909.94, unchanged from the value as at the end of the previous year.

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

10.3 The Council's assets have been correctly recorded in Box 9 of Section 2 of the AGAR (Annual Return).

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

11.1 The bank statements for the Barclays Community (Current) Account (as at 31 March 2020) and the Barclays Business Premium Account (as at 16 March 2020) reconciled with 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 good 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. The Council receives at each meeting details of the financial position of the Council, including details of cheques presented for payment, bank account balances, Reserves and Fund balances and a statement comparing the budget with expenditure to date.

13.2 The Cheque Book counterfoils and invoices/vouchers for payment are being initialled by cheque signatories. Payments are listed in the Financial Statements presented to each Council meeting as part of the overall financial control framework.

Cheque numbers are entered on each paid invoice/voucher to ensure that an audit trail is in place.

13.3 The Internal Audit Report for the previous year, 2018/19, was reported to the Council at its meeting on 24 July 2019 (Minute 4 refers) and a copy of the Report has been published on the Council's website.

13.4 The Internal Auditor for the 2019/20 year was re-appointed by the Council at the meeting held on 5 February 2020 (Minute 13 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 8 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year.

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 8 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.

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**

**3 August 2020**