

## **Report to Tunstall 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 maintained 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: £30,088.87*  
*Total Payments in the year: £19,182.44*  
*Total Reserves at year-end: £64,398.56 (of which £58,513.73 is earmarked)*

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, approved and adopted by the Council at its meeting on 13 November 2019 (Minute 12c refers).

2.2 Financial Regulations are also in place and were reviewed, approved and adopted by the Council at its meeting on 13 November 2019 (Minute 12b refers).

2.3 The Council applied the General Power of Competence (GPOC) in the year 2019/20. At its meeting on 8 May 2019 the Council declared that it was an eligible Council to use GPOC, having two-thirds elected Councillors and a suitably qualified Clerk, and adoption of the Power was agreed (Minute 17f refers).

2.4 The Clerk's position as Responsible Financial Officer (RFO) was re-affirmed by the Council at its meeting on 8 May 2019 (Minute 8a refers).

2.5 The Council's Minutes are very 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 ZA056415 refers, expiring 11 June 2020); the registration records the Clerk/RFO as the Council's Data Protection Officer. Whilst the Council is not required to formally appoint a Data Protection Officer, it demonstrated good practice by resolving (at its meeting on 9 May 2018) that the Clerk/RFO should undertake this role and through the issue of a Data Protection Awareness Checklist to each Councillor.

2.7 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of a Data Protection Statement, Privacy Statement, Data Protection Impact Assessment, a Data Protection Risk Assessment, an Information Protection Policy, an Information Security Incident Policy and a Retention of Documents and Records Policy, all of which are published on the Council's website..

2.8 The Council demonstrates good management practice by maintaining and regularly reviewing a wide range of formal policies and procedures. These include the Grants Awards Policy, Health and Safety Policy, Freedom of Information Policy, Formal Complaints Procedure, Disciplinary Procedure, Grievance Procedure, Sickness and Absence Policy, Equal Opportunities Policy, Public Participation Protocol, Publication Scheme, Child Protection and Safeguarding Policy, all of which have been published on the Council's website.

2.9 The Council reviewed the Suffolk Local Code of Conduct at the meeting held on 11 March 2020 (Minute 14a refers). The Council demonstrates good practice by periodically reviewing and re-adopting the Code of Conduct in order to emphasise the requirements and responsibilities placed upon each individual Councillor.

**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 Regular re-claims for VAT are being submitted to HMRC. A re-claim of £220.49 is recorded in the Cashbook as received on 17 April 2019 and a further re-claim of £1,552.46 is recorded in the Cashbook as received on 23 September 2019.

3.4 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 a Nil Return for both CIL Receipts and CIL Expenditure during the year. The CIL Annual Report for 2019/20 is due for publication and submission to the District Council no later than 31 December 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.

**4. Internal Control & 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 Financial Controls and Internal Audit arrangements were reviewed and approved by the Council at the meeting held on 8 January 2020 (Minute 13d refers).

4.2 The Council's Risk Assessment documents were reviewed and approved by the Council at its meeting on 11 March 2020 (Minute 14b-d refers). The documents consist of Risk Assessment (Financial), Risk Assessment (Non-Financial) and Risk Assessment (Catchment Pit). They provide a comprehensive analysis of the risks faced by the Council and the 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 Ipswich Borough Council (IBC) undertook play area inspections at the Playing Field on behalf of the Parish Council during the 2019/20 year as part of the overall risk management arrangements in place. The completed inspections are recorded by IBC on the Public Sector Software system, which is accessed by the Clerk/RFO.

4.5 Insurance was in place for the year of audit. The Council approved the payment of the £574.08 insurance renewal premium to BHIB Insurance Brokers at the meeting held on 8 May 2019 (Minute 17h (v) refers). Employee Liability cover and Public Liability cover each stand at £10m. The fraud and corruption (fidelity guarantee) cover stands at £250,000, 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: £8,664

Precept 2020/21: £10,000

5.1 The Precept for 2019/20 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 9 January 2019, Minute 13c refers).

5.2 Similarly, the Precept for 2020/21 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 8 January 2020, Minute 13c refers).

5.3 The Clerk/RFO ensures the Council is aware of its 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 to Council a draft budget and precept options for the year 2020/21 at the meeting on 13 November 2019 (Minutes 11c and 11d refer). A revised Draft Budget was considered and approved at the meeting held on 8 January 2020 (Minute 13b refers).

5.4 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. The estimates for the year 2020/21 can similarly be used effectively for financial control and budgetary control purposes.

5.5 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £64,398.56, as follows:

a) Tunstall Common Work:	£53,513.73 (ear-marked)
b) MUGA.:	£3,000.00 (ear-marked)
c) Emergency Staffing Costs:	£2,000.00
d) General Reserves:	£5,884.83

5.6 The generally accepted best practice is that General Reserves held will usually be approximately six to twelve months of normal gross expenditure and the Council's General Reserves are consistent with this, after allowing for the non-routine expenditure on the resurfacing of the Recreation Ground car park entrance during 2019/20.

## **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 Building Society Pass Books/Statements on a test-check basis and were found to be in order.

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

8.1 Under the provisions of the Transparency Code, Tunstall Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://tunstall.suffolk.cloud/parish-council/>

### 8.3 Smaller Councils should publish on their website:

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

### 8.4 The Council is meeting the requirements of the Transparency Code.

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

9.1 Payroll Services are operated by SALC on behalf of the Council in accordance with HMRC requirements. Detailed payslips are produced and PAYE is in operation.

9.2 At its meeting on 9 January 2019 the Council formally agreed to amend the Clerk/RFO's salary in accordance with the NJC suggested rate with effect from 1 April 2019 (Minute 13d refers).

9.3 With regard to the legislation relating to workplace pensions, the Clerk/RFO has confirmed that the necessary declaration of compliance as required by the Pensions Regulator under the Pensions Act 2008 has been made. The Council has offered a workplace pension but the offer has not been taken up by the Clerk/RFO.

## **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 and Responsibility Register is in place. The Register was reviewed and adopted by the Council at its meeting on 13 November 2019 (Minute 12a refers). The Register complies with the current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. The original purchase cost is displayed or, where the original purchase price is unknown, a nominal (community) value is listed.

10.2 For purposes of Box 9 of Section 2 of the AGAR Annual Return for 2018/19, the Assets have been recorded at a total value of £69,400 (compared to £68,338 as at 31 March 2019). The increase of £1,062 in the total value reflects the purchase in the year of a Speed Gun for use by the Community Speed Watch Group).

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

11.1 The End-of-Year Accounts reconciled to the Bank and Building Society statements presented to the Internal Auditor. The bank statements are regularly reconciled to the Accounts during the year.

11.2 The balances as at 31 March 2020 were as follows:

Barclays Business Current A/C: £4,448.44  
IBS Savings Account: £6,436.39  
IBS Tunstall Common A/C: £53,513.73

**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 detailed financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 Balances held at bank and building society are reported to the Council at each meeting. The Council demonstrates good financial practice by the confirmation by a Councillor at each Council meeting of the bank statements and building society books against the accounting information.

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

13.4 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.

13.5 The Internal Audit Report for the previous year (2018/19) was received and accepted by the Council at its meeting on 8 May 2019 (Minute 17b refers). No matters of concern had been raised in the report.

13.6 The Internal Auditor for the 2019/20 year was re-appointed by the Council at the meeting held on 8 May 2019 (Minute 8e refers).

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

14.1 The Council was exempt from a Limited Assurance Review by PKF Littlejohn LLP in respect of the year 2018/19. At its meeting on 8 May 2019 the Council confirmed its exemption and a Certificate of Exemption was agreed and signed (Minute 17c refers).

**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 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**

**14 April 2020**