ITEM 17.1

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Our Ref:

Mr J Fullbrook
Steyning Parish Council
The Steyning Centre
Fletchers Croft
Steyning
West Sussex
BN44 3XZ

4th June 2019

Dear John

<u>Re: Steyning Parish Council</u>
<u>Internal Audit Year Ended 31st March 2019</u>

Following completion of our interim internal audit on the 3rd December and our final audit on the 4th June we enclose our report for your kind attention and presentation to the Council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date. Where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report. The recommendations from the interim visit have been answered in the table at the end of the report.**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The internal audit reports should therefore be made available to all members to support and inform them when they considering the authority's approval of the annual governance statement.

Interim Audit – Summary Findings

At the interim visit we reviewed and performed tests on the flowing areas:

- Review of the Financial Regulations & Standing Orders
- Review of the Risk Assessments
- Review of the Budgeting Process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Steyning Parish Council are well established, and followed. The clerk is very experienced and ensures the council follows best practice regulations and has overseen changes to the internal procedures as regulations and technologies have changed to maintain compliance.

It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are fit for purpose. I would like to thank John & his team for their assistance and whilst my report contains recommendations to change these are not indicative of any failings, but rather are pointers to improving upon an already well ordered system.

Final Audit – Summary Finding

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts & AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

I am of the opinion that the annual accounts and AGAR are ready to be signed off by council and the external auditor and that the AGAR is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2019. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The Council continues to uses RBS as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change. The system is used weekly to report on and record the financial transactions of that of the Council. There are three users with their own individual logons.

1. Clerk – financial oversight, journals, monthly reconciliations, reporting to council, purchase ledger
2. Deputy Clerk - Bookings
3. Administration Assistant – bookings and allotments

In the event of incapacity, the user names and passwords are securely stored in the clerk office. Access to the PC's is password restricted and these are changed.

To coincide with the scheduled committee meeting various reports are printed and filed in hard copy, these include but are not limited to; Income and expenditure against budget, cashbooks, bank reconciliations and other reports as fit. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read and logically filed. My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

The Council is VAT registered and the last VAT return was for the quarter ended 30th September 2018. The refund has been received. This indicates the council is up to date with its postings to the financial reporting package.

I am of the opinion that the control assertion of "Appropriate accounting records have been properly kept throughout the financial year" has been met.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

Check the publication & minuting of the prior year audited AGAR and notice of conclusion of audit.

At the date of the interim audit the External Auditors Report has not been signed off, nor has the notice of conclusion of audit been issued. I have contacted the external auditor on behalf of the council and have been informed that due to the volume of queries raised by a member of the public and a councillor the assurance review has been passed to a senior partner as a special task case. The clerk is not aware of the questions that have been raised with the external auditor. **I have suggested he may want to contact them in case further information is required to support the 2017/18 AGAR.**

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms and register of members interests, in line with regulations. **The councillors will need to sign acceptance to receive information by electronic means.** I have provided some sample wording below for council consideration.

"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."

Confirm that the Council is compliant with the relevant transparency code.

I note that the Council is required by law to follow the 2015 Transparency Code, a review of the web site has shown that this is being followed.

Confirm that the Council is compliant with the GDPR.

The council is aware of the GDPR. It was noted the Council is introducing common email addresses internally which is recommended because it gives a natural segregation between personal and councillor business, so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

The council has a published privacy notice and reports are issued via share point rather than as attachment.

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets monthly
- Finance & General Purposes; meets monthly
- Planning; meets monthly
- Amenities; meets monthly
- Premises; meets monthly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks only the full Council has spending powers.

Check that agendas for meetings are published giving 3 clear days' notice.

The RFO was able to demonstrate that at least 3 clear days' notice is given on both web site and hard copy agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

Check the draft minutes of the last meeting(s) are on the council's website

Draft and final minutes are uploaded to the council website. The website copy agreed to the signed set retained in the clerk's office. **The signed set does state draft – I recommend in future a clean set taken to the meeting for signing.**

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.

The standing orders are based on the NALC model and were readopted in June 2018 as evidenced in the minutes.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.
Financial regulations are based on the NALC model and were readopted in May 2018 as evidenced in the minutes. The regulations being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Check that the council's Financial Regulations are being routinely followed.
Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is minuted in accordance with regulations. **I remind council that the face of the statement must also be signed as well as the reconciliation report,**

The de-minimis limit recorded in the Financial Regulations Para 11.1.h for the competitive purchase of items and services is as listed below.

- £60,000 + Tender Process
- £3,000 - £60,000 3 quotations are required.
- £100 - £3,000 – strive to get 3 estimates – suggest change to align with para 4.1 at £500
- 0 - £100 – power to spend – suggest change to align with para 4.1 at £500

I recommend the fincial thresholds as indicated above are aligned for consistency.

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained. It is noted that the thresholds for authority to spend are as follows:

- Over £5,000 – prior approval by full council
- £500 - £5,000 - prior approval by delegated committee
- £0 to £500 – discussion with chair of committee or finance

I would recommend at next review council consider thee thresholds to allow space for Clerk to order goods and services before speaking to chairman.

- **Over £5,000 – prior approval by full council**
- **£1,000 - £5,000 - prior approval by delegated committee**
- **£500 – £1,000 - discussion with chair of committee or finance**
- **£0 to £500 – Authority to spend within budget heading**

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, debit card. Cheques must be signed by two individuals.

I discussed the purchasing system with the Clerk vis-à-vis financial regulations 4, 5 & 6 and ascertained that the regulations are being followed at a local level as described below:

1. Regular and recurring expenditure (rent, rates, wages, light & heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These are, in the main, paid via direct debit, standing order or on-line banking.

2. An ad hoc expenditure requirement is identified and noted to the clerk/RFO – this can be from a number of sources and depending on the financial amount will discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.

3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.

4. The supplier invoice, when received, is reviewed by the clerk this is then batched ready for payment by the deputy clerk.

5. Cheques pre written and Councillors are then invited to attend to the office to sign off the cheques and the supplier invoices.

6. Monthly the approved paid supplier invoices are posted to the financial reporting package.

7. Payments list produced from financial reporting package and taken to council for approval and noting in the minutes.

Financial regulation 7 deals with approval and authorisation of salaries, the minutes and files show evidence of authorisation of changes and of wages generally.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.
The council has no S.137 expenditure.

Confirm that checks of the accounts are made by a councillor.
The system noted above details internal review takes place and councillor, committee and council level. I am under no doubt that council properly approves expenditure.

Final Audit
All Other Payments £351,970 (2018: £215,683).

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. Creditors were £78,945 these were all accruals and have been in the main been verified to supplier invoices.

I am of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for", has been met.

C. RISK MANAGEMENT & INSURANCE (INTERIM & FINAL AUDIT)

Interim Audit
The Council undertakes a full risk assessment that covers operational and financial risks, this was taken to council in January 2017, this will be reviewed again in the March 2018 meeting.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Money and asset cover appear adequate.

Final Audit
We discussed assertion 8 of the AGAR and whether or not this had any impact on the council.

"We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements."

I am of the opinion that the control objective of "This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.", has been met

D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)

Interim Audit

I confirmed that the 2019-20 budget and precept setting process was underway at the time of our interim audit, with all precepting authority deadlines achievable. A review of the minutes shows discussion and agreement of the same.

As at 31st October total reportable income was £302,095 (Annual Budget £366,208), and expenditure £148,370 (annual budget £376,108). The council is on budget. The clerk was able to demonstrate monthly reporting to committee and council.

At the end of October, the council had combined bank balances of £340k of which £80k is in a separate deposit account. The earmarked reserves of the council are £140k. The general reserve is £208k. The council has plans in place for a playground project to utilise the general reserve balances for the benefit of the community.

Final Audit

Reserves Carried Forward £176,336 (2018: £196,618)

The council has £31,713 of earmarked reserves and £144,624 of general reserves. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £125k. I was pleased to see the detailed working and council verification of the reserves working. I am of the opinion that general reserves are reasonable and properly reported on.

I am of the opinion that the control objective of "The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.", has been met.

E. INCOME (INTERIM & FINAL AUDIT)

Interim Audit

The council has various streams of income:

- Precept
- Rentals – rooms.
- Grants
- Allotments (Circa £4k)
- Interest

Both tranches of precept have been received. The council last reviewed its room rental and allotment charges in July 2018. Audit testing showed that fees charged per the sales ledger agree to the annual charges sheet or lease documentation as appropriate.

There is no evidence of netting off, nor were there significant numbers of journal corrections.

Final Audit

Precept income £248,489 (2018: £244,523)
Other income £205,155 (2018: £98,250)

The precept income was tested to remittance advice notes and is correctly shown in box 2 of the AGAR. There are no errors to report.

In total, other income has increased by £106,905 this is due in the main to income from donations in respect of gym and playground equipment. I am of the opinion that income is properly recorded.

At the year-end date the council has £38,073 of debtors and £16,836 of VAT outstanding. The VAT return shows a refund due of £17,041 which is £205 different to the year-end closing balance – this is as a result of the timing of postings to the financial package and the preparation of the VAT return and year end. I have reviewed the VAT return and account balances in the 2019/20 year and there are no variances.

The debtors are further broken down into:

- S106 — £12,793 – Still outstanding at audit date
- Grants due — £23,384 – verified to remittance advice (after date).
- Sales Ledger — £1,896 – reasonable

I am of the opinion that the control objective of "Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.", has been met.

F. PETTY CASH (INTERIM AUDIT)

The council has a float of £30 in petty cash, this was tested at the interim audit date, there were no errors. The petty cash float is used for small value expenditure transactions. The Clerk is the designated, approved float holder. Approved petty cash requisitions and VAT receipts are required for all petty cash expenditure and is authorised by the Clerk. The cash float is kept in a locked tin in the parish office, within an alarmed building. The Clerk and the Admin Officer are the only key holders for the safe.

I am of the opinion the control objective of "Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.", has been met.

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The council uses an external firm to calculate the tax and national insurance. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

Employees are paid with reference with NJC scales for consistency purposes. I tested the tax deduction for a full time employee – there were no errors.

Monthly PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for October 2018 was paid on time.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Casual labour payments are correctly recorded via the payroll. Councillors were paid allowances in June via the payroll.

Final Audit

Salaries £121,956 (2018: £110,567)

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors.

Monthly and year-end PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for March 2018 was in year.

The year on year movement of £11,389 is less than 15% and as such does not need further explanation on the report of significant variances.

I am of the opinion that salaries are correctly stated on the AGAR and that the control object of "Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.", has been met.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

Interim Audit

The Council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end.

At the time of the audit the register is being substantially updated.

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

Final Audit

Fixed Assets and Investments £2,649,115 (2018: £2,649,115)

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end.

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained.", has been met.

I. BANK & CASH (INTERIM & FINAL AUDIT)

Interim Audit

The Council has three bank accounts held with HSBC. I re-performed the November bank reconciliation for the current account. I found no error in the reconciliation.

Final Audit

Bank & Cash Balances £200,372 (2018: £247,336)

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were outstanding payments and lodgements. I also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

The council has three bank accounts, together with petty cash. None of the accounts are long term investments and as such do not need to be disclosed in box 9 of the AGAR. However, it is noted that some of the bank and cash investments could be invested elsewhere to obtain a greater return. The clerk is aware of this and is waiting for the new signatories after election of the new council.

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of "Periodic and year-end bank account reconciliations were properly carried out.", has been met.

J. YEAR END ACCOUNTS (FINAL AUDIT)

The year-end accounts have been correctly prepared on the income & expenditure basis with the box 7 & 8 reconciliation properly completed.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2017/18 AGAR.

The variance analysis is required because there are variances greater than 15% and £500This has been prepared on a summary table basis.

I am of the opinion the AGAR will be ready for submission to the external auditor within statutory time scales and that the control objective of "Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.", has been met.

K. TRUSTEESHIP (INTERIM AUDIT)

No trusts.

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)

This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2018-19 Proposed
Accounts approved at full council	April 25th 2019
Date Inspection Notice Issued and how published	4th June
Inspection period begins	10 June
Inspection period ends	19 July
Correct length	yes
Common period included?	yes
Summary of rights document on website?	**Attached to inspection announcement**

I am satisfied the requirements of this control objective were met for 2017-18, and assertion 4 on the annual governance statement can therefore be signed off by the Council. Plans are also in place to allow for inspection periods to be published and set correctly for 2018-19.

Should you have any queries please do not hesitate to contact me, attention.

Kind regards
Yours sincerely