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Our Ref: MARK/COL005

Mrs B Clayden  
Colgate Parish Council  
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Pound Hill  
Crawley  
West Sussex  
RH10 3DW

Date 21 May 2020

Dear Bev

**Re: Colgate Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2020**

Following completion of our internal audit on the 21<sup>st</sup> May 2019 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 at the end of the report, along with updates on progress from the recommendations from the previous visit.**

Due to the COVID-19 restrictions in place at the time of the final audit, this was carried out remotely, and I would like to thank Bev for ensuring all of the requested information was sent through in a timely fashion to allow this process to be completed.

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.

### **Audit – Summary Findings**

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

- Review of the Financial Regulations and 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
- Review of annual accounts and AGAR
- Review of bank reconciliation
- Review of income

- Review of information for external auditor

It is our opinion that the systems and internal procedures at Colgate 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 Bev for her assistance and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

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 transactions of the council for the year ended 31<sup>st</sup> March 2020. Accordingly, I have signed off the AGAR.

#### **A. BOOKS OF ACCOUNT**

##### ***Internal audit requirement***

*Appropriate accounting records have been properly kept throughout the financial year.*

The council continues to use Excel as a day to day accounting package. The system is used regularly to report on and record the financial transactions of the council. The Clerk has developed a suite of monitoring records demonstrating performance against budget and other information. These are clear and easy to read and appropriate for a council of this size and I make no recommendation to change.

Due to the remote nature of the audit, detailed testing of financial documentation was not possible, however based on previous audits I am satisfied that the accounting systems are well ordered and routinely maintained.

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 AND**

##### ***Internal audit requirement***

*This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.*

##### ***Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit***

The external auditors report was not qualified in 2018/19. The notice of conclusion of audit and audited AGAR have been posted to the council website and were reported to the council at the October 2019 meeting.

##### ***Confirm by sample testing that councillors sign statutory office forms***

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and Register of Members' Interests, in line with regulations. Register of Members' Interest forms are loaded on to the council website. The councillors have also signed acceptance to receive information by electronic means.

##### ***Confirm that the council is compliant with the relevant transparency code***

I note that the council is not required by law to follow the 2015 Local Government Transparency Code, although it is recommended best practice for all councils to do so. A review of the web site shows that the code is being followed through the publication of required information which is logically located and easy to find.

***Confirm that the council is compliant with the GDPR***

The council is aware of GDPR and has undergone training. The council has introduced common email addresses internally and for councillors, 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 appointed an external Data Protection Officer (DPO) and has a Privacy Statement on the home page of its website.

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

The Clerk 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. It is noted that the non-confidential supporting documentation referred to in the agendas is also included on the website.

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

Draft minutes are uploaded to the council website, clearly marked as draft. A notice on the website makes it clear that these are in draft format prior to approval at the next meeting.

***Confirm that the council's Standing Orders have been reviewed within the last 12 months***

The Standing Orders are based on the NALC 2018 model and were adopted by council in June 2019.

***Confirm that the Parish Council has adopted and recently reviewed Financial Regulations***

The Financial Regulations are based on the NALC 2019 model and were adopted by council in September 2019. 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***

Evidence seen in the council minutes shows payment listings being approved by council, along with minuting of approval of bank reconciliations and budget reports.

The council makes payments predominately by cheque, with two signatures required on the cheque and associated cheque book stub. Due to the remote nature of the audit, detailed testing could not be performed, but previous audit testing showed no indication of not following Financial regulations.

***Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.12 per elector***

The council has the General Power of Competence (GPC) and the section 137 limit does not apply. The GPC was adopted and minuted at the June 2019 meeting.

***Confirm that checks of the accounts are made by a councillor.***

The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure.

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 AND INSURANCE*****Internal audit requirement***

*This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*

The council has a detailed Risk Assessment, updated annually, which was last reviewed and adopted by council in June 2019. This covers financial and other risks, and records how the risks are managed.

The council has a valid insurance policy in place, with Public Liability cover of £10 million, Employers Liability cover of £10 million, and a Fidelity Guarantee of £150,000. These levels of cover are suitable for a council of this size.

We discussed assertion 8 on 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.”*

The Clerk confirmed that she was not aware of any event having a financial impact that was not included 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 AND RESERVES**

##### ***Internal audit requirement***

*The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

I confirmed that the 2020/21 budget and precept were agreed by council at its meeting in January 2020. There is evidence within the council minutes of regular reporting against budget throughout the year.

At year-end, the council held £12,187 in earmarked reserves for identified projects and a further £8,056 in general reserve. General guidance recommends an appropriate level of general reserve as 50% of precept, adjusted for local conditions. The level of general reserve held is slightly lower than recommended, but not unreasonably so.

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**

##### ***Internal audit requirement***

*Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

Apart from the precept, the council’s other income is through grants, VAT refunds and bank interest. The whole precept has been received properly accounted for and entered into box 2 on the AGAR.

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****Internal audit requirement**

*Petty cash payments were properly supported by receipts; all petty cash expenditure was approved, and VAT appropriately accounted for.*

The council has no petty cash.

**G. PAYROLL****Internal audit requirement**

*Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.*

The council has two employees, both part time. The payroll is processed through West Sussex County Council. The payroll is reconcilable to the AGAR and upon review no errors were identified.

The Clerk has a signed contract of employment, based on the NALC model. Salary scales successfully migrated onto the new scale with effect from 1<sup>st</sup> April 2019.

I am of the opinion that salaries are correctly stated on the AGAR and that the control objective 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****Internal audit requirement**

*Asset and investments registers were complete and accurate and properly maintained.*

The council has a detailed fixed asset register in place including all the required information. Assets are correctly stated at historic or proxy cost. The asset register was up to date with all relevant assets as at the current financial year end. There were no additions and deletions during the year. The asset register total was checked and found to match that entered on the AGAR for 2019-20.

The council has no PWLB borrowing.

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 AND CASH****Internal audit requirement**

*Periodic and year-end bank account reconciliations were properly carried out.*

At the year-end audit date, the council had a reconciled bank position. There were five outstanding payments as at 31 March 2020 totalling £2,176.80.

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****Internal audit requirement**

*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.*

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion.

### Section 1 – Annual Governance Statement

	<b>Annual Governance Statement</b>	<i>'Yes' means that this authority</i>	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	<b>YES</b> –accounts follow latest Accounts and Audit Regulations recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	<b>YES</b> – there is regular reporting of financial transactions, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	<b>YES</b> – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	<b>YES</b> – the requirements and timescales for 2018/19 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	<b>YES</b> – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this</i>	<b>YES</b> – the council has appointed an independent and competent internal auditor.

		<i>smaller authority.</i>	
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	<b>YES</b> – where matters are raised, action taken by council is recorded in the minutes.
8	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>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	<b>YES</b> – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	<b>N/A</b> – the council has no trusts.

### Section 2 – Accounting Statements

At the time of the year-end audit, the AGAR figures presented for checking were as below:

AGAR Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	8,968	14,764	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	19,320	21,490	Confirmed against precept amount received
3	Total other receipts	9,369	2,032	Confirmed against accounting records
4	Staff costs	10,722	10,204	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	12,171	7,839	Confirmed against accounting records
7	Balances carried forward	14,764	20,243	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	14,764	20,243	No difference to box 7 as receipts and payments
9	Total fixed assets plus long term investments and assets	18,939	18,939	Confirmed against asset register
10	Total borrowings	0	0	Council has no borrowing

11	Disclosure note re Trust Funds (including charitable)	YES	NO √	Council has no trusts
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The year-end accounts have been correctly prepared on the receipts and payments basis with no need for the box 7 & 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the previous year's AGAR.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15% for boxes 3, 6, 7 and 8.

#### **K. LIMITED ASSURANCE REVIEW**

##### **Internal audit requirement**

*If the authority certified itself as exempt from a limited assurance review in the previous year, it met the exemption criteria and correctly declared itself exempt.*

Not applicable as the council did not declare itself exempt from a limited assurance review in 2018/19.

#### **L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS**

##### **Internal audit requirement**

*The authority has demonstrated that during the previous year it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.*

Due to the Covid 19 outbreak, the statutory deadlines have been changed as follows:

The publication date for final, audited, accounts will move from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020.

The relevant dates as set by Colgate Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Date Inspection Notice Issued	7 June 2019	2 June 2020



<b>Inspection period begins</b>	10 June 2019	3 June 2020
<b>Inspection period ends</b>	19 July 2019	14 July 2020
<b>Correct length</b>	Yes	Yes
<b>Common period included?</b>	Yes	N/A
<b>Summary of rights document on website?</b>	Yes	Yes

I am satisfied the requirements of this control objective were met for 2018-19, and assertion 4 on the annual governance statement can therefore be signed off by the council. The Clerk is aware of the amended dates for 2019/20 due to the Covid-19 outbreak and has plans in place to meet the deadlines.

### **M. TRUSTEESHIP**

#### ***Internal audit requirement***

*Trust funds (including charitable) – the council has met its responsibilities as a trustee.*

The council has no trusts.

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

Kind regards

Yours sincerely

*A Beams*

**Andy Beams**