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Our Ref: MARK/NEW001

Mrs L Bignell
Newdigate Parish Council
63 Rickwood Park
Horsham Road
Beare Green
Surrey
RH5 4PR

Date 6 December 2019

Dear Lesley

Re: Newdigate Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 6th December 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 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 following areas:

- Review of the Financial Regulations and Standing Orders
- Review of the risk assessments
- Review of the budgeting process
- Proper bookkeeping
- Review of salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Newdigate Parish Council are well established, and followed. The Clerk is 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 Lesley 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.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council uses Excel as a day to day accounting package, which for the limited number of transactions of the council is an appropriate style of record keeping. Since the year-end audit, it is clear the Clerk has made significant improvements, using the recommendations of the audit report as a basis for these, and where previously a number of control assertions had not been met, these opinions can now be overturned.

Example documentation was provided by the Clerk showing the information provided to council, which provides information containing actual, estimated and budget figures. There is also now an established hard copy filing system in place making it easier to evidence an audit trail for documentation.

The council is not VAT registered. The Clerk submitted a claim for the period June 2015 to May 2019 as reclaims had not been completed by the previous Clerk. This amounted to £3,158.57 which was verified as having been received by the council in August 2019. Plans are in place to complete a VAT reclaim annually in future.

At the interim audit date, 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 PAYMENTS (INTERIM AND FINAL AUDIT)

Interim Audit

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

The council completed the certificate of exemption for 2018/19, although the Clerk is aware that due to the receipt of CIL income it will be necessary to complete the AGAR for 2019/20.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms although I was unable to verify completion of Register of Members' Interests and they do not appear to be on the parish council website. This will be checked at the year-end audit. The councillors have not signed acceptance to receive information by electronic means and **I would recommend that this is completed using the following wording 'As per schedule 12 of the Local Government Act 1972, I give my consent to receive communication by electronic means.'**

Confirm that the council is compliant with the relevant transparency code

I note that the council is required by law to follow the Local Government Transparency Code for Smaller Authorities, and the previous audit showed this was not being followed. A review of the web site shows that the code is being mostly followed through the publication of required information, with the exception of the land and building assets. All other information has now been made available on the website by the Clerk, which again shows significant progress.

Confirm that the council is compliant with the GDPR

The council is aware of GDPR and has undergone training. It was noted the council has not introduced common email addresses for councillors. **It 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 not appointed an external Data Protection Officer (DPO), but has a Privacy Notice on the website. **There do not appear to be any other Data Protection policies and I would recommend these are drafted for adoption.**

Confirm that the council meets regularly throughout the year

The council is set up through a number of committees as below:

- Council – meets monthly, except August
- Planning – meets ad hoc as required
- Finance – meets quarterly

There is some uncertainty as to the level of delegated authority of the Finance committee, and establishing formal terms of reference may make this clearer.

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 is not published on the website. **I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office** (page 3 of this link)

ico.org.uk/minutesandagendas.pdf

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

Draft minutes are uploaded to the council website usually within a week of the meeting, and subsequently replaced with final versions once approved. Draft minutes are clearly labelled as such.

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

The Standing Orders are based on the NALC 2018 model and are dated September 2019.

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

The Financial Regulations are based on the NALC 2016 model and were adopted by council in July 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. The Clerk is aware of the July 2019 and these will be used for future review.

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 and this is minuted in accordance with regulations. Evidence of this was verified for the September and October 2019 reconciliations, which were signed as verified by councillors.

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 as below:

- The council for all items over £5,000
- A duly delegated committee for items over £500
- The Clerk, in conjunction with Chairman of Council or Chairman of Appropriate committee for items below £500

It was noted that the emergency authorisation level for the Clerk is £500.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. Sample checking of invoices and payment lists confirm correct processes are being followed.

Financial regulation 6 deals with making payments. The council makes payments by cheque only. The council is looking into setting up internet banking. Cheque payments require two signatures and there are four councillors authorised to sign.

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 and does not exceed the annual per elector limit of £8.12 per elector

The council has section 137 limit expenditure within limits.

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.

At the interim audit date, 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 (INTERIM AND FINAL AUDIT)

Interim Audit

The council has a simple risk assessment in place which was last reviewed in July 2019. Given the size of the council, this is adequate.

The council has a valid insurance policy in place, with Public Liability and Employers Liability cover of £10 million, and a Fidelity Guarantee of £25,000. **The council is recommended to review the level of the Fidelity Guarantee cover as it appears insufficient.**

At the interim audit date, 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 (INTERIM AND FINAL AUDIT)

Interim Audit

I confirmed that the 2020/21 budget and precept setting process has begun. The final budget and precept is planned to be agreed by council in January 2020.

The council currently does not have a formal business plan or forward budget plan, but has forward plans within its finance committee meeting minutes and a village plan in progress. **It is recommended that the council develops a business plan and forecast budget plan to support it.**

Following the previous internal audit report, the council have resolved to earmark a total of £8,000 on a number of local projects including the nature reserve and traffic calming. The council also holds a further circa £10,000 in earmarked reserves. General guidance recommends the Council’s general reserve should be circa 50% of precept, adjusted for local conditions. The general reserve is slightly higher than the recommended figure, but not unreasonably so for a small council.

At the interim audit date, 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 AND FINAL AUDIT)

Interim Audit

Apart from the precept, the council's other income is through:

- Allotments
- CIL

Further to the previous internal audit report, the Clerk has now re-established rental income for the allotments.

At the interim audit date, 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 no petty cash.

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 AND FINAL AUDIT)

Interim Audit

The council uses an external company to process payroll. Payments are made by the council and approved using the same system. There are no councillor allowances. The Clerk does not have a signed contract of employment but is on the NJC scale. Checks of the HMRC calculations will be completed at the year-end audit.

At the interim audit date, I am of the opinion 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 AND FINAL AUDIT)

Interim Audit

The council has a simple 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. Additions and deletions are completed in year.

At the interim audit date, 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 (INTERIM AND FINAL AUDIT)

Interim Audit

At the interim audit date the council had a reconciled bank position as at the end of September, which has been signed in accordance with Financial Regulations.

At the interim audit date, 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)

To be tested at year end.

K. TRUSTEESHIP (INTERIM AUDIT)

The council has no trusts.

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

To be tested at year end.

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

Kind regards

Yours sincerely

A Beams

Andy Beams