

Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Newnham Parish Council		
Name of Internal Auditor:	Josie Flavell	Date of report:	30 May 2020
Year ending:	31 March 2020	Date audit carried out:	28 May 2019

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

Clerk and RFO: Marion Money
 Chairman: Cllr Terry Regan
 Vice Chairman: This position remains vacant
 Council hold 8 seats with no vacancies.

To the Chairman of the Council:

I met with Marion Money, Clerk and RFO and Jim Simpson, Internal Control Councillor on 28th May 2020 to carry out the year-end audit of the Council; I would take this opportunity to thank Marion and Jim for their time and assistance.

After extensive review of Council's website and documentation I can report as follows.

FINANCE

Newnham Parish Council completed their annual accounts on an receipts and payments basis, and as their income and expenditure exceeds £25,000 , they qualify for an external audit.

At year-end (31.03.2020) the balance of accounts was £20,737, which was recorded on both the year-end bank reconciliation and Box 7 of the Annual Governance and Accountability Return.

- Earmarked Reserves £10,300.00
- General Reserves £8,000.00
- Free cash reserves £2437.26

It is noted that the general reserves are a little on the low side and ideally this should be built up over time to ensure the smaller authority has at least 50% of the annual precept available.

The smaller authority do not hold any petty cash.

Year-end Procedures

The smaller authority carried out all year-end practices in-line with current legislation and will ensure that Section 01 Annual Governance and Section 02 Accounting Statement 02 of the Annual Return, will be properly recorded in the minutes at its June meeting.

Budget & Precept

Pursuant to proper practices and legislation, the Council set a precept for the year of £31,556 from a detailed budgetary process, which was recorded in the January 2020 minutes (min. ref. 2.1.20/d). However, only the precept was clearly minuted and fully approved. The smaller authority must ensure going forward that both the budget and precept are formally reviewed and approved and recorded as such in the minutes.

All budget variances throughout the year have been reported satisfactorily, via the minutes and the year-end external audit documents.

Cashbook

Upon review of the cashbook, it is evident it was well maintained and kept up to date throughout the financial year. However, provision should be made for the minute reference approving the payments received, to be recorded within the cashbook to allow for a direct link between the transactions and the minute record.

VAT

VAT has been applied for throughout the financial year at half yearly intervals with the last claim being submitted to HMRC at financial year-end – April 2020.

S137

LGA 1972 Section 137 was correctly recorded in the cashbook ledger and provision for this had also been made within the budget.

Employee Salary

The Clerk/RFO is currently earning a salary below the threshold so there are no tax or NI contributions to be made and all salaries have been paid in accordance with HMRC rules and Council approval, and recorded accordingly in the cashbook ledger.

- Total annual staff cost for 2019/20 were £4,422.00, a minimal increase on the 2018/19 year.

Bank Accounts/Mandate

Council transferred their bank accounts from Natwest to Unity Trust during the year and hold both a reserve and current account. Council also agreed to switch from paying by cheque where able, and allow the RFO to now pay all expenditure by BACS via online banking. This was all satisfactorily agreed and approved by Council and recorded as such in the minute records.

The bank mandate was also reviewed during the year and re-adopted.

Bank Reconciliations

The council have made provision for a new internal control system since the last internal audit visit, and now have a satisfactory system in place.

All bank reconciliations and accounts are reviewed quarterly by the Internal Control Councillor, Jim Simpson. However, going forward, the smaller authority should ensure that this is clearly recorded in the minutes every quarter for clarity and audit purposes.

Insurance

Council reviewed and approved the renewal of the annual insurance policy at the October meeting (min. ref. 7.10.19) and currently have adequate cover in all areas. However, going forward, the smaller authority should ensure that details of the insurance broker and cost are clearly recorded in the minutes.

Contracts

It was evidenced that annual contracts were reviewed and approved by council. However, pursuant to legislation and transparency regulations, all contracts and their value should be presented on the smaller authority's website. This needs to be rectified prior to issuing the audit documents to the external auditors.

It was also noted that the street light maintenance is not currently managed via an annual contract but done so on an ad-hoc basis. The smaller authority should review their position concerning this matter to ensure effectiveness of the service provided and best value for money is considered.

DUE PROCESS

After extensive review of all documents made available to me via the smaller authority's website and the Clerk/RFO, I can confirm that the following were present and correct, tailored in-line with the Council's needs, and were also reviewed and approved by council throughout the year:

- Standing Orders and Financial Regulations
- Equal Opportunities Policy
- List of members interests
- Agenda and minutes for all meetings – although, invoice numbers should be included on all agendas and minutes for transparency and audit purposes.
- General Data Protection Policies and Procedures

However, the smaller authority are currently missing the following policies and procedures and should make provision for these during the 2020-21 year:

- Internal Control Statement
- Purchase Order system
- Recruitment Policy
- Grievance Procedures and Dignity at Work Policy
- Disciplinary Procedures
- Training Statement and Policy
- Lone Workers Policy and Risk Assessment
- Cemetery Regulations
- Regular Payments List

Transparency Code

All end of year accounts and audit documentation will be made available on the smaller authority's website after the June 2020 council meeting.

Miscellaneous

- It was evidenced that audit reports and action plans were recorded as being received and actioned.
- Council is currently still eligible for the General Power of Competence.
- The smaller authority should consider making extra provisions for backing up of all data.
- Arrangements for the public to inspect council's records exists.

Transaction Spot-Check

I conducted a spot-check on various transactions throughout the year and could find no evidence of unexplained variances. However, provision for reporting the invoice number against each transaction on the payments table of each agenda/minute, should be considered going forward.

RISK MANAGEMENT & ASSET CONTROL

- Council have an up to date Risk Assessment which was present on the website. This currently does not show the value of each asset, which will need rectifying going forward.
- All minute pages were initialled and signed in full by the Chairman on the final page of each minute record.
- There was only one S137 payment made throughout the year and this was recorded in both cashbook and the minutes correctly.
- Control measures concerning the bank accounts will be covered within the new Internal Control Statement which the Clerk/RFO will create.

CONCLUSION

Through extensive examination and investigation in all areas, it was evidenced that all matters are in order. Therefore, I am satisfied that appropriate and effective procedures and internal controls systems are in place, allowing for Section 4 (Internal Audit) of the Annual Return to be authorised.

Council did not carry out an annual appraisal of the Clerk's performance as suggested during the last audit, however, this was due to various personal reasons which I can verify were more than an acceptable reason for this to not having taken place. This will be rectified in the next month.

During what has been a challenging year for various reasons, the Clerk and council have managed to make the necessary improvements as outlined in the 2018-19 Internal Audit report. However, the actions as outlined and contained within this report will require attention prior to submitting audit documentation to the external auditor and the 2020-21 internal audit.

It is still apparent that Council, with their competent and diligent Clerk, will continue to make the necessary progress and improvements and continue to make an effective team going forward.

This report is based on the evidence made available to me on either the Council's website or in hardcopy form. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently, the report is limited to those matters set out above.

Once again, I would like to thank your Clerk and Cllr Simpson for their time.

Yours sincerely,

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The figures submitted in the Newnham Parish Council Annual Governance and Accountability Return are:

	Year ending 31 March 2019	Year ending 31 March 2020
1. Balances brought forward	36163	23850
2. Annual precept	26326	31556
3. Total other receipts	8288	6727
4. Staff costs	4370	4422
5. Loan interest/capital repayments	0	1157
6. Total other payments	42557	35817
7. Balances carried forward	23850	20737
8. Total cash and investments	23850	20737
9. Total fixed assets and long term assets	33917	33917
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2017)*. It is a guide to the accounting practices to be followed by local councils, and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.northantscalc.com/uploads/practitioners-guide-2017.pdf>