

Alison Ball**Clerk & RFO****Ewshot Parish Council**

14 May 2020

Dear Alison

Ewshot Parish Council - Internal Audit 2019-20

The internal audit of Ewshot Parish Council for the 2019--20 financial year is now complete I am pleased to be able to report that I have signed off the attached internal audit report with no comments.

As stated in the engagement letter, the scope of our work is limited to completing the audit testing and enquiries we deem necessary to complete Section 4 of the Annual Report for Local Councils in England. We do not provide assurance over or accept responsibility for areas of work not included in this scope, unless specifically agreed with the Council during the financial year.

In providing internal audit services we are not conducting a financial statement audit in accordance with standards and guidelines issued by the Audit Practices Board and our procedures are not designed to provide assurance over the reliability and quality of your financial statements and management information.

We are required by the Annual Internal Audit Report included in the Annual Governance and Accountability Return (AGAR) to review controls in place at the Council against predefined control assertions. These control assertions are set out below, together with the results of my internal audit work for 2019-20. This was carried out in two stages. The interim audit visit on 9 December 2019 concentrated on in year financial transactions and governance controls. The final audit was carried out remotely, due to Covid 19 restrictions. This work was carried out on 11/12 May 2020 and concentrated on the statement of accounts and balance sheet.

Guidance on sign off of the AGAR

External audit (PKF) have provided advice on sign off procedures for the 2019-20 AGAR. These are set out below

“there are no changes in the requirement for wet signatures on the AGAR. Our understanding is that wet signatures need to be added to the AGAR in the same order as previous years and that the AGAR will need to be passed between the relevant individuals for signature. Where individuals are self-isolating it is hoped that local assistance will be available to facilitate this. “

I will leave the Council to work out if this is achievable, given restrictions currently in place, but please do not put yourselves at risk to comply with this minor administrative requirement.

I set out a detailed schedule of recommendations for consideration by Councillors at Appendix A to this letter.

A - Appropriate books of account have been kept properly throughout the year Interim Audit

The Council uses an excel spreadsheet template to record transactions and prepare management and financial accounts. This is appropriate for a council of this size, and my testing confirmed that documents to support transactions could be readily located.

I confirmed that the opening balances on the excel workbook at 1.4.19, as recorded on the opening balance sheet, could be agreed back to the audited annual return for 2018-19. A completion of audit notice was published on 30 September, before the regulatory deadline. The Council was having issues with the website at the time of my interim audit. I will therefore check for proper publication of the 2018-19 audited accounts at my final audit.

The Council received a qualified audit opinion in 2018-19, relating to completion of the annual governance statement. I will provide guidance at financial year end to reduce the risk of this reoccurring in 2019-20.

The Council will submit a VAT return for the first 9 months of the financial year at the end of December 2019. Given the low level of expenditure at the Council, this is not inappropriate.

I am satisfied that the Council is meeting this control objective.

Final Audit

The Clerk presented the internal audit report to the December 2019 meeting of Full Council and an action plan was agreed.

I confirmed that the conclusion of audit notice and the 2018-19 audited AGAR has been published on the Council website, in line with regulations.

I was able to agree balances in the accounts back to the year-end ledgers produced from the excel cashbook. I checked that the accounts cast correctly, and that comparative figures could be agreed to the audited 2018-19 accounts.

I am satisfied that the Council has met this control objective.

B - The Council's financial regulations have been met, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for Interim Audit

Financial Regulations were updated in October 2019, and include recent amendments recommended by NALC. Standing orders should also be checked before the end of the financial year.

The Council approves expenditure via the annual budget process. Each month, the Council reviews the future expenditure to be made in the finance report circulated by the Clerk before each meeting of the Council. Payment approval is then minuted, supported by a detailed list of payments. 2 councillor signatures are then required on the cheques, which are signed once councillors have inspected and signed off the supporting invoice. This system is compliant with financial regulations.

I reviewed expenditure recorded on the cashbook – I was able to confirm that no payments for works have been made to councillors this financial year.

I tested a small sample of expenditure transactions. I was able to confirm the following for all transactions sampled:

- Cashbook entry could be agreed back to an invoice from the supplier
- VAT accounting correct
- Approval for the payment was recorded in a minute of a council meeting.

Only 1 councillor signature could be seen on 2 cheques viewed – The clerk has noticed this issue and I was able to confirm this has now been addressed by checking the cheque book for the past three months.

I recommend that the Council moves forward with plans to make payments electronically. Cheques are not secure, and are frequently lost by suppliers, and the closure of local banks is likely to make cheques less attractive to many suppliers in the near future. This will require the Clerk to work with Councillors to develop a system that operates effectively, but that is also compliant with financial regulations.

Final Audit

Non pay expenditure per box 6 to the accounts was £16,535, up from £12,432 in 2018-19. .

I selected a sample of payments from the second half of the financial year, as set out below.

13-Jan	630	Vision ICT	New Website - 1st Installment	540.00
10-Feb	635	SRA Trees	Tree works	915.00
25-Mar	BT2	NP Tree Management	Tree works at Broomhill	450.00

I confirmed that

- Cashbook figure agreed to invoice
- Payment agreed at a meeting of the Council
- Approval for works was approved at a meeting of the Council

I am satisfied that the Council has met this control objective.

C - The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Interim Audit

The Council is insured by Ecclesiastical, on a standard local council policy arranged by Came and Co. I reviewed the insurance certificate and confirmed it is in date with an expiry date of April 2020. I have reviewed the policy and it appears that asset coverage is adequate. Money cover is sufficient at £250K.

I have confirmed that the Council backs up computer remotely, with backups taken to the onedrive plus periodic USB backup. Back up has been tested by the Clerk.

I note that the risk assessment was considered at the June 2019 meeting of the Council, and a separate minute provided. I have reviewed the risk assessment and consider it covers risks associated with Council of this size, it is a standard Parish Council template.

I am satisfied that this control objective has been met.

No further work at final audit

D - The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Interim Audit

Budget setting for 2020-21 is well under way. A draft budget has been sent to the Chair and Vice chair of the Council by the Clerk. The draft budget will then be considered at the December meeting of Full Council, with final approval of precept and budget to be recorded at the January meeting. I confirmed with the Clerk that reserves are being considered as part of budget setting, the council should consider how to make use of its general reserve balance.

Budget reporting occurs on a quarterly basis to council. I checked the quarter 2 report, which clearly set out the budget position of the council – this had been reviewed by councillors and signed off accordingly. Reserves at this point were £67K.

Final Audit

Council reserves at 31 March 2020 as recorded in box 7 to the accounts were £54,631 (2018-19 £46,010). Of this £33K is set aside to in earmarked reserves. Council usable reserves are therefore around £21K, which is 70% of precept. This is a little higher than I would recommend, but the Clerk has explained that the Council is a little behind on planned projects.

Budget and precept were approved at the Full Council meeting in January 2020, and all precepting authority deadlines were met.

I am satisfied that the Council is meeting this control objective

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

Final Audit

Precept per box 2 to the accounts was £29,800 (2018-19 £28,994). This has been agreed to information provided by the external auditors.

Non precept income per box 3 to the accounts was £2,827 (2018-19 £1,179) Given the low value of non-precept income, this has not been tested.

I am satisfied that the Council is meeting this control objective.

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

No petty cash

G- Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.

Interim Audit

Payroll is currently processed externally, using a payroll bureau, FirmValue. Timesheets are sent to the bureau, who calculate payroll. Payment is approved at a council meeting. A payment is then made to FirmValue and pay is then transferred to the Clerk.

I tested September payroll from the cashbook. I agreed cashbook payment back to payment request from the payroll bureau. I was able to locate Clerk's gross pay from this document and confirmed this back to the Clerk's contract.

Final Audit

Staff costs per box 4 to the accounts were £7,471 (2018-19 £6,056)

I note the Council has changed payroll bureau since my last visit. No further testing was carried out at year end. I am satisfied that the Council is meeting the requirements of this control objective

H - Asset and investments registers were complete and accurate and properly maintained.

Final Audit

Fixed assets per box 9 to the accounts were £107,340 (2018-19 £107,340)

I have been able to reconcile the balance in the accounts back to the fixed asset register. The Clerk has confirmed there are no additions or disposals this financial year.

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

Interim Audit

I was able to confirm that the bank account is reconciled to the cashbook each month, via the cashbook spreadsheet. I checked that bank reconciliations are subject to councillor review each quarter and that this review is evidenced. I was also able to confirm, by reference to minutes of council meetings, that the bank reconciliation is discussed regularly at Council meetings.

I re-performed the bank reconciliation for September 2019. I tested the following

- Confirmed balances back to bank statements
- Checked arithmetic
- Confirmed signature of councillor on bank reconciliation
- Confirmed the bank reconciliation had been noted at a Council meeting.
- Reviewed unrepresented cheques

Final Audit

Cash per box 8 to the accounts was £54,631 (2018-19 £46,010)

I agreed the cash balance per the accounts to the year-end bank reconciliation. I was able to agree balances in the bank reconciliation back to bank statements for the Council's bank accounts and to the cashbook at 31 March 2020. The bank reconciliation had understandably not yet been subject to councillor review.

I am satisfied that this control objective has been met

L - 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, were supported by an adequate audit trail from underlying records

Final Audit

Satisfactory – Accounts have been produced on a receipts and payments basis, this is appropriate and income and expenditure at the Council is below £200k.

An explanation of year on year variances has also been prepared, with detailed explanations for variances provided.

I am satisfied this control objective has been met.

K - Trust funds (including charitable) The council met its responsibilities as a trustee.

No trusts – confirmed by the Clerk

L – Inspection Periods

Final Audit

Inspection periods for 2018-19 accounts were set as follows

Inspection - Key date	2018-19 Actual
Accounts approved at Full Council	24 June 2019 Full Council
Date Inspection Notice Issued and how published	25 June noticeboards and website
Inspection period begins	26 June
Inspection period ends	6 August
Correct length	Yes
Common period included?	Yes

I can confirm that regulations were followed in this respect and that the Council can therefore sign off that it has met control objective 4 on the annual governance statement – inspection rights.

I recommend that the Clerk takes care to set the inspection period correctly for the 2019-20 accounts, due to the exceptional circumstances in place due to Covid 19. Guidance from external audit can be found at <https://www.pkf-littlejohn.com/services-limited-assurance-regime-useful-documents-and-links>.

I attach my invoice for your consideration. I would like to take this opportunity to thank Alison for her help with the audit. Please do not hesitate to contact me if I can be of any assistance, and I hope to be able to work with you in 2020-21.

Yours sincerely

M Platten

Mike Platten CPFA

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
Cheques are not secure, and are frequently lost by suppliers, and the closure of local banks is likely to make cheques less attractive to suppliers in the near future.	I recommend that the Council moves forward with plans to make payments electronically. This will require the Clerk to work with Councillors to develop a system that operates effectively, but that is also compliant with financial regulations.	Still under consideration, Clerk has raised this as an issue and will continue to work on this. .
The Council was having issues with the website at the time of my interim audit.	I will therefore check for proper publication of the 2018-19 audited accounts at my final audit.	
I confirmed with the Clerk that reserves are being considered as part of budget setting,	The council should consider how to make use of its general reserve balance.	

No points raised at final audit