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Our Ref: MARK/WES002

Mrs C Smith
West Itchenor Parish Council
6 Locksash Close
West Wittering
Chichester
West Sussex
P020 8QP

Date 22nd April 2020

Dear Carol

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

Following completion of our interim internal audit on the 15th October 2019 and final audit on 22nd April 2020 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.**

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 Carol 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.

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 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 West Itchenor 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 Carol 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.

Final Audit – Summary Finding

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

- Review of annual accounts and 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 transactions of the council for the year ended 31st March 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use Excel for recording the day to day transactions of the council. On average there are approximately half a dozen transactions per month. My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

The Council is not VAT registered and has no requirement to do so. VAT refunds are completed annually, with the latest reclaim about to be completed.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change.

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 external auditors report has not yet been received. Once received, the Clerk is aware that it needs to be reported to the next council meeting and published on the council's website. Compliance with this will be checked at the year-end audit.

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 have also agreed to receive information by electronic mean, and this has been recorded in the minutes.

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. All councils are encouraged to follow the code to provide greater transparency for the public and to reduce the potential of

Freedom of Information requests. A review of the web site shows that some of the transparency data is on the website, including payments, constitution documents and the asset register

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 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 are in the process of updating all GDPR information to the new website, which will include a Privacy Notice and details of what personal information the council holds, how it is stored and used.

Confirm that the council meets regularly throughout the year

The Council has the following committees:

- Full Council - meets bi-monthly
- Planning Committee – meets two weekly (unless no applications)

Spending powers are with full council.

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 was noted that the supporting documentation referred to in the agendas is also posted to the website.

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

Draft minutes are typically published within two weeks of the meeting and final minutes are uploaded to the council website 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 Clerk has revised and updated the Standing Orders, which are now based on the NALC model (2018 version) and are on the agenda for adoption at the November 2019 meeting.

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

The Clerk has revised and updated the Financial Regulations to be based on the NALC model (2019 version) and are on the agenda for adoption at the November 2019 meeting. 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 bi-monthly bank reconciliation for all accounts and this is minuted at council meetings in accordance with regulations.

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.

- £5,000 + Council
- £1,000 + Delegated committee
- Below £1,000 – Clerk in conjunction with the Chairman of Council

This level of authority requires the Clerk to confirm every transaction with the Chairman of the Council. It would be prudent to consider a lower level of authority under which the Clerk can operate independently, say £250 - £500, to allow for small routine expenditure to be authorised without undue delay.

Financial Regulation 5 deals with authorisation of payments. From sample checking of invoices from September 2019, minutes show authorisation of payments lists in accordance with regulations and invoices are signed by a councillor.

Financial regulation 6 deals with making payments. The council makes payments predominately online with occasional cheque payments and some direct debit payments. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions, and the council has adopted an Internet Banking Policy in July 2014. Cheques must be signed by two individuals. Renewal of direct debit payments are confirmed annually at the May meeting.

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 the General Power of Competence (GPC), which was adopted and noted in the minutes of the May 2019 meeting and does not use section 137 powers.

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

Final Audit
I am of the opinion the council is following its own regulations and that any changes to financial regulations are to be considered minor and no indicative of errors in the system.

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 detailed risk assessment document which is signed off each year and taken to council for approval. The newest version of this was taken to the March 2019 meeting for adoption. The document is very comprehensive and covers not only trips and hazards, but also financial and management risks. This document is entirely fit for purpose and I make no recommendation to change.

All council data is now stored on the cloud and regular backs ups are taken to an external drive stored at the Chairman's home address.

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, with Employers Liability and Public Liability cover of £10million and a Fidelity Guarantee cover level of £150,000.

Final Audit
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 is underway, with the first draft due to be reviewed at the November 2019 meeting. It is anticipated that the final budget and precept will be agreed at the January 2020 meeting.

It was noted that currently no three-year forecast is shown. **I would recommend that the council add its 3-year forecast in accordance with Financial Regulation 3.1 and this is aligned to the council's business plan.**

As at the interim audit date, the council had spent £8,169 against a budget of £33,060. This represents a 25% spend year to date, although through discussion with the Clerk it was established some significant planned expenditure is yet to take place. It is anticipated the council will finish the financial year within budget.

Final Audit

At year-end, the council had a total of £11,000 in earmarked reserves, spread across three clearly defined projects, and a further £16,593 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 therefore appropriate for a council of this size.

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

Other than the precept, the council only receives income through grants and donations.
The precept was received in April 2019 and September 2019 and verified to the bank statement. There is no Council Tax Support Grant (CTSG).

Final Audit

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.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

Payroll is processed internally using BrightPay. The Clerk is paid through the payroll for all council work undertaken on an NJC scale. Checks of the PAYE and NI deductions will be completed at year-end. There are no councillor allowances.

Final Audit

A review of the accounting records made available remotely confirms the total salary costs as accurately recorded on the AGAR. Detailed checking of PAYE and NI deductions was not possible, and this will be checked at the next audit.

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 (INTERIM AND FINAL AUDIT)

Interim Audit

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR at the financial year end. The asset register was up to date with all relevant assets as 31 March 2019.

Final Audit

The asset register was checked, and the total found to match that entered on the AGAR for 2019-20.

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 which has been signed in accordance with Financial Regulations. I have reviewed the reconciliation and there were no errors.

Final Audit

At the year-end audit date, the council had a reconciled bank position across its accounts. There were no unrepresented items as at 31 March 2020.

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)

Final Audit

The year-end accounts have been correctly prepared on the receipts and payments basis, and the AGAR correctly casts and cross casts.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15%. 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	22,382	18,165	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	23,573	28,805	Confirmed against precept amount received
3	Total other receipts	26,192	6,092	Confirmed against accounting records
4	Staff costs	9,857	9,988	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	44,125	15,481	Confirmed against accounting records
7	Balances carried forward	18,165	27,593	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	18,165	27,593	No difference as accounts prepared on receipts and payments basis

9	Total fixed assets plus long term investments and assets	7,022	7,022	Total matches asset register
10	Total borrowings	0	0	Council has no borrowing

I am satisfied that the control objective "Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records" has been met.

K. TRUSTEESHIP (INTERIM AUDIT)

The council has no trusts.

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

Final Audit

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	1 July 2019	To be confirmed
Date Inspection Notice Issued	28 June 2019	2 June 2020
Inspection period begins	1 July 2019	3 June 2020
Inspection period ends	9 August 2019	14 July 2020
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes	Yes

The requirements of this control objective were not met for 2018-19.

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, coming into force on 30th April, provide guidance as to the changed submission deadlines and these must be taken into account to ensure compliance with this control objective for 2019-20. A link to the regulations is available here www.legislation.gov.uk

The proposed dates provided by the Clerk for 2019-20 meet the requirements, subject to confirmation of the meeting date at which the accounts will be approved by Full Council.

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

Kind regards

Yours sincerely

A Beams

Andy Beams