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Our Ref: MARK/ROT001

Mr T Thorpe
Rotherfield Parish Council
82 Fermor Way
Crowborough
TN6 3BJ

Date 14th October 2019

Dear Trevor

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

Following completion of our interim internal audit on the 14th October 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 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 Rotherfield 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.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use the RBS system as a day to day accounting package, this is a tried and tested industry specific package. The system is used regularly to report on and record the financial transactions of the council. There is a single user (the Clerk/RFO) with their own individual logon. This is a small council and as such no scope for segregation of duties, all financial elements are undertaken by the Clerk.

On a monthly basis, a pack of financial papers is produced and signed by the Chair/Vice-Chair. This contains monthly bank reconciliation reports, bank statements, budget reports, invoices, salary reports and lists of payments, receipts and journal entries for the month.

The Council is not VAT registered. The last VAT reclaim was for the period to the end of September 2019 which showed a refund position. This demonstrates that the Council is up to date with its postings.

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

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 external auditors report was not qualified in 2018/19. This is scheduled to be reported to council at the next meeting. The notice of conclusion of audit and audited AGAR have been posted to the council website.

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 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 required by law to follow the 2015 Local Government Transparency Code. A review of the web site shows that details of payments are published as part of the Council minutes. However, there was no evidence of other required information being published. **I recommend the council review the information held on the Crowborough Town Council website to see the level of detail required to be published to comply with the Transparency Code.**

Confirm that the council is compliant with the GDPR

The council is aware of GDPR and has undergone training. The Council has published a statement on its website regarding GDPR Regulations and adopted a Data Protection Policy in January 2019 detailing how it stores and uses information. 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).

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council - meets monthly
- Highways, Lighting and Transport Committee – meets every other month
- Recreation and Burial Committee – meets every other month

- Planning and Building Committee – meets every three weeks
- Finance and General Purposes Committee – meets twice per year

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 was not posted to 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

The Council publishes draft minutes of meetings on the Council website, which are clearly annotated as such. These are subsequently replaced by final versions after approval at the next meeting.

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

The Council's Standing Orders are dated 27th November 2014 and are based on an old NALC model version. Given that there have been a number of regulatory and statutory changes to the model version since 2014, **I recommend the Standing Orders are urgently updated to the most recent model version (2018)**, a copy of which is available on the SSALC website.

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

The Council's Financial Regulations are based on an older version of the NALC model regulations and are dated 27th November 2014. 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 latest model version (July 2019) is available on the SSALC website, and **I recommend the Financial Regulations are updated to align to the most recent (2019) model version.**

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 for all accounts. A review of the Council minutes confirms that the Chair and Vice-Chair have reviewed and signed the documents, in accordance with FR 2.2.

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.

- The Council for all items over £5,000
- A duly delegated committee of the council for items of £5,000 or below
- The Clerk, in conjunction with Chair (or Vice-Chair) of Council or Chair (or Vice-Chair) of the appropriate committee, for any items of £1,000 or below

Financial Regulation 5 deals with authorisation of payments. From sample checking of invoices from July 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 and direct debit payments. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions. Cheques must be signed by two individuals.

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) and does not use section 137 powers. The GPC was adopted and recorded in the minutes of the Annual Council meeting in May 2019.

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.

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.

At 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 risk management policy which and is subject to annual review by the Finance and General Purposes Committee. This was last completed in July 2019 and details controls in place to mitigate risk in a number of areas, including financial risk.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Employers’ liability and Public liability are held at £10 million each. The Council’s Fidelity Guarantee level is currently set at £150,000 and after discussion with the Clerk **it is recommended that the Fidelity Guarantee level is increased to cover the highest level of balances held during the year.**

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 is due to be completed by December, with the Finance and General Purposes Committee agreeing a recommendation to Council for the budget and precept figures.

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

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

Other than the precept, the Council has the following streams of income:

- VAT refunds
- Burial income
- Grants
- Bank interest

I checked receipt of the precept and Council Tax Support Grant (CTSG) and these have been correctly recorded.

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.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

The council has one employee and calculates the payroll using the HMRC PAYE tool. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

Monthly PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The tax deduction at month 5 was tested – there were no errors.

All council employees are paid through the payroll for all council work undertaken. No employees are paid separately for any other council work undertaken. Councillors are not paid allowances.

At the interim audit date, I am of the opinion that salaries are correctly stated on the AGAR and 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 fixed asset register in place. Assets appear correctly stated at historic or proxy cost. The document is robust enough to be used as a working document as it contains information about insurance value, location and maintenance. The total asset value on the register matches the figure entered on the AGAR.

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 2019. I have reviewed the reconciliation and there were no errors.

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

Interim Audit - Points for consideration by council

Audit Point	Audit Findings	Council comments
Financial Regulations, Governance and Payments	I recommend the council review the information held on the Crowborough Town Council website to see the level of detail required to be published to comply with the Transparency Code.	
Financial Regulations, Governance and Payments	I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office	
Financial Regulations, Governance and Payments	I recommend the Standing Orders are urgently updated to the most recent model version (2018),	
Financial Regulations, Governance and Payments	I recommend the Financial Regulations are updated to align to the most recent (2019) model version.	
Budget, Precept and Reserves	I would recommend that council add its 3 year forecast in accordance with Financial Regulation 3.1 and this is aligned to the Council's business plan.	
Risk Management and Insurance	It is recommended that the Fidelity Guarantee level is increased to cover the highest level of balances held during the year.	