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Our Ref: MARK/SOM001

Mrs C Stephenson
Sompting Parish Council
Old School House
Harriet Johnson Centre
Loose Lane
Sompting
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BN15 0BG

Date 12 May 2020

Dear Carol

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

Following completion of our interim internal audit on the 7th October 2019 and final audit on 12th May 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 Sompting Parish Council are well established and followed. The Clerk is very 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 RBS as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change. The system is used regularly to report on and record the financial transactions of the council. The Clerk is the single user with her own individual logon.

To coincide with the scheduled committee meeting various reports are printed and filed in hard copy, these include but are not limited to, Income and expenditure against budget, cashbooks, bank reconciliations and other reports as fit. This is a clear and easy to follow system and hard copy reports are easy to read and logically filed.

My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

I tested opening balances as at 01/04/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The council is not VAT registered. VAT returns are completed on an annual basis and the last submission was for the period ended 31st March 2019, which showed a refund position.

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 was not qualified in 2018/19. 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

The Council did not have elections in May 2019. I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and Register of Members' Interests, in line with regulations. The councillors also sign acceptance to receive information by electronic means.

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, however it is recommended that Councils follow the code to demonstrate their willingness to be open and transparent. A review of the web site shows that the code is generally being followed through the publication of the required information.

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 introduced 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.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council - meets monthly
- Amenities and Environment - meets Monthly
- Centre - meets bi-monthly
- Planning - meets every two weeks
- Finance - meets monthly

There is also Malthouse Meadow working party which meets as and when necessary to cover specific tasks within their terms of reference.

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 has been noted previously that the supporting documentation referred to in the agendas is not posted to the website, and this was discussed with the Clerk. Due to IT limitations and staff time, this has not yet been implemented. **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, clearly marked as draft, and subsequently replaced with final versions once approved.

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 were adopted by Council on 8th May 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 on 8th May 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 latest 2019 model version are on the Council agenda for adoption next week.

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 and this is minuted 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 as below:

- The council for all items over £5,000
- A duly delegated committee of the Council for items over £1,001 - £4,999
- The Clerk for any items up to and including £1,000
- The Centre Manager for items to and below £300 under defined conditions

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. Sample checking of payments from September 2019 confirm correct processes are being followed, with invoices and payments being properly authorised.

Financial regulation 6 deals with making payments. The council makes payments predominately online, with some direct debits and the occasional cheque. Agreement to make payments by direct debit was re-confirmed by Council at the September 2019 meeting. The Council does not have either e debit or credit card facility.

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 no section 137 expenditure.

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.

Final Audit

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**

Previous internal audit reports confirm a risk management policy is in place, although it could not be located at the interim audit date. To be checked at year-end audit.

Final Audit

The council adopted a new risk assessment in November 2019. This is comprehensive and covers financial and other risks, detailing controls in place and frequency of review of the risks.

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 started. Each committee has held its first meeting to set its initial budget plans, with these expected to be finalised at the next committee meeting. At the November Finance committee, the overall budget will be reviewed with a recommendation for consideration by council in December. Council is currently discussing introducing a business plan and associated longer term financial plan.

The council holds circa £73,000 in general reserves and a further £70,000 in clearly annotated earmarked reserves. Through discussion with the Clerk, all of the earmarked projects are ongoing having been reviewed during the last year. General guidance recommends the council's general reserve should be circa 50% of precept. The Council works towards retaining a minimum £50,000 in general reserves.

At the interim audit date, the council had received 98.5% of its budgeted income and spent 29% of its budgeted expenditure. Expenditure is lower than anticipated due to a number of linked projects being put on hold pending a decision from the District Council regarding the recreation ground.

Final Audit

At year-end, the council held £35,000 in an earmarked reserve for the centre car park and £2,000 in an earmarked reserve for building maintenance. Other earmarked reserves have been used during the year, leaving the remaining balance of circa £108,000 is held 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 higher than recommended and the council should consider reviewing the level held.

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 has various streams of income:

- Room hires
- Grants
- Interest

The precept was received in a single payment in April 2019 and was verified to the bank statement. There is no Council Tax Support Grant.

The council last reviewed its room hire fees in September 2019, with some changes made to party hire fees.

Receipts are issued for any cash received in the office, with a paying in slip completed and banked regularly as required. Amounts are cross checked by the Clerk during the monthly bank reconciliation process.

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 a small float of £30, used for small sundry items. Audit testing showed the expenditure recorded to be as expected and reasonable. The petty cash is balanced approximately every two months.

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 firm to calculate the tax and national insurance. There are no pensions as all employees have opted out. Employees are paid with reference with NJC scales for consistency purposes.

All council employees are paid through the payroll for all council work undertaken. No employees are paid separately for any other council work undertaken. There are no councillor allowance payments made.

Final 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 council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. The fixed asset register has been maintained in an Excel spreadsheet. The asset register was up to date with all relevant assets as at the current financial year end. The only recommendation would be to consider the addition of a column confirming the date the assets were last physically vouched.

Final Audit

The asset register has been updated with new acquisitions during the year. The total was checked and 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 and reported to council. 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 outstanding payments 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)

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% for boxes 3, 4 and 6. 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	136,937	140,154	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	82,700	82,700	Confirmed against precept amount received
3	Total other receipts	33,111	19,179	Confirmed against accounting records
4	Staff costs	44,593	51,657	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	68,001	45,460	Confirmed against accounting records
7	Balances carried forward	140,154	144,916	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	140,154	144,916	No difference to box 7 as receipts and payments
9	Total fixed assets plus long term investments and assets	97,533	104,655	Confirmed against 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)

Due to the Covid 19 outbreak, the statutory deadlines have been changed as follows:

The publication date for final, audited, accounts will move from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that

all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020. The relevant dates as set by Sompting Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	12 June 2019	To be confirmed
Date Inspection Notice Issued	13 June 2019	To be confirmed
Inspection period begins	17 June 2019	To be confirmed
Inspection period ends	26 July 2019	To be confirmed
Correct length	Yes	
Common period included?	Yes	
Summary of rights document on website?	Yes	

I am satisfied the requirements of this control objective were met for 2018-19, and assertion 4 on the annual governance statement can therefore be signed off by the council. The Clerk is aware of the amended dates for 2019/20 due to the Covid-19 outbreak and has plans in place to meet the deadlines.

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion.

	Annual Governance Statement	'Yes' means that this authority	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	YES – receipts and payments accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk is experienced and advises the council in respect of its legal powers.

	conduct its business or manage its finances.		
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	YES – the requirements and timescales for 2018/19 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	YES – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	YES – the council has appointed an independent and competent internal auditor.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	YES – where matters are raised, action taken by council is recorded in the minutes.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	YES – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	N/A – the council has no trusts.

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

Kind regards
Yours sincerely

A Beams
Andy Beams