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Our Ref: MARK/POL001

Mrs J Ognjanovic
Polegate Town Council
49 High Street
Polegate
East Sussex
BN26 6AL

19 October 2020

Dear Jo

Re: Polegate Town Council
Internal Audit Year Ended 31st March 2021

Executive Summary

Following completion of our interim internal audit on 19 October 2020 we enclose our report for your kind attention and presentation to the council. The audit was conducted remotely in accordance with current practices and guidelines and testing was risk based. The council was provided a list of items in the plan to prepare in advance and from this we selected further items to sample. 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 tables at the end of the report.**

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

- Review of the accounting system and financial reporting package
- Review of the Financial Regulations and Standing Orders
- Review of the risk assessments and insurance
- Review of the budgeting process
- Review of salaries
- Review of fixed asset register

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

The Clerk is very experienced, and it is clear the council takes governance, policies and procedures very seriously. 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.

It is therefore our opinion that the systems and internal procedures at Polegate Town Council are well established and followed.

Regulation

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. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are adequate and effective.

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.

Independence and competence

Your audit was conducted by Andy Beams of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor has over 30 years’ experience in the financial sector with the last 10 years specialising in local government.

Engagement letter

An engagement letter was issued in September 2020 covering the 2020/21 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council in September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the Annual Governance and Accountability Return (AGAR).

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)**Internal audit requirement**

Appropriate accounting records have been properly kept throughout the financial year.

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 information requested for the remote audit was provided, and my audit testing showed that these documents were well organised, clear and easy to follow. A review of meeting agendas show sufficient financial information is provided at committee and council meetings to support council decisions. I make no recommendation to change this system.

The council is VAT registered. A review of the records shows the VAT reclaim for the period ending 30 June showed a refund position of £10,046.34 and this was verified as received on 21 July 2020. 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)**Internal audit requirement**

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit.

Due to the extended deadlines for this year, the external auditors report and notice of conclusion of audit for 2019/20 have not yet been returned by the external auditor. On review of the council’s website, it is clear this is routinely published upon receipt.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign “Acceptance of Office” forms and the web site shows the Register of Disclosable Pecuniary Interests for each councillor alongside their contact information.

Confirm that the council is compliant with the relevant transparency code

The council is required by law to follow the 2015 Local Government Transparency Code. A review of the council website shows that the council is following the code through the publication of all the required information in a clear and transparent way.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR and has undergone training. It was noted the council has established common email addresses for all councillors. This is recommended because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it 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 company as its Data Protection Officer (DPO) and has a Privacy Notice on the home page of its website. It is clear the council takes its responsibilities seriously and has made every effort to comply with the legislation.

Confirm that the council meets regularly throughout the year

In addition to full council, the council has a committee structure and a number of working groups. A list of committees and working groups is available on the council website, which also shows the level of authority delegated to each level. A calendar of meetings is published on the website.

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 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 is noted that the non-confidential supporting documentation referred to in the agendas is also available on the council website.

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

Draft minutes are routinely uploaded to the council website and clearly marked as draft. These are subsequently replaced by final versions once approved. It was noted that some of the adopted minutes retain the draft watermark, and it may be worth reviewing the website to ensure these are removed to avoid any confusion.

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

The standing orders are based on an old NALC model. They were last reviewed and adopted by council in May 2019. The model NALC version (available on the SSALC website) has been updated and includes new sections – Responsibilities to Provide Information and Responsibilities under Data Protection Legislation. Both sections contain mandatory requirements and **I recommend the council review their Standing Orders against the current NALC model.**

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

Financial regulations are based on the latest NALC model. They were reviewed and adopted by council on 18 September 2020. The regulations 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.

The council is performing a monthly bank reconciliation for each account. There is evidence of these being reviewed in the minutes of council meetings, along with payments lists, the credit card statement, income and expenditure reports and details of earmarked reserves.

I reviewed the bank reconciliation documents provided for audit. There were no errors identified for any of the samples provided.

The most recent review of the Financial Regulations has altered the thresholds at which authorisations to spend must be obtained to the following:

- The council for all items over £5,000 unless specifically resolved otherwise
- The Clerk, in conjunction with Chairman of Council or Chairman of appropriate committee, for any items below £5,000 or otherwise resolved by council

It was noted that the emergency authorisation level for the Clerk is £2,000.

Payments are reported to the council and evidence of this is recorded in the minutes of the meetings. The council has an established system of checking invoices and a process for segregation of duties for the making of payments via online banking.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.32 per elector.

The council has the General Power of Competence (GPC) and the thresholds do not apply.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place at councillor, committee and council level. I am under no doubt that council properly approves expenditure.

At the interim audit date, 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 therefore 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 AUDIT)

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The council has a detailed risk assessment in place, which identifies risks, assesses the potential impact, records management and control measures in place and agrees any additional actions required. The information was last reviewed in September 2020. This approach is entirely suitable for a council this size.

The council has a valid insurance policy in place with Zurich. This is part of a long term agreement expiring in January 2023. The policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million and a Fidelity Guarantee of £1 million. The council has also adopted a number of Covid specific risk assessments since the start of the pandemic.

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)

Internal audit requirement

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

I confirmed that the 2020-21 budget and precept setting process is about to commence. Arrangements are being made to convene a preliminary budget meeting, with a draft budget anticipated by December for final approval in January 2021.

I have confirmed that in accordance with Financial Regulations, regular reporting of budget against expenditure is carried out and reviewed by council.

At the interim audit date, the council held a total of £584,000 in a number of clearly identifiable earmarked reserves, including a CIL funds reserve holding £225,000. The council's general reserve has a balance of £176,000. General guidance recommends the council's general reserve should be circa 50% of precept, or 3-6 months net revenue expenditure (NRE), as adjusted for local conditions.

The council's performance against budget is regularly monitored and reported on. This is evidenced in a review of the minutes of meetings.

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)

Internal audit requirement

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

Apart from the precept, the council's other income sources are minimal, although there has been a significant CIL receipt during the year, which has been placed into the CIL earmarked reserve.

The council has a schedule of fees and charges which were last reviewed in September 2020.

The Covid-19 pandemic has not had a substantial impact on the council's income, with the council's expenditure also reduced during the pandemic period.

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)

Internal audit requirement

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

The council has a petty cash float of £200. This is used for small sundries and is not significant or material. Petty cash is regularly balanced and confirmed to vouchers and receipts.

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 (FINAL AUDIT)

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

To be reviewed at year-end audit.

H. ASSETS AND INVESTMENTS (INTERIM AND FINAL AUDIT)

Internal audit requirement

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

The council has an extensive fixed asset register in place, which includes all the required information. Assets are correctly stated at historic or proxy cost. The asset register total matches the amount entered on the AGAR last year. Given the size of the register, the council may wish to consider a single page summary which may be of benefit to both councillors and any members of the public viewing the document.

The council has PWLB borrowing. I confirmed the balances and payments to the last PWLB statement.

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)

Internal audit requirement

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

Bank reconciliations are completed monthly, and a review of the council minutes for 27 July 2020 shows these being presented to council for the period since lockdown to date. At the interim audit date, the sample reconciliations were reviewed for each bank account and there were no errors identified.

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)

Internal audit requirement

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, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

To be reviewed at the year end.

K. LIMITED ASSURANCE REVIEW (FINAL AUDIT)

Internal audit requirement

IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick “not covered”)

The council did not declare itself exempt from a limited assurance review in 2019/20.

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

Internal audit requirement

The authority has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

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

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 (SI 2020/404) amended the deadline by which the Annual Governance Statement and Statement of Accounts of the Annual Governance and Accountability Return (AGAR) together with any certificate or opinion issued by the local auditor must be published from 30 September 2020 to 30 November 2020.

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

Previously there was a requirement for all smaller authorities to have a common period for the exercise of public rights, being the first 10 working days of July. Under the new regulations there is no requirement for a common period for the exercise of public rights. Smaller authorities are still required to set a period for this purpose, but the only requirement is that the 30 working day period for the exercise of public rights should start on or before the first working day of September, i.e. on or before 1 September 2020.

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.

I confirmed that arrangements are in place at this council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2019/20 Actual	2020/21 Proposed
Date Inspection Notice Issued	26 June 2020	To be reviewed at year end
Inspection period begins	29 June 2020	To be reviewed at year end
Inspection period ends	7 August 2020	To be reviewed at year end
Correct length	Yes	To be reviewed at year end
Common period included?	n/a	To be reviewed at year end

I am satisfied the requirements of this control objective were met for 2019-20, and assertion 4 on the annual governance statement can therefore be signed off by the council.

I am of the opinion the control objective of “The authority has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations” has been met.

M. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

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

The council has no trusts.

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

Yours sincerely

A Beams

Andy Beams

For Mulberry & Co