

## **Report to Earl Stonham Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2021**

#### **1. Introduction and Summary.**

1.1 The Internal Audit work undertaken confirmed that during the 2020/21 year the Council maintained effective governance arrangements including a robust framework of internal control and risk management. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed that the Council maintains an effective framework of financial administration and internal financial control.

1.2 By examination of the 2020/21 accounts and supporting documentation it was confirmed that the Clerk, in the role of the Council's Responsible Financial Officer (RFO), satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

1.3 The Accounts for the year confirm the following:

*Total Receipts for the year: £10,991.56*

*Total Payments in the year: £12,362.05*

*Total Reserves at year-end: £6,897.44*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2020/21 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £8,267</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £6,556</i>
<i>Total Other Receipts:</i>	<i>Box 3: £4,436</i>
<i>Staff Costs:</i>	<i>Box 4: £2,969</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £9,393</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £6,897</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £6,897</i>
<i>Total fixed assets:</i>	<i>Box 9: £8,423</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within the AGAR.

1.6 All documents were very well presented by the Clerk/RFO for the Internal Audit.

1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control. Comments and any recommendations arising from the review are made below.

**2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation).**

2.1 New Regulations brought into effect as a result of the covid-19 pandemic enabled local councils to hold remote meetings (including by video and telephone conferencing) until May 2021 and removed the requirement to hold an Annual Council Meeting. The Council held video conferencing meetings during 2020/21 other than on 7 September 2020 and 2 November 2020, when Councillors met in person.

2.2 Standing Orders and Financial Regulations are in place. The Council reviewed, approved and adopted both Standing Orders and Financial Regulations at the meeting on 1 March 2021 (Minute ES082.20/21b refers). The documents are in line with the latest model Standing Orders and Financial Regulations and guidance published by the National Association of Local Councils (NALC).

2.3 The Council continued to apply the General Power of Competence (GPOC). At its meeting on 16 May 2019 the Council declared that it was an eligible Council to use the GPOC, having at least two-thirds elected Councillors and a suitably qualified Clerk, and adoption of the Power was agreed (Minute ES14/19/20 refers).

2.4 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council.

2.5 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA291180, expiring 9 November 2021). A Data Protection and Information Security Policy and a Publication Scheme document are in place. Both documents have been published on the Council's website.

2.6 At its meeting on 1 July 2019 the Council adopted the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area (Minute ES48/19/20 refers). The Council demonstrates good governance practice by periodically reviewing and re-adopting the Code, which usefully highlights the requirements and responsibilities placed upon each individual Councillor.

2.7 In response to the website accessibility regulations which came into effect on 23 September 2020, the Council has published a Website Accessibility Statement which details what the Council has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible and contact details to report accessibility problems

**3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting*).**

3.1 The Cashbook Spreadsheet was found to be in good order and well presented.

3.2 The Spreadsheet is well referenced and provides an audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. A sample of transactions was closely examined and was found to be in order with supporting invoices/vouchers in place.

3.3 Re-claims for VAT paid are regularly submitted to HMRC. A re-claim to HMRC of £570.06 for the VAT paid during the year 2019/20 was received at bank on 4 June 2020.

3.4 A Statement of Variances (explaining significant differences in receipts and payments between the years 2019/20 and 2020/21) has been prepared by the Clerk/RFO for publication on the Council's website.

**4. Internal Control and the Management of Risk (*Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*).**

4.1 The Council's Internal Control Measures and Risk Management arrangements were reviewed and approved by the Council at its meeting on 1 March 2021 (Minute ES082/20/21a refers). The documents provide detailed analysis of the financial and other risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 The Council accordingly complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires a review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, with the review suitably Minuted.

4.3 The Internal Auditor could find no evidence of a RoSPA independent inspection of the Multi-Court during the year 2020/21 (see item 10.3 and Recommendation 1 below).

4.4 Insurance was in place for the year of account. The Council approved the insurance renewal payment of £240.24 to CAS Business Ltd. for the forthcoming year at the meeting held on 7 September 2020 (Minute ES014/20/21 refers). Employer's Liability cover and Public Liability cover each stand at £10m. The Fidelity Guarantee cover stands at £25,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

**5. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*).**

Precept 2020/21: £6,556.00

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5.1 The Draft Budget for 2020/21 was considered and approved by the Council at its meeting on 4 November 2019 (Minute ES 99/19/20 iv refers). The Final Budget was agreed by the Council at its meeting on 6 January 2020 and a Precept of £6,556 was approved. The precept decision and amount have been clearly Minuted (ES122/19/20v refers).

5.2 Similarly, the Draft Budget for 2021/22 was considered and approved by the Council at its meeting on 2 November 2020 (Minute ES037/20/21iv refers). The Final Budget and a Precept of £6,557 was formally approved by the Council at its meeting on 19 January 2021. The precept decision and amount have been clearly Minuted (Minutes ES061/20/21v refers).

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. The Council has sound budgetary procedures in place. The Clerk/RFO prepared detailed estimates of the annual budget and of receipts and payments for the year 2020/21.

5.4 The Clerk/RFO presents Budget Monitoring Reports to meetings of the Council as part of the overall budgetary control operating within the Council.

5.5 As at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £6,897.44, all of which were held as General Reserves (the Clerk/RFO confirmed there were no reserves earmarked for special projects). The General Reserves are in line with the generally accepted position that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (in effect, the Precept less any loan repayments - the JPAG Proper Practices Guide, Item 5.32 refers).

**6. Income Controls (*regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms*).**

6.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced on a sample basis with the Council's Bank Statements and were found to be in order.

6.2 At its meeting on 1 March 2021 the Council noted that Allotment Rents had not been increased for many years and required review and updating. The Council recognised that the Council had a duty to apply appropriate fees and charges for its facilities. The Council agreed that an increase in rents should be applied each year in line with the Consumer Price Index (CPI) with effect from September 2021 and each year thereafter (Minute ES087/20/21 refers).

**7. Petty Cash (*Associated books and established system in place*).**

7.1 A Petty Cash system is not in use; an expenses system is in place with electronic payments being made for expenses incurred.

**8. Transparency Code (*Compliance for smaller councils with income/ expenditure under £25,000*).**

8.1 Under the provisions of the Transparency Code, Earl Stonham can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://www.earlstonham.org.uk/>

8.3 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Payments published.*
- b) *Annual Governance Statement: 2019/20 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2019/20 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report: 2019/20 AGAR Annual Return. Published on website.*
- e) *List of councillor or member responsibilities. Published on website.*
- f) *The details of public land and building assets (Asset Register). Published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

8.4 The Council is complying with the requirements of the Transparency Code.

8.5 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 required the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. The Internal Auditor was able to confirm that the document for the year 2019/20 was readily accessible on the Council's website and displayed the Date of Announcement, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.6 The remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis of variances) were confirmed at the date of the audit as being easily accessible on the Council's website.

**9. Payroll Controls (*PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment*).**

9.1 The Council is registered with HMRC and the Payroll is being operated in-house in accordance with HMRC requirements. PAYE is in operation and the P60 End of Year Certificate was presented to Internal Audit.

9.2 In March 2019 the Council considered the grading of the Clerk/RFO's post with reference to the national pay scales. It was noted that the Clerk/RFO had gained the Certificate in Local Council Administration (CiLCA) and it was agreed that the post be confirmed at SCP 25 (SCP 17 under the revised salary scales) (Minute ES153/18/19 refers).

9.3 At its meeting on 7 September 2020 the Council noted that the annual salary increase for Clerks (as from 1 April 2020) had been issued by NALC/SALC and had been implemented in the September 2020 salary, including the appropriate back pay (Minute ES014/20/21 refers).

9.4 With regard to the workplace pensions legislation, the Council wrote to the Clerk/RFO on 2 May 2017 outlining the scheme and the criteria and confirmed that Mrs Blackburn did not become a member of the scheme automatically but had the option to join the scheme. Mrs Blackburn decided not to join the scheme.

9.5 The Pensions Regulator has confirmed that on 25 March 2020 the Council submitted a re-declaration of compliance in accordance with the requirements of the Pensions Act 2008. (The re-declaration of compliance confirms to the Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

**10. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).**

10.1 An Asset Register is in place. The total value of £8,423.33 as at 31 March 2021 displays an increase of £216.33 from the value at the end of the previous year and reflects the addition of the Council's contribution towards the cost of a new laptop computer.

10.2 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at purchase cost (where known) or a proxy value or nominal value in appropriate cases. The value has been correctly entered into Box 9 of Section 2 of the 2020/21 AGAR.

10.3 It was noted that the Multi-Court, for which signs had been purchased in February 2019, was not included in the Asset Register. The Internal Auditor discussed the status of the Multi-Court with the Clerk/RFO, who advised that the asset was transferred to the Council at no charge several years ago.

**Recommendation 1: The Council should clarify the status of the Multi-Court and determine whether it should be included in the Asset Register, possibly at a nominal community value, and confirm that it is included in the Council's current insurance cover.**

**11. Bank Reconciliation (*Regularly completed and cash books reconcile with bank statements*).**

11.1 The Clerk/RFO routinely presents Bank Reconciliations to the Council meetings.

11.2 The bank statements for the TSB Current Account and the TSB Savings Account as at 31 March 2021 reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

**12. Year End procedures (*Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate*).**

12.1 End-of-Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.

**13. Internal Financial Controls, Payments Controls and Audit Procedures (*Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented*).**

13.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions. The Council receives details of the financial position of the Council, including the balance of the accounts, bank reconciliations, payments for authorisation and receipts since the last meeting.

13.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. Payments were made through internet banking during 2020/21. The Clerk/RFO is the Service Administrator, who initiates payments which are then authorised by two Parish Councillors before payment is released. The procedure is documented in the Council's Financial Regulations.

13.3 The Internal Audit Report for the previous year, 2019/20 was received and approved by the Council at its meeting on 9 June 2020 (Minute ES005/20/21c refers). The Report put forward the recommendation that the Council should ensure that the Internet Banking payment confirmation is attached to the appropriate paid invoice/voucher to secure an adequate audit trail. The Clerk/RFO confirmed that she is securing control over on-line payments by maintaining a Transaction List and updating the List following each electronic payment.

13.4 The Internal Auditor for the 2020/21 year was appointed by the Council at the meeting held on 1 March 2021 (Minute ES081/20/21e refers).

**14. External Audit (*Recommendations put forward/comments made following the annual review*).**

14.1 An External Audit was not required in the year 2019/20. At its meeting on 9 June 2020 the Council approved the Certificate of Exemption from a Limited Assurance Review and agreed that it should be signed by the Chair and the Clerk/RFO (Minute ES005/20/21 refers).

14.2 For the year 2020/21 the Council may similarly apply for Exemption from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account. At its meeting on 1 March 2021 the Council noted that these arrangements would apply to the 2020/21 year (Minute ES081/20/21f refers).

**15. Additional Comments.**

15.1 I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**6 May 2021**