

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

### **The Internal Audit of the Accounts for the year ending 31 March 2020**

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

1.1 The Internal Audit for the year 2019/20 was undertaken during the period of 'lockdown' following the coronavirus pandemic; at that time travel was severely restricted, social distancing was in place and many Clerks and Councillors were having to self-isolate.

1.2 In view of this unprecedented situation, the essential information required for the completion of the Internal Audit was e-mailed by Mrs Jennie Blackburn, the Clerk/Responsible Financial Officer (RFO) to the Internal Auditor, who undertook the work remotely/electronically. All relevant published data held on the Council's website was accessed by the Internal Auditor. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were accordingly completed. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the reports in order that they can be addressed at a later date, either at the next scheduled internal audit or when circumstances permit.

1.3 The Internal Audit work undertaken confirmed that during the 2019/20 year the Council maintained effective governance arrangements including a robust framework of financial administration and internal control. The Council has continued to ensure that effective and efficient financial administration is in place.

1.4 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's 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.

1.5 The Accounts for the year confirm the following:

*Total Receipts for the year: £10,825.65*

*Total Payments in the year: £10,670.22*

*Total Reserves at year-end: £8,267.93*

1.6 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 2019/20 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £8,112</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £6,400</i>
<i>Total Other Receipts:</i>	<i>Box 3: £4,425</i>
<i>Staff Costs:</i>	<i>Box 4: £2,918</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £7,752</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £8,267</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £8,267</i>
<i>Total fixed assets:</i>	<i>Box 9: £8,207</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.7 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 2019/20 within the AGAR.

1.8 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 Standing Orders and Financial Regulations are in place. The Council reviewed, approved and adopted both Standing Orders and Financial Regulations at the meeting on 2 March 2020 (Draft Minute ES144/19/20b refers).

2.2 The Council resolved to apply the General Power of Competence (GPoC) at its meeting on 13 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).

2.3 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council. The Clerk/RFO confirmed to Internal Audit that each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved.

2.4 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 2020). A Data Protection and Information Security Policy is in place, having been signed by the Chair of the Council at the meeting on 14 May 2018. A Publication Scheme document is also in place. Both documents have been published on the Council's website.

2.5 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.

2.6 As part of its preparation towards meeting the new website accessibility regulations which need to be complied with no later than 23 September 2020, the Council received a report at its meeting on 1 July 2019 regarding compliance (Minute ES46/19/20 refers).

**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 Cashbook Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. A small sample of transactions was closely examined and was found to be in order with supporting invoices/vouchers in place. The Clerk/RFO has confirmed to Internal Audit that all payments made in the 2019/20 year were supported by invoices/vouchers.

3.3 Re-claims for VAT paid are regularly submitted to HMRC. A re-claim to HMRC of £511.02 VAT paid during the period 1 April 2018 to 31 March 2019 was received at bank on 14 May 2019 and reported to Council at the meeting on 1 July 2019 (Minute ES47/19/20 refers).

3.4 A Statement of Variances (explaining significant differences in receipts and payments between the years 2018/19 and 2019/20) 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 2 March 2020 (Minute ES144/19/20a 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 At its meeting on 6 January 2020 the Council noted that Mid Suffolk District Council had undertaken the annual RoSPA independent inspection of the play area and multicourt on 17 October 2019. The Council noted the report and agreed that as

the findings were 'very low risk' no action was currently needed (Minute ES131/19/20 refers).

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 2 September 2019 (Minute ES76/19/20iii 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 2019/20: £6,400.00

Precept 2020/21: £6.556.00

5.1 The Draft Budget for 2019/20 was considered by the Council at its meeting on 5 November 2018 (Minute ES87/18/19d refers). The Final Budget and a Precept of £6,400 was formally approved by the Council at its meeting on 7 January 2019. The precept decision and amount have been clearly Minuted (Minutes ES114/18/19 d and e refer).

5.2 Similarly, 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).

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities, commitments, forward planning and the need for 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 and these estimates can be used effectively during the year for financial control and budgetary control purposes.

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 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £8,267.93, all of which are General Reserves (the Clerk/RFO confirmed there were no reserves earmarked for special projects). The General Reserves are marginally in excess of the generally accepted best practice position that non-earmarked revenue reserves held should usually be equal to three to six months of contractual expenditure or 50% of the Precept.

**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 The Clerk/RFO advised Internal Audit that Allotment rental rates were last reviewed in September 2018 and remained unchanged in the year 2019/20. An Allotments Register is in place from which the Clerk/RFO controls the renewals and the rents due and received.

**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 cheques or 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'.

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

8.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100.* Yes, payments published.
- b) *Annual Governance Statement: 2018/19 AGAR Annual Return Section One.* Yes, published on website.
- c) *End-of-Year accounts: 2018/19 AGAR Annual Return, Section Two.* Yes, published on website.
- d) *Annual Internal Audit report: 2018/19 AGAR Annual Return.* Yes, published on website.
- e) *List of councillor or member responsibilities.* Yes, published on website.
- f) *The details of public land and building assets (Asset Register).* Yes, published on website.
- g) *Minutes, agendas and meeting papers of formal meetings.* Yes, published on website.

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

8.4 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 Clerk/RFO confirmed that the notice had been placed on the website and all noticeboards but has since been removed.

**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 At its meeting on 4 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 passed her Certificate in Local Council Administration (CiLCA) and it was agreed that the post be confirmed at SCP 25 (Minute ES153/18/19 refers).

9.3 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.

**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 £8,207 as at 31 March 2020 is unchanged from the value at the end of the previous year.

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 of £8,207 has been correctly entered into Box 9 of Section 2 of the AGAR.

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

11.1 The bank statements for the TSB Current Account and the TSB Savings Account as at 31 March 2020 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, 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 predominately made through electronic means/internet banking during 2019/20. 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. In addition, the Clerk/RFO confirmed that:

- (a) invoices/vouchers for payment are signed or initialled by the nominated signatories in confirmation of the payment being correctly made.
- (b) where appropriate, cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment.
- (c) where appropriate, Cheque Book counterfoils are initialled by Cheque Signatories, in accordance to the requirements of the Council's Financial Regulations under 'Instructions for the Making of Payments'.

**Recommendation 1: The Council should ensure that the Internet Banking payment confirmation is attached to the appropriate paid invoice/voucher to secure an adequate audit trail.**

13.3 The Internal Audit Report for the previous year, 2018/19 was reported to the Council at its meeting on 13 May 2019 (Minute ES21/19/20iv refers). The Report raised no matters of concern.

13.4 The Internal Auditor for the 2019/20 year was appointed by the Council at the meeting held on 2 March 2020 (Minute ES143/19/20v refers).

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

14.1 An External Audit was not required in the year 2017/18. At its meeting on 13 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute ES21/19/20 refers).

14.2 For the year 2019/20 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 2 March 2020 the Council noted

that these arrangements would apply to the external audit for 2019/20 (Minute ES143/19/20vi refers).

**15. Additional Comments.**

15.1 The Annual Parish Council meeting was held on 13 May 2019, within the required timescale. The first item of business was the Election of Chair, in accordance with the requirements of the Local Government Act 1972.

15.2 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**

**14 May 2020**