

## **Report to Three Saints South Elmham 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 Sally Chapman, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were completed accordingly. 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 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.

1.4 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role of 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:

<i>Total Receipts in the year:</i>	<i>£3,088.02</i>
<i>Total Payments in the year:</i>	<i>£2,821.29</i>
<i>Total Balances at year-end:</i>	<i>£6,829.14</i>

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: £6,562</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £3,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £88</i>
<i>Staff Costs:</i>	<i>Box 4: £1,618</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £1,203</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £6,829</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £6,829</i>
<i>Total fixed assets:</i>	<i>Box 9: £11,260</i>
<i>Total borrowings:</i>	<i>Box 10: £0</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 in accordance with the Audit Plan. 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 The updated model Standing Orders, produced by the National Association of Local Councils (NALC), were considered and adopted by the Council at its meeting on 10 September 2018 (Minute 5a refers). Standing Orders were also reviewed and re-adopted by the Council at the meetings on 13 March 2019 (Minute 6h refers) and on 11 March 2020 (Minute 6h).

2.2 Financial Regulations are in place. The Regulations were reviewed by the Council at the meeting held on 11 March 2020 and revised to reflect the latest model Financial Regulations published by NALC in August 2019 (Minute 7c refers).

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

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 under Data Protection legislation (Registration ZA362897, expiring 21 May 2020, refers). The Council demonstrates good management practice by the adoption Data Protection policies, procedures and documentation, including a Data Information Audit Policy, Data Protection Privacy Policy, a Staff, Councillors and Role Holders Privacy Notice and a General Data Protection Awareness Checklist for Councillors.

2.5 The General Data Protection Privacy Policy and the Freedom of Information Publication Scheme Policy were reviewed and re-adopted by the Council at its meeting on 11 March 2020 (Minutes 6e and 6d refer).

2.6 The Council noted at its meeting on 17 July 2019 that the bank mandate details required up-dating and at the meeting on 11 September 2019 the revised bank mandate arrangements were agreed (Minute 5c refers).

2.7 The Council considered and re-adopted the Suffolk Local Code of Conduct at the meeting held on 11 March 2020 (Minute 6b refers). A copy of the Code has been published on the Council's website.

2.8 The Clerk/RFO has constructed a Draft Community Infrastructure Levy (CIL) Fund Annual Report for the year ended 31 March 2020. A final copy of the CIL Annual Report for 2019/20 is due for publication and submission to the District Council no later than 31 December 2020.

2.9 The Council is making preparations to ensure that the new website accessibility regulations will be complied with no later than 23 September 2020 (compliance with the Public Sector Bodies (Websites and Mobile Applications) (No 2) Accessibility Regulations 2018). At the meeting held on 11 March 2020 the Clerk/RFO advised the Council that she would need to attend training sessions leading into the Council's compliance with the regulations (Minute 11 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. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cashbook.

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. In view of the Internal Audit for 2019/20 being conducted remotely/electronically, the supporting vouchers, invoices and receipts were not examined and a sample of the 2019/20 transactions will be undertaken at the next scheduled audit. The Clerk/RFO has confirmed to Internal Audit that payments made in 2019/20 were supported by invoices.

3.3 Relatively small amounts of VAT are normally paid in a year. The re-claim to HMRC of £62.02 VAT paid during the period 1 April 2018 to 31 March 2019 is recorded in the Cashbook as received on 16 April 2019 and was reported to Council at its meeting on 15 May 2019 (Minute 7d 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 Statement (including internal control arrangements and Internal Audit procedures) was reviewed by the Council at the meeting on 11 March 2020 (Minute 6f refers).

4.2 The Council's Risk Assessment and Risk Management documentation was also reviewed and re-adopted by the Council at its meeting on 11 March 2020 (Minute 6g refers). The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified.

4.3 The Council accordingly complied with the Accounts and Audit Regulations 2015 which require 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.

4.4 Insurance was in place for the year of audit. At its meeting on 11 September 2019 the Council resolved to accept the Community Action Suffolk Parish Protect Insurance quotation and the 3-year long-term undertaking at £234.08 p.a. (Minute 5b refers). The Employer's Liability cover and Public Liability cover each stand at £10m. The Councillor/Employee Dishonesty (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.

4.5 The Council demonstrates good risk management by maintaining a 'Clerk's Contingency Plan' (which lists essential information in the event of an emergency) and which is held away from the Clerk's home/office (Council's meeting on 11 September 2019, Minute 8 refers).

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

Precept 2019/20: £3,000 (Meeting on 14 November 2018, Minute 5b refers).

Precept 2020/21: £3,000 (Meeting on 13 November 2019, Minute 5b refers).

5.1 The Budget for the year 2019/20 formed part of the approved Minutes of the Council and displayed the amount of the Precept for the 2019/20 year.

5.2 Similarly, the Budget for the year 2020/21 and a Precept of £3,000 were considered and agreed by the Council at its meeting on 13 November 2019 (the precept was originally Minuted as being £3,500 but was corrected at the meeting held on 15 January 2020). Budget papers are prepared to ensure that Councillors have sufficient information to make informed decisions.

5.3 Good budgetary procedures are in place. Examination of the accounts and

supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The estimates for the 2020/21 year can be used effectively for financial control and budgetary control purposes.

5.4 Detailed budgetary position statements (budget reports) are presented to meetings of the Council.

5.5 The Clerk ensures the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. At the meeting held on 11 March 2020 the Council considered the Finance Reports and its Reserve Funds.

5.6 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The overall Reserves at the year-end totalled £6,829.14, of which £5,561.21 has been earmarked as follows:

- (a) Common Maintenance (£3,000)
- (b) Election (£945.60)
- (c) CIL Fund – for Defibrillator (£448.96)
- (d) Transparency Grant - Clerk's computer equipment (£466.65)
- (e) Strimmer (£500)
- (f) Grants (£200)

5.7 The General Reserve of £1,267.93 held at 31 March 2020 is in line with the generally accepted position that non-earmarked revenue reserves held should usually be between three and twelve months of gross 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 consisted of the Precept 2019/20 (£3,000.00), VAT re-claim (£62.02), East Suffolk Council Litter pick (£20.00) and Bank Interest on the Business Savings Account (£6.00).

## **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 being made out 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, Three Saints South Elmham Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://threesaintssouthelmham.onesuffolk.net/>

### 8.3 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Payments included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2018/19 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2018/19 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report within 2018/19 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 meeting the requirements of the Transparency Code.

8.5 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 requires 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 2018/19 was readily accessible on the Council's website and displayed the Date of Announcement, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement.

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

9.1 The Clerk/RFO confirmed that the Council is registered with HMRC and the payroll is operated in accordance with HMRC requirements. A Contract of Employment for the Clerk/RFO is in place. A copy of the End of Year Certificate P60 for 2019/20 was presented to Internal Audit.

9.2 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 25 January 2018 that the Council has completed a declaration of compliance under the Pensions Act 2008.

## **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 Register was reviewed, updated and adopted by the Council at its meeting on 11 March 2020 (Minute 6a refers).

10.2 The Asset Register as at 31 March 2020 displays a value of £11,260, an increase of £121.00 over the value at the end of the previous year (31 March 2019) and reflects the purchase of a Noticeboard (St. Peters) at a cost of £214 and the

disposal of the old noticeboard (a reduction of £93) during the year of account.

10.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value as at 31 March 2020 has been correctly placed in Box 9 of Section 2 of the AGAR.

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

11.1 At its meeting on 15 January 2020 the Council agreed to write back into the accounts the un-presented, out-of-date cheque no. 100732 for £67.20 (Minute 5a refers).

11.2 The Barclays Community (Current) Account and Business Savings Account bank statements 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 provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 A schedule of proposed payments and income received is presented to each Council meeting and listed in the Minutes as part of the Council's overall financial control framework.

13.3 In addition, the Clerk/RFO confirmed that (a) cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment (b) invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made and (c) Cheque Book counterfoils are initialled by Cheque Signatories, all as a matter of routine in accordance to the requirements of the Council's Financial Regulations 6.4 and 6.5. These areas were not examined due to the Internal Audit being conducted remotely/electronically but will be test-checked at the next scheduled audit.

13.4 The Internal Audit Report for the year 2018/19 was reported to Council at its meeting on 15 May 2019 (Minute 7a refers). No matters of concern were raised in the Report.

13.5 The Internal Auditor for the 2019/20 year was formally appointed by the Council at its meeting on 15 May 2019 (Minute 7c refers).

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

14.1 An External Audit was not required in the year 2018/19. At its meeting on 15 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 7b 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.

**15. Additional Comments.**

15.1 The Annual Parish Council meeting was held on 15 May 2019. The first item of formal business was the Election of Chair, in accordance with the Local Government Act 1972.

15.2 I would like to record my appreciation to the Clerk/RFO for her assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**20 April 2020**