

Report to Three Saints South Elmham 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 continued to maintain effective governance arrangements including a robust and effective 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. The Council displays many examples of good financial practice.

1.2 By examination of the 2020/21 accounts and supporting documentation it was confirmed that the Clerk, in the role as 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:

<i>Total Receipts in the year:</i>	£3,139.55
<i>Total Payments in the year:</i>	£3,229.93
<i>Total Balances at year-end:</i>	£6,738.76

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: £6,829</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £3,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £140</i>
<i>Staff Costs:</i>	<i>Box 4: £1,763</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £1,467</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £6,739</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £6,739</i>
<i>Total fixed assets:</i>	<i>Box 9: £11,260</i>
<i>Total borrowings:</i>	<i>Box 10: £0</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 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 During the period when restrictions were in place due to the Covid-19 coronavirus situation, the Council conducted essential business and meetings through e-mail and, from 9 September 2020, the Council met virtually via Zoom under the Local Authorities and Police Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England and Wales) Regulations 2020.

2.2 Standing Orders are in place. The latest updated Standing Orders, produced by the National Association of Local Councils (NALC), were considered and adopted by the Council at its meeting on 10 March 2021 (Minute 6h refers).

2.3 Financial Regulations are in place. The Regulations were reviewed by the Council at the meeting held on 10 March 2021 and revised to reflect the latest guidance published by NALC (Minute 6c refers).

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

2.5 As part of its governance responsibilities and as a result of the Covid-19 situation, at the Extraordinary Council meeting on 7 May 2020 (conducted via email) the Council approved a Coronavirus Contingency Plan and Action Plan, an Email and Decision-Making Policy and a Scheme of Delegation which delegated all operational responsibilities of the Council to the Clerk/RFO (Minute 2 refers). The Scheme of Delegation remained until the Council met by video-conferencing through the Zoom platform on 9 September 2020.

2.6 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 2021, 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.

2.7 The General Data Protection Regulations (GDPR) Policy and the Freedom of Information Publication Scheme Policy were reviewed and re-adopted by the Council at its meeting on 10 March 2021 (Minutes 6e and 6f refer).

2.8 The Council demonstrates good practice by periodically reviewing and re-adopting the Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. The Council considered and re-adopted the

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TREVOR BROWN CPFA

Internal Audit Services

Charnwood, California, Woodbridge, Suffolk IP12 4DE

Tel: 01394 384698 or 07587 523764

Email: tadbrown01@yahoo.co.uk

Suffolk Local Code of Conduct at the meeting held on 10 March 2021 (Minute 6b refers). A copy of the Code has been published on the Council's website.

2.9 The Council noted at its meeting on 10 March 2021 that East Suffolk Council had informed the Clerk/RFO that the Community Infrastructure Levy (CIL) funds had expired and it would be claiming back the balance of £291.76 which had been reserved by the Parish Council for a defibrillator (Minute 5b refers). The Clerk/RFO has constructed a CIL Fund Annual Report for the year ended 31 March 2021, which has to be published and submitted to the District Council no later than 31 December 2021.

2.10 The Council made appropriate preparations to ensure that the new website accessibility regulations were complied with no later than 23 September 2020. The Clerk/RFO reported on this matter to the Council on 9 September 2020 (Minute 9a refers). The Clerk/RFO had attended online training and had updated and checked the website with the WAVE Web Accessibility Evaluation Tool and added the Website Accessibility Statement as recommended by SALC.

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. The Council considered Grants and Donations at its meeting on 10 March 2021 and agreed to grant East Anglia Air Ambulance £50 and to place the remaining £20 in the Grants Earmarked Reserve (Minute 5c refers).

3.2 The 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 sample of transactions with the supporting vouchers, invoices and receipts was examined and found to be in good order.

3.3 Relatively small amounts of VAT are normally paid in a year. The re-claim to HMRC of £78.70 VAT paid during the period 1 April 2019 to 31 March 2020 is recorded in the Cashbook as received on 27 April 2020 and was reported to Council at its meeting on 20 May 2020 (Minute 5e refers).

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 Statement (including internal control arrangements and Internal Audit procedures) was reviewed by the Council at the meeting on 10 March 2021 (Minute 6d 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 10 March 2021 (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 9 September 2020 the Council approved the renewal payment of £234.08 to Community Action Suffolk Insurance, being the second year of a 3-year long-term agreement (Minute 5a refers). The Employer's Liability cover and Public Liability cover each stand at £10m. The Fidelity (Councillor/Employee Dishonesty) 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: £3,000 (Meeting on 13 November 2019, Minute 5b refers).

Precept 2019/20: £3,000 (Meeting on 11 November 2020, Minute 6c refers).

5.1 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).

5.2 Similarly, the Budget for the year 2021/22 and a Precept of £3,000 were considered and agreed by the Council at its meeting on 11 November 2020. Budget papers were 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.

5.4 The estimates for 2020/21 were used effectively for financial control and budgetary control purposes with detailed budgetary position statements (budget reports) being presented to meetings of the Council.

5.5 The Clerk ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves.

5.6 As at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The

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Overall Reserves at the year-end totalled £6,738.76, of which £5,101.21 has been earmarked as follows:

- (a) Common Maintenance (£2,700)
- (b) Election (£945.60)
- (c) CIL Fund (291.76)
- (d) Defibrillator Reserve (£157.20)
- (e) Transparency Grant - Clerk's computer equipment (£466.65)
- (f) Strimmer (£500)
- (g) Grants (£40)

5.7 The General Reserve of £1,637.55 held at 31 March 2021 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 (£3,000.00), VAT reclaim (£78.70), Grant from ESC for Litterpicking Equipment (£58.43) and Bank Interest on the Business Savings Account (£2.42).

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: 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 within 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.*

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 2019/20 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.

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 as 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 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 2020/21 was presented to Internal Audit.

9.2 At its meeting on 11 November 2020 the Council was advised that following the 2020/21 Local Government pay award, the Clerk/RFO had noted that she was not being paid the correct hourly rate. The Internal Auditor had confirmed the rates of pay that applied and verified the correct salary point to be applied from 1 April 2020. The Council agreed to correct the Clerk/RFO's salary with effect from 1 April 2020 (Minute 6a refers).

9.3 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to the Internal Auditor that she had recently submitted a re-declaration of compliance to the Pensions Regulator 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 Register was reviewed and adopted by the Council at its meeting on 10 March 2021 (Minute 6a refers).

10.2 The Asset Register as at 31 March 2021 displays a value of £11,260, unchanged from the value at the end of the previous financial year, 31 March 2020.

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 2021 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 The Barclays Community Current Account and the Business Savings Account bank statements (both dated 29 March 2021) reconciled with the end of year accounts and agreed with the overall Bank Reconciliation. As the bank statements used in the Bank Reconciliation are dated 29 March 2021, the Council will need to confirm whether any transactions passed through the bank accounts during the period 30 March 2021 to 31 March 2021 which will require the accounts and the bank reconciliation to be amended in any way.

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. In having to adapt procedures to the unprecedented situation of the pandemic, it has not been possible for Cheque Book counterfoils to be initialled in all cases by Cheque Signatories (in accordance to the requirements of the Council's Financial Regulations 'Instructions for the making of payments'). Similarly, some invoices/vouchers for payment have not been signed or initialled by the Cheque Signatories. However, cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment and to secure an audit trail and the Clerk/RFO confirmed that Cheque Signatories view all invoices/vouchers for payment prior to the signing of the cheques.

13.3 The Internal Audit Report for the year 2019/20 was reported to Council at its meeting on 20 May 2020 (Minute 5b refers). No matters of concern were raised in the Report.

13.4 The Internal Auditor for the 2020/21 year was formally appointed by the Council at its meeting on 20 May 2020 (Minute 5d 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 20 May 2020 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 5c 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.

15. Additional Comments.

15.1 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 2021