

## **Report to Easton 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 financial administration and internal control. The Council has continued to ensure that effective and efficient financial administration is in place. The Council demonstrates good practice by maintaining and reviewing each year an Action Plan with measurable objectives.

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 display the following:

*Total Receipts for the year: £29,130.36*  
*Total Payments in the year: £13,483.18*  
*Total Reserves at year-end: £65,267.20 (of which £63,348.56 is earmarked/  
restricted)*

1.4 The Annual Governance and Accountability Return (AGAR) displays the following figures 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: £49,620</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £9,155</i>
<i>Total Other Receipts:</i>	<i>Box 3: £19,975</i>
<i>Staff Costs:</i>	<i>Box 4: £7,214</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £6,269</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £65,267</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £65,267</i>
<i>Total fixed assets:</i>	<i>Box 9: £28,184</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.5 Sections One and Two of the AGAR were approved and signed on 4 May 2021. The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within

the AGAR. Any changes to the AGAR subsequent to the Council's approval will need to be initialled by the Chair and the Clerk/RFO.

1.6 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 Meeting. The Council accordingly held video conferencing meetings during 2020/21 from 13 July 2020.

2.2 Standing Orders are in place and were considered and modifications made by the Council at its meeting on 2 November 2020 (Minute 8.3 refers) in accordance with the National Association of Local Councils (NALC) Model Standing Orders 2018 (Revised 2020). Standing Orders were considered and approved by the Council at its meeting on 11 February 2021 (Minute 6.2). A copy of the Standing Orders has been published on the website.

2.3 Similarly, Financial Regulations are in place and were considered and modifications made by the Council at its meeting on 2 November 2020 (Minute 8.4 refers) in accordance with the latest Model Financial Regulations issued by NALC in 2019. Financial Regulations were considered and approved by the Council at its meeting on 11 February 2021 (Minute 6.2). A copy of the Financial Regulations has been published on the website.

2.4 The Council demonstrates good practice by adopting and reviewing a 3-year Action Plan 2020-2023 which details the Actions that have been proposed and agreed together with budget implications. This Action Plan is subject to regular review and can be effective in monitoring the agreed overall objectives. The Action Plan was considered in detail at the meeting of the Council on 28 January 2021 (Minute 6 refers).

2.5 At the Council's meeting on 16 March 2020 it was confirmed that Mrs Alison Bramall had been appointed as the Locum Parish Clerk (Minute 5 refers). On 9 November 2020 the Council formally agreed to appoint Mrs Bramall as Clerk/RFO under a model NALC contract of employment (Minute 4 refers).

2.6 The Council's Minutes are well presented and provide evidence of the decisions taken by the Council in the year. Each page of the Minutes is consecutively numbered and initialled by the Chair at the meeting at which the Minutes are

2

approved in accordance with paragraph 41(2) of Schedule 12 to the Local Government Act 1972.

2.7 The Chair reported to Council at its meeting on 10 September 2018 that the Council's registration with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services was to be actioned (Minute 9 refers). This action remains outstanding. The previous Internal Audit Report (dated 22 August 2020) highlighted that the Council had adopted a Data Protection Policy at its meeting on 18 March 2019 but there was no record of the Council being registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller. The report had accordingly recommended that the Council should register with the ICO as a Data Controller for the provision of council services as soon as practicably possible.

**Recommendation 1: The Council should register with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services as soon as practicably possible.**

2.8 The Council has published on its website details of the Freedom of Information Act, the procedure for requesting information and the information available from the Council under its publication scheme. A number of other formal Policies and Procedures are in place, including a Grants Policy that has been published on the Council's website.

2.9 The Clerk/RFO has completed a Community Infrastructure Levy (CIL) Funds End-of-Year Report as at 31 March 2021 which confirms the opening balance of £31,510.95, the amount of £16,783.06 received in the year of account and a balance of £48,294.01 at the year-end. The Report has to be submitted to the District Council no later than 31 December 2021.

2.10 The Council's website displays the Suffolk Local Code of Conduct published in July 2014 and confirms that at its meeting on 23 September 2019 the Council re-adopted the Code in accordance with S.26 to 37 of the Localism Act 2011 for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. During the year 2020/21 Local Councils were consulted by the LGA and NALC on a new national Code of Conduct for Councillors.

2.11 With regard to the Website Accessibility requirements which came into force on 23 September 2020, it is noted that the website host Suffolk Cloud has published a Website Accessibility Statement on the Council's website which provides some technical data and outlines what testing has been undertaken to ensure that as many people as possible are able to use the website.

**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 is referenced and provides an audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information presented to the Council. A sample of transactions was closely examined and was found to be in order; supporting invoices and vouchers were in place.

3.2 There was a minor discrepancy in the Cashbook resulting from an overpayment of 20p in respect of an invoice. An adjustment will need to be made to the Cashbook to account for the discrepancy in order that the accounts can reconcile exactly with the bank statements as at 31 March 2021 (see item 10 below).

3.3 There was a further issue that arose during the audit regarding the 'refund' of a cheque for £15.46 which had been included in 'Other Receipts'. The Council was advised that current accounting practice provides that refunds of expenditure (a refund of a payment made) should normally be deducted from Payments to avoid artificially inflating the income figures of the authority.

3.4 Reclaims for VAT payments are regularly submitted to HMRC. The Internal Auditor was presented with the re-claim of £1,826.74 for the VAT paid in the period April 2020 to March 2021 which the Clerk/RFO has prepared for submission to HMRC.

3.5 A Statement of Analysis 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 submission to the External Auditors and for publication on the Council's website. The External Auditors require an explanation where the carried forward (end of year) reserves are greater than twice the income from the Precept and the Clerk/RFO can address this matter in the Statement.

**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 has a detailed Risk Assessment document in place. The Risk Assessment was considered and ratified by the Council at its meeting on 11 February 2021 (Minute 6.2 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. A copy has been published on the Council's website.

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

4.3 However, the Risk Assessment documentation does not include the identification of the risks associated with non-registration with the ICO as a Data Controller or non-compliance with the General Data Protection Regulations (GDPR) in force. Similarly, the Risk Assessment includes a notation that 'Membership of LCPAS should be maintained'. It is believed that LCPAS is no longer available to local councils.

**Recommendation 2: The Risk Assessment document should be reviewed and updated to include:**

**(a) An item identifying the risks associated with non-registration with the ICO and any non-compliance with the General Data Protection Regulations and the actions in place to mitigate the risks involved.**

**(b) Removal of references to LCPAS as necessary**

4.4 Insurance was in place for the year of account. At its meeting on 24 September 2020 the Council approved the payment of £349.44 insurance premium to RSA Insurance for the period 1 October 2020 to 30 September 2021. Employer's Liability cover and Public Liability insurance each stand at £10m.

4.5 The Fidelity Insurance (Employee/Councillor Dishonesty) cover stands at £50,000. The current recommended guidelines provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants (in the Council's case, approx. £70,000). Accordingly, the cover as at 31 March 2021 was significantly less than the recommended guidelines.

**Recommendation 3: The Council should increase the level of the Fidelity (Employee/Councillor Dishonesty) insurance cover in order to ensure adequate protection of its overall financial resources and to meet the current recommended guidelines.**

4.6 The Council receives an annual ROSPA report regarding the condition of the play equipment and subsequently considers the options to undertake any remedial action required.

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

Precept 2020/21: £9,154.00 (18 November 2019, Minute 6.3 refers).

Precept 2021/22: £9,378.73 (28 January 2021, Minute 4.1 refers).

5.1 At the meeting on 18 November 2019 the budget and precept for the year 2020/21 were agreed by the Council and the precept decision and amount has been clearly Minuted.

5.2 Similarly, the budget and precept for the year 2021/22 were agreed at the Council's meeting on 28 January 2021 and the precept decision and amount have been clearly Minuted.

5.3 The Clerk/RFO ensures that the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. Budget papers were prepared to ensure Councillors have sufficient information to make informed decisions regarding the level of Precept to apply.

5.4 The Council routinely receives Financial Statements which provide details of the Reserves held. As at 31 March 2021 overall Reserves totalled £65,267.20 of which the following (totalling £63,348.56) are restricted funds, earmarked/assigned funds or the balance held of grants received:

a) Community Infrastructure Levy Funds (restricted funds):	£48,294.01
b) Training Fund:	£174.00
c) Election Fund:	£536.09
d) Community Projects Fund:	£6,943.30
e) Grants Fund:	£600.00
f) Neighbourhood Plan Fund:	£66.44
g) Neighbourhood Plan – Locality Grant Funding:	£5,407.11
h) Transparency Code (unspent balance of grant received):	£327.61
i) SCC Locality Grant:	£1,000.00

5.5 The General Reserves (Overall Reserves less Earmarked/Restricted Funds) accordingly totalled £1,918.64 as at 31 March 2021 which is marginally less than the generally accepted position that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (the JPAG Proper Practices Guide, Item 5.32 refers).

5.6 Overall, however, as at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet both planned expenditure and, within reason, any unforeseen items of expense.

## **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 examined on a sample basis and, subject to the accounting treatment of the refund of a cheque for £15.46 (see item 3.3 above), were found to be in order.

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

7.1 No Petty Cash is held; an expenses system is in place with payments made in reimbursement of any expenses incurred.

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

8.1 A Contract of Employment for the Clerk/RFO, Mrs Alison Bramall, is in place. The document is dated 29 November 2020, has been signed by both parties and confirms that the Clerk/RFO took up her duties on 1 December 2020 and is paid for 5 hours per week at £15.00 per hour. Detailed pay slips are produced and act as the supporting invoice/voucher for the monthly salary payment to the Clerk/RFO. The P30 Employer's Payslips for the two Quarters ending 5 January 2021 and 5 April 2021 were presented to the Internal Auditor.

8.2 Prior to Mrs Bramall taking up her duties as the Council's permanent Clerk/RFO, payments were made to OPUS People Solutions for Mrs Bramall's services as a Locum Clerk/RFO.

8.3 At its meeting on 9 November 2020 the Council agreed to adopt the NALC Discipline and Grievance Policy (Minute 4 refers).

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

9.1 An Asset Register is in place. The Register records the value of the assets as at 31 March 2021 as £28,183.97, a net reduction of £1,814.03 from the value as at the end of the previous year and reflects the additions of two litter bins (£629.72) and Dog Fouling Signs (£56.25) and the disposal of a speed camera (£2,500).

9.2 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at original purchase cost or, where the original purchase price is unknown, a proxy cost which will remain unchanged until disposal.

9.3 The Council's assets have been recorded in Box 9 of Section 2 of the AGAR (rounded to £28,184 for purposes of the Return).

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

10.1 Following a minor adjustment to allow for the overpayment of an invoice by 20p (which can be added to the Cashbook Spreadsheet in order to achieve a reconciliation) the bank statements as at 31 March 2021 for the Barclays Community Account and the Barclays Business Premium Savings Account reconciled with the End-of-Year accounts and agreed with the Bank Reconciliation for all accounts.

10.2 For ease of reference the Bank Reconciliation is displayed as follows:

7

	£ . p
Account Balance b/f as at 1 April 2020:	49,620.02
Add Total Receipts in the year:	29,130.36
Deduct Total Payments in the year: (includes 20p overpayment):	13,483.18
	-----
Account Balance c/f as at 31 March 2021:	<u>65,267.20</u>
Represented by:	
Barclays Bank Current Account as at 31 March 2021:	57,737.28
Less Unpresented cheques	4,467.36
	-----
	53,269.92
Barclays Bank Deposit Account as at 31 March 2021:	11,997.28
	-----
	<u>65,267.20</u>

**11. 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).**

11.1 End-of-Year accounts consisted of the detailed Receipts and Payments Spreadsheet with total figures listed within the Bank Reconciliation as at 31 March 2021.

**12. 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).**

12.1 The Council has satisfactory internal financial controls in place. Financial Statements are presented to the Council for consideration and approval. Councillors are provided with information to enable them to make informed decisions.

12.2 At its meeting on 14 September 2020 the Council considered progressing to on-line banking. The Clerk/RFO reported that as the Council has a Community Account there would be no charges for this facility. The procedure for managing payments was outlined to the Council. The Clerk/RFO would administer and set up the payments on the system and notify the two nominated Councillor Signatories. The payment would only be made once the two Councillor Signatories had authorised the payments. At the end of the year the accounts would need to be audited/verified by two Councillors who were not Bank Signatories. The Council agreed to apply for on-line banking (Minute 6.1 refers).



12.3 Cheque payments continued throughout the 2020/21 year. The Clerk/RFO confirmed that cheque book counterfoils were initialled by cheque signatories.

12.4 On-line banking commenced at the end of March 2021. The Clerk/RFO is the system administrator who initiates payments which are then authorised electronically by a Councillor. The Clerk/RFO confirmed that all invoices/vouchers for payment are presented for authorisation at each Council meeting as part of the overall financial control framework.

12.5 The previous Internal Audit Report, for the year 2019/20, put forward the following recommendations relating to internal control:

- a) *the Council should review and consider the adoption of the most recent Model Standing Orders published in 2018 by NALC. (The latest model Standing Orders were adopted by the Council at its meeting on 2 November 2020).*
- b) *the Council should review and consider the adoption of the latest, up-to-date Model Financial Regulations published by NALC. (The latest model Financial Regulations were adopted by the Council at its meeting on 2 November 2020).*
- c) *the Council should register with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services as soon as practicably possible. (This is still outstanding).*
- d) *the Risk Assessment document should include an item identifying the risks associated with non-registration with the ICO and any non-compliance with the General Data Protection Regulations and the actions in place to mitigate the risks involved. (This is still outstanding).*

12.6 The Council appointed the Internal Auditor for the 2020/21 year at its meeting on 11 February 2021 (Minute 6.2 refers).

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

13.1 The External Audit review of the Council for the year of account ending 31 March 2020 was undertaken by PKF Littlejohn LLP, following the Council's submission of the Annual Governance and Accountability Return for the 2019/20 year. The Report and Certificate by the External Auditors is dated 20 November 2020 and raised no issues of concern.

13.2 There is no record in the Council's Minutes of the Report and Certificate by the External Auditors for the 2019/20 year having been reported to the Council.

**Recommendation 4: The Report and Certificate from the External Auditors should always be presented to the Council, noted/agreed as necessary and a**

9

**Minute recorded to evidence the receipt of the Report. In this way the Council is made aware of the outcome of the audit and can take any action as may be required by the Report.**

13.3 An External Audit is required for the year 2020/21 as the higher of gross income or gross expenditure exceeded £25,000 in the year of account.

#### **14. Publication Requirements.**

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website (the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the statutory deadlines for the publication of the 2019/20 documents):

Notice of the period for the exercise of Public Rights  
AGAR - Sections 1 and 2.

Following the completion of the External Audit:

Notice of Conclusion of Audit  
AGAR - Section 3  
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

14.2 The Internal Auditor was able to confirm that the documents relating to the year 2019/20 were readily accessible on the Council's webpage:

<https://easton.suffolk.cloud/governance/finance/>

#### **15. Additional Comments.**

15.1 I would like to record my appreciation to the Clerk/RFO and the Chair to the Council for their assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**17 June 2021**