

Report to Easton Parish Council

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

1. Introduction and Summary.

1.1 The past two financial years have proved to be challenging ones for the Council and, in particular, for the Chair of the Council, in terms of ensuring that effective financial administration and management procedures were being maintained. There have been considerable periods of time during which a paid Clerk was not in post. Following the resignation of Mrs Christine Eastell in January 2019 the Chair, Mrs Susan Piggott, undertook the role of unpaid Acting Clerk to ensure that the Council's business would operate efficiently in the year 2019/20 until a new appointment could be made. The Council utilised recruitment services to secure a new Clerk/RFO and it was confirmed at the Council's meeting on 16 March 2020 that Mrs Alison Bramall had been appointed as the Locum Parish Clerk (Minute 5 refers).

1.2 Changes in the key position of Clerk and Responsible Financial Officer (RFO) can be disruptive for any local council, particularly in terms of maintaining a high standard of financial administration during vacant periods. However, the Chair, in undertaking the role of unpaid Acting Clerk, has ensured that satisfactory and appropriate financial statements and data was provided to the Council to enable Councillors to make well-informed decisions.

1.3 The absence of a paid Clerk/RFO in post during a large part of the 2019/20 year has, nonetheless, impacted upon the Council in terms of the retention of some documentation; the Chair has reported to Internal Audit the difficulties that have been experienced in retrieving some of the Council's records, including those held by the Local Authority Public Advisory Service (LCPAS) on the Council's behalf.

1.4 The Accounts for the year confirm the following:

Total Receipts for the year: £28,668.74

Total Payments in the year: £12,640.56

Total Reserves at year-end: £49,620.02

1.5 The Annual Governance and Accountability Return (AGAR) was examined and the following figures confirmed with the Acting 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: £33,592</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £8,500</i>
<i>Total Other Receipts:</i>	<i>Box 3: £20,169</i>
<i>Staff Costs:</i>	<i>Box 4: £269</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £12,372</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £49,620</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £49,620</i>
<i>Total fixed assets:</i>	<i>Box 9: £29,998</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.6 Sections One and Two of the AGAR were approved and signed on 13 July 2020. The Internal Auditor has completed the Annual Internal Audit Report 2019/20 within the AGAR.

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 Standing Orders are in place and were considered and ratified by the Council at its meeting on 23 September 2019 (Minute 7 refers). Some elements of the Standing Orders require up-dating; for example, Section 30 'Financial matters' refers to the Public Contract Regulations 2006 (at section 30 e) which have been replaced by the Public Contract Regulations 2015. The National Association of Local Councils (NALC) has published updated Model Standing Orders (2018) for local councils to consider and adopt, as required.

Recommendation 1: During the year 2020/21 the Council should review and consider the adoption of the most recent Model Standing Orders published in 2018 by NALC.

2.2 Similarly, Financial Regulations are in place and were considered and ratified by the Council at the meeting on 23 September 2019 (Minute 7 refers). A copy of the Financial Regulations is published on the Council's website. The Financial Regulations are dated January 2004. NALC published updated Model Financial Regulations in August 2019 for local councils to consider and adopt, as required.

Recommendation 2: During the year 2020/21 the Council should review and consider the adoption of the latest, up-to-date Model Financial Regulations published by NALC.

2.3 The overall governance of the Council was impacted to a degree following the closure by Ms. Jayne Cole of her Local Authority Public Advisory Service (LCPAS) in the year. The Council discontinued its subscription to LCPAS and at its meeting on 18 November 2019 agreed to appoint the Suffolk Association of Local Councils (SALC) as its advisory service and to appoint a Locum Clerk on a flexible arrangement (Minute 6.1 refers). At its meeting on 20 January 2020 the Council was updated on the progress being achieved regarding an appointment and agreed to use the recruitment services of Opus People Solutions (Minute 8 refers). It was confirmed at the Council's meeting on 16 March 2020 that Mrs Alison Bramall had been appointed as the Locum Parish Clerk (Minute 5 refers).

2.4 A number of new Council Members were appointed in the year and the Council demonstrated good practice by ensuring that suitable training courses were made available for the Councillors concerned (the meeting on 20 January 2020, Minute 11 refers).

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

2.6 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. Although the Council adopted a Data Protection Policy at its meeting on 18 March 2019 (Minute 9 refers), at the date of this Internal Audit Report the ICO's on-line database does not list the Council as being registered as a Fee Payer/Data Controller.

Recommendation 3: 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.

2.7 The Locum Clerk/RFO has completed a Community Infrastructure Levy (CIL) Funds End-of-Year Report as at 31 March 2020 which confirms the amount of £15,755.48 received at bank on 29 October 2019 and a balance of £31,510.95 at the year-end. The Report has to be submitted to the District Council no later than 31 December 2020.

2.8 The Council's website displays the Suffolk Local Code of Conduct published in July 2014. Local Councils are currently being consulted on a new national Code of Conduct.

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 well referenced and provides a good audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information presented to the Council. These documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and was found to be in order; supporting invoices and vouchers were in place.

3.2 The audit revealed that three payments made in 2019/20 were not recorded in the Cashbook Spreadsheet, as follows:

- a) The payment to the Village Hall of £24.00 (cheque 101196, dated 16 March 2020) has not been recorded in the Cashbook.
- b) The reimbursement to Mr Bob Gibbon of £10.00 (cheque 101197, dated 18 March 2020) has not been recorded in the Cashbook.
- c) The payment to East Suffolk Council of £898.65 (cheque 101198, dated 18 March 2020) has not been recorded in the Cashbook.

Following discussion with the Locum Clerk/RFO, the payments made under cheques 101196, 101197 and 101198 were included in the Cashbook for the year 2019/20 and displayed as Unpresented Cheques in the Bank Reconciliation as at 31 March 2020. A number of other minor discrepancies in the Cashbook were identified and corrected prior to the completion of the End-of-Year Accounts.

3.3 No payments were separately identified or recorded in the year of account as having been made under the Local Government Act 1972 Section 137.

3.4 VAT payments are tracked and identified within the Cashbook Spreadsheet. However, the sample of invoices examined revealed that the payment of £76.60 to EON on 20 May 2019 (cheque 101157) included VAT of £3.65 which has not been separately recorded in the Cashbook and accordingly may not have been reclaimed from HMRC.

Recommendation 4: The Council should include the £3.65 VAT element within the payment of £76.60 to EON in the Cashbook Spreadsheet to assist the future re-claim to HMRC for the VAT paid.

3.5 A re-claim of £3,216.15 for the VAT paid in the period 17 June 2017 to 21 January 2019 was submitted to HMRC on 23 January 2019 and the reimbursement was received at bank on 8 April 2019.

3.6 A Statement of Variances (explaining significant differences in receipts and payments between the years 2018/19 and 2019/20) has been prepared by the Locum 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 Locum Clerk/RFO has addressed this matter in the Statement of Variances.

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 23 September 2019 (Minute 7 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.

4.2 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 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 currently in force.

Recommendation 5: 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.

4.4 Insurance was in place for the year of audit. At its meeting on 23 September 2019 the Council approved the payment of £329.28 insurance premium to CAS Insurance Ltd. A further payment of £19.15 to CAS was approved in respect of an increase in Fidelity Guarantee cover. Employer's Liability cover and Public Liability insurance each stand at £10m.

4.5 The Employee/Councillor Dishonesty (Fidelity Guarantee) cover stands at £50,000, the cover having been increased from £25,000 on 23 September 2019. 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. £55,130). Accordingly, the cover as at 31 March 2020 was marginally less than the recommended guidelines.

4.6 At its meeting on 20 January 2020 the Council considered the ROSPA report regarding the play equipment and agreed to take remedial action as required (Minute 16 refers).

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

Precept 2019/20: £8,500 (21 January 2019, Minute 6.2 refers).

Precept 2020/21: £9,154 (18 November 2019, Minute 6.3 refers).

5.1 At the meeting on 21 January 2019 the Council agreed the budget for the year 2019/20 and agreed that the precept for 2019/20 would remain unchanged at £8,500.

5.2 Similarly, the budget and precept for 2020/21 were agreed in full Council and the precept decision and amount has been clearly Minuted.

5.3 During the year of account the Acting Clerk ensured that the Council is aware of its responsibilities and commitments, the need for forward planning and the level of the reserves held. Budget papers were prepared to ensure Councillors have sufficient information to make informed decisions.

5.4 As at the 31 March 2020 the Council maintained significant reserves and contingency sums to meet both planned expenditure and, within reason, any unforeseen items of expense. The Council received a Financial Statement on 16 March 2020 (Minute 6 refers) which provided details of the Reserves held by the Council.

5.5 As at 31 March 2020 overall Reserves at the year-end totalled £49,620.02 of which the following (totaling £41,456.23) are restricted funds, earmarked/assigned funds or the balance held of grants received:

a) Community Infrastructure Levy Funds (restricted funds):	£31,510.95
b) Training Fund:	£438.00
c) Cemetery Management Fund:	£134.00
d) Election Fund:	£434.72
e) Community Projects Fund:	£2,417.40
f) Grants Fund:	£600.00
g) Neighbourhood Plan Fund:	£186.44
h) Neighbourhood Plan – Locality Grant Funding:	£5,407.11
i) Transparency Code (unspent balance of grant received):	£327.61

5.6 The General Reserves (Overall Reserves less Earmarked/Restricted Funds) accordingly totalled £8,163.79 as at 31 March 2020 and is in line with the generally accepted best practice which requires General (non-earmarked revenue) Reserves to be equal to at least six months of contractual expenditure or at least 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 with the bank statements and, following the correction of some minor discrepancies, 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 cheques prepared for any expenses incurred.

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

8.1 Easton Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://easton.suffolk.cloud/>

8.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100
Published – Yes, included within published Financial Statements
- b) Annual Governance Statement, AGAR Annual Return, Section One:
Published (2018/19) – Yes
- c) End of year accounts, AGAR Annual Return, Section Two:
Published (2018/19) – Yes
- d) Annual Internal Audit report within AGAR Annual Return:
Published (2018/19) – Yes
- e) List of councillor or member responsibilities:
Published – Yes
- f) Details of public land and building assets:
Published – Yes
- g) Minutes, agendas and meeting papers of formal meetings:
Published – Yes

8.3 The Council is meeting 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 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 Council was without a paid Clerk/RFO for much of the year of account. A payment of £268.82 was made by the Council to OPUS People Solutions for the services of a Locum Clerk on 16 March 2020 (cheque 101195 refers).

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 records the value of the assets as at 31 March 2020 as £29,998, an increase of £2,662 from the value as at the end of the previous year and reflects the additions of waste bin (£80), a recorder for meetings (£122), black iron seat (£650), Defibrillator (£1,200) and a Defibrillator cabinet (£610).

10.2 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.

10.3 The Council's assets have been recorded in Box 9 of Section 2 of the AGAR (Annual Return).

10.4 The copy of the Asset Register published on the website is a copy dated 31 March 2019 which displays an earlier overall value of £27,336 and the updated copy as at 31 March 2020 should now be published.

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

11.1 Following adjustments to the accounts Spreadsheet (as referred to at item 3.2 above) the bank statements as at 31 March 2020 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.

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

	£ . p
Account Balance b/f as at 1 April 2019:	33,591.84
Add Total Receipts in the year:	28,668.74
Deduct Total Payments in the year:	12,640.56

Account Balance c/f as at 31 March 2020:	<u>49,620.02</u>
Represented by:	
Barclays Bank Current Account as at 31 March 2020:	38,961.69
Less Unpresented cheques	1,333.47

	37,628.22
Barclays Bank Deposit Account as at 31 March 2020:	11,991.80

	<u>49,620.02</u>

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 consisted of the detailed Receipts and Payments Spreadsheet with total figures listed within the Bank Reconciliation as at 31 March 2020. A number of corrections were required to be made to the Accounting Spreadsheet and the Bank Reconciliation, following which the End-of-Year Accounts 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. Financial Statements are presented to the Council for consideration and approval. The Statements are comprehensive and display details of Cheques due for payment, Bank Balances, Reserves, Grants received, and Actual Expenditure compared to Budgeted Expenditure. Councillors are provided with information to enable them to make informed decisions.

13.2 Cheque book counterfoils are initialled by cheque signatories. Invoices/vouchers for payment are also initialled by cheque signatories. Payments and receipts are listed in the Financial Statements presented to Council as part of the overall financial control framework.

13.3 The Council appointed the Internal Auditor for the 2019/20 year at its meeting on 23 September 2019 (Minute 7 refers).

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

14.1 An External Audit was not required for the year 2018/19. As the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2019, the Council was able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Council accordingly prepared a Certificate of Exemption from a Limited Assurance Review for the year 2018/19 and submitted this to the External Auditors, PKF Littlejohn LLP.

14.2 An External Audit is required for the year 2019/20 as the higher of gross income or gross expenditure exceeded £25,000 in the year of account.

15. Additional Comments.

15.1 The Annual Parish Council meeting was held on 20 May 2019, within the required timescale. The first item of business was the Election of a Chair, in accordance with the requirements of the Local Government Act 1972.

15.2 I would like to record my appreciation to the Locum 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

22 August 2020