

## **Report to Parham 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 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.

1.2 By examination of the 2020/21 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.

1.3 The Accounts for the year confirm the following:

*Total Receipts for the year: £7,805.27*  
*Total Payments in the year: £5,840.15*  
*Total Reserves at year-end: £22,189.13 (of which £15,632.36 is earmarked)*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for display 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: £20,224</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £5,850</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,955</i>
<i>Staff Costs:</i>	<i>Box 4: £2,998</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £2,842</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £22,189</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £22,189</i>
<i>Total fixed assets:</i>	<i>Box 9: £12,681</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 Box 3 in Section 2 under the Comparative Year (ending 31 March 2020) has been corrected to £4,734 (previously mis-stated in the 2019/20 AGAR as £4,731). Box 3 for that year has been notated 're-stated', as is required).

1.6 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.

1.7 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 Annual Parish Council meeting was held on 7 July 2020. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972. 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. The Council met in person on 7 July 2020, 8 September 2020 and 8 December 2020 but met on-line through video-conferencing from 12 January 2021 for the remainder of the 2020/21 year under the new Regulations.

2.2 The Council's Standing Orders reflect the latest model Standing Orders published by the National Association of Local Councils (NALC). The Standing Orders were reviewed and approved by the Council at its meeting on 7 July 2020. Minor amendments to Section 18 (concerning public contract figures) were adopted, as recommended by NALC, at the Council's meeting on 8 September 2020.

2.3 Financial Regulations are in place and also reflect the latest model Financial Regulations published by NALC. The Regulations were reviewed and approved by the Council at its meeting on 7 July 2020. A minor amendment to the footnotes in Section 11 was adopted, as recommended by NALC, at the Council's meeting on 10 September 2020.

2.4 The Council formally re-appointed Mrs Lydia Kirk as the Council's RFO at its meeting on 7 July 2020.

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

2.6 The Council demonstrates good financial and management practice by maintaining and regularly reviewing a range of formal written Policies, Procedures and Protocols which are published on the Council's website. These include a Freedom of Information Policy and a Publication Scheme, Equal Opportunity Procedure, Disciplinary Procedure, Grievance Procedure and a Lone Worker Policy.

2.7 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 ZA240629, expiring 14 March 2022). The Council's Data

Protection Policy was reviewed and approved by the Council at its meeting on 7 July 2020. The Clerk/RFO confirmed the re-registration to Council at its meeting on 9 March 2021 and the Council approved the payment of the registration fee.

2.8 At its meeting on 7 July 2020, the Council re-affirmed the adoption of 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 14 refers). A copy of the Code has been published on the Council's website.

2.9 At its meeting on 8 September 2020 the Council considered the Website Accessibility Regulations, effective from 23rd September 2020 and noted that the Clerk/RFO had attended a SALC training session on these matters. A Website Accessibility Statement has been published by the website host Suffolk Cloud on the Council's 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 was found to be in good order and well presented.

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 was examined and compared to the supporting invoices/vouchers and was found to be in order.

3.3 Local Government Act 1972 (Section 137) payments are separately recorded within the Cashbook Spreadsheet. The Cashbook records a Section 137 payment of £100 to the Citizens Advice Bureau. The Council may wish to note that donations to advisory organisations, including those to the Citizens Advice Bureau, may be made under Section 142 (2A) of the Act without having to resort to Section 137.

3.4 VAT payments are tracked and separately identified to assist re-claims to HMRC. The re-claim to HMRC for £86.46 VAT paid during the period September 2018 to February 2020 is recorded in the Cashbook as received on 27 February 2020 and was reported to Council at its meeting on 10 March 2020 (Minute 7b refers). The Council noted at its meeting on 9 March 2021 that the VAT paid in the 2020/21 year to date had at that time only amounted to £12.40 and accordingly no re-claim had yet been submitted to HMRC, which normally requires re-claims to be in excess of £100.

3.5 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 Statement of Internal Control was reviewed by the Council at its meeting on 7 July 2020 (Minute 13d refers) and was considered by the Council to be fit for purpose and effective. The Council also considered its Statement of Internal Control at its meeting on 9 March 2021 and noted that the Council complied with the internal controls, which were considered fit for purpose (Minute 7f refers).

4.2 The Council's Risk Assessment (Physical Assets) document was reviewed and approved by the Council at its meeting on 7 July 2020 (Minute 13e refers). The Council also reviewed and approved the Financial Risk Assessment, including a new clause regarding the handling of electronic data (Minute 13f refers).

4.3 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 Insurance was in place for the year of account. The Clerk/RFO reported upon the insurance renewal at the Council meeting held on 7 July 2020. The Council considered the policy provided by AXA Insurance (through Came and Co.) suitable for the Council's requirements and payment of the renewal premium of £481.38 to Came and Co. was approved. Employer's Liability cover and Public Liability cover each stand at £10m. The Fraud and Dishonesty (Fidelity) cover stands at £150,000, 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: £5,850.00

Precept 2021/22: £5,850.00

5.1 The Budget and Precept for 2020/21 was agreed in Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 14 January 2020, Minutes 7 and 8 refer).

5.2 Similarly, the Budget and Precept for 2021/22 was agreed at the online meeting of the Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 12 January 2021, Minute 6 refers).

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

5.4 Examination of the accounts and supporting documentation confirmed that the Council prepares detailed estimates of the annual budget and of receipts and payments. The estimates were used effectively for financial control and budgetary control purposes during 2020/21; the Clerk/RFO presented to Council year-to-date reports on payments and receipts, detailing spending compared to budget.

5.5 As at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. Overall Reserves at the year-end totalled £22,189.13 of which £15,632.36 is earmarked as follows:

Election Fund:	£234.72
Closed Churchyard:	£192.00
Emergency Fund	£900.00
Biodiversity Fund	£14,305.64

5.6 The General Reserves (Overall Reserves less Earmarked Reserves) totalled £6,556.77 as at 31 March 2021 and is only marginally in excess of the generally accepted position that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (in effect, the Precept less any loan repayments - the JPAG Proper Practices Guide, Item 5.32 refers).

## **6. Income Controls (*regarding sums received from Precept, Grants, Loans and other income*).**

6.1 Receipts recorded in the Cashbook Spreadsheet consisted of Precept (£5,850), Biodiversity Funding from Rural Payments Agency (£1,949) and Interest Received (£6.27).

## **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, Parham Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://parham.suffolk.cloud/parham-parish-council/>

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: 2019/20 within 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 At the time of the Internal Audit the Council was in compliance with the Transparency Code.

8.5 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 2019/20 was readily accessible on the Council's website and displayed the Date of Announcement, Dates of Inspection, 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 Payroll Services are being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. Detailed payslips are produced; PAYE is in operation with payments being made to HMRC. A copy of the End-of-Year form P60 for the Clerk/RFO was presented to Internal Audit.

9.2 At its meeting on 8 September 2020 the Council formally approved the Clerk/RFO's revised rate of pay from April 2020 in line with the NALC recommendations and in accordance with the Clerk/RFO's Contract of Employment (Minute 8iv 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 Assets Register is in place and was reviewed by the Council at its meeting on 7 July 2020 (Minute 13b refers). The Register displays each asset at its original purchase cost (a nominal value of £1 is displayed in respect of Community Assets).



10.2 The total value of the Assets Register as at 31 March 2021 stood at of £12,680.50, unchanged from the end of the previous year. The value as at 31 March 2020 (rounded for purposes of the Return) has been correctly placed in Box 9 of Section 2 of the AGAR 2020/21.

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

11.1 Bank reconciliations were presented by the Clerk/RFO to the Council during the 2020/21 year of account.

11.2 During the course of the audit, the Clerk/RFO made some corrections to the Bank Reconciliation as at 31 March 2021. Following the completion of the necessary amendments, the overall Reconciliation Statement agreed with the bank statements for the Barclays Current Account and the Barclays Deposit Account as at 31 March 2021 and agreed with the End-of-Year accounts.

**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. Identifying VAT payments and re-claims. 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. The Council's bank balances, reserved fund balances, bank statements and bank reconciliations are regularly reviewed by the Council during the year and Minuted to confirm that the review has taken place.

13.2 The Council demonstrates good financial practice through the appointment (at its meeting on 7 July 2020, Minute 7) of an Examining Councillor who undertakes routine examination of bank statements and confirmation of the bank reconciliations prepared by the Clerk/RFO. The Council's Minutes record that bank statements and bank reconciliations are reviewed and signed off by the appointed Examining Councillor.

13.3 Payments and Receipts are listed in the Council's Minutes as part of the overall financial control framework. The Year-to-Date Receipts and Payments Account

details are presented to the Council by the Clerk/RFO. In addition, it was 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.

(c) Cheque Book counterfoils are initialled by Cheque Signatories in accordance with the requirements of the Council's Financial Regulations.

13.4 The Council reviewed the Internal Audit report for the previous year (2019/20) at the meeting held on 7 July 2020 (Minute 12 refers). No issues of concern had been raised in the Report.

13.5 The Internal Auditor for the 2020/21 year was re-appointed by the Council at the meeting held on 7 July 2020 (Minute 15 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 7 July 2020 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year (Minute 11c refers).

14.2 Similarly, as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2021, the Council is able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Council can accordingly prepare a Certificate of Exemption from a Limited Assurance Review for the year 2020/21, for submission within the due date to PKF Littlejohn LLP.

**15. Additional Comments.**

15.1 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, CPFA**

**Internal Auditor**

**19 April 2021**