

Report to Creeting St Mary 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 Jennie Blackburn, the Clerk/Responsible Financial Officer (RFO) to the Internal Auditor, who undertook the work remotely/electronically. All relevant published data held on the Council's website was accessed by the Internal Auditor. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were accordingly completed. 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 financial administration and internal control. The Council has continued to ensure that effective and efficient financial administration is in place.

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

Total Receipts for the year: £38,303.12

Total Payments in the year: £18,634.61

Total Reserves at year-end: £49,978.94

1.6 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk 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: £30,310</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £9,800</i>
<i>Total Other Receipts:</i>	<i>Box 3: £28,504</i>
<i>Staff Costs:</i>	<i>Box 4: £3,530</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £15,105</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £49,979</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £49,979</i>
<i>Total fixed assets:</i>	<i>Box 9: £39,081</i>
<i>Total borrowings:</i>	<i>Box 10: nil</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 All documents were very well presented for the Internal Audit review.

1.9 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 and Financial Regulations are in place. The Council reviewed, approved and adopted the Standing Orders and Financial Regulations at its video meeting on 30 March 2020 (Minute CSM223/19/20b refers).

2.2 The Council resolved to apply the General Power of Competence (GPOC) at its meeting on 14 May 2019. The Council declared that it was an eligible Council to use the GPOC, having at least two-thirds elected Councillors and a suitably qualified Clerk and adoption of the Power was agreed (Minute CSM17/19/20 refers).

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

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 (Registration ZA057299, expiring 30 July 2020).

2.5 The Community Infrastructure Levy (CIL) Report has been constructed by the Clerk/RFO for the year 2019/20. The Clerk/RFO reported to Council upon the CIL Receipts at the video meeting held on 30 March 2020 (Minute CSM222/19/20e refers). A copy of the Report must be sent to the District Council Infrastructure Team no later than the end of December 2020.

2.6 At its meeting on 6 July 2015 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. It is good governance practice for local councils to periodically review and re-adopt the Code as this usefully highlights the requirements and responsibilities placed upon each individual Councillor. The Internal Auditor and the Clerk/RFO were unable to identify the Council's review of the Code in recent years.

Recommendation 1: It is recommended that the Council should review and re-adopt the Local Code of Conduct during the year 2020/21 in order to comply with good governance practice.

2.7 New website accessibility regulations need to be complied with no later than 23 September 2020 and the Council may wish to confirm with the new website host that there is a framework in place to accommodate compliance with the new accessibility requirements.

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. The payment made under the Local Government Act 1972 (Section 137) has been separately recorded. VAT payments are tracked and separately identified within the Cashbook to assist future re-claims to HMRC.

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. A small sample of transactions was closely examined and was found to be in order with supporting invoices/vouchers in place. The Clerk/RFO has confirmed to Internal Audit that all payments made in the 2019/20 year were supported by invoices/vouchers.

3.3 The re-claim for £557.83 VAT paid in the year 2018/19 is recorded in the Cashbook as received at bank on 8 May 2019 and was reported to Council at its meeting on 14 May 2019 (Minute CSM24/19/20 v 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 Audit Control and Risk Management arrangements were reviewed and approved by the Council at its video meeting on 30 March 2020 (Minute CSM223/19/20a refers). The Risk Assessment and Management (financial)

document was included in the review. The documents provide detailed analysis of the 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 The Council receives regular reports of inspections taking place at the Blacksmiths Field including a checklist of current condition of equipment and any action proposed/taken. An Annual Play Inspection was undertaken by Mid Suffolk District Council (payment of £60.22 approved by the Council at its meeting on 13 January 2020).

4.4 Insurance was in place for the year of account. At the Council's meeting on 24 June 2019 the Clerk/RFO reported the receipt of notification from Community Action Suffolk (CAS) that the Council's Insurance Policy, at the time of renewal, would be moved to a new 'Parish Protect' policy that would be with Royal and Sun Alliance instead of Zurich (Minute CSM46/19/20 refers). The renewal payment of £343.00 is recorded in the Cashbook as being paid electronically to CAS on 9 September 2019. Employer's Liability cover and Public Liability cover each stand at £10m.

4.5 The previous Internal Audit Report noted that the Council's Councillor/Employee Dishonesty (Fidelity) insurance cover (standing at £25,000) was lower than the recommended guidelines. At its meeting on 25 March 2019 the Council reviewed the level of Fidelity Guarantee insurance and resolved that it should remain unchanged for the next financial year, 2019/20 (Draft Minute CSM187/18/19a refers).

4.6 The Councillor/Employee Dishonesty insurance cover accordingly continues to stand at £25,000 and as at 31 March 2020 is significantly lower than 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 (approx. £54,975 as at 31 March 2020). Accordingly, the Council will understand that the issue has to be raised again by its Internal Auditor.

Recommendation 2: It is recommended that the Fidelity Guarantee insurance cover is again examined in the light of the increased balances held by the Council. The Council should ascertain whether there is any significant additional cost of increased insurance cover and then make a judgement bearing in mind the potential financial and reputational risks arising from the current level of cover.

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

Precept 2019/20: £9,800.00

Precept 2020/21: £9,993.00

5.1 The Budget for 2019/20 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council meeting on 14 January 2019, Minutes CSM147/18/19 d and e refer).

5.2 Similarly, a Draft Budget for 2020/21 was considered and agreed by the Council on 25 November 2019 (Minute CSM147/19/20d refers). The Final Budget was approved by the Council at the meeting held on 13 January 2020, when the Precept of £9,993 was approved. The precept decision and amount has been clearly Minuted (CSM172/19/20e refers).

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. The Council has sound budgetary procedures 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 2020/21 can be used effectively for financial control and budgetary control purposes.

5.4 The overall Reserves at the year-end totalled £49,978.94, of which £37,237.98 is earmarked as follows:

CIL Receipts: £30,869.60

Blacksmith Field: £6,368.38

5.5 The General Reserves of £12,740.96 are considered reasonable; the generally accepted best practice position of non-earmarked revenue reserves is that they should be at least equal to three to six months of contractual expenditure. As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, 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 were cross referenced with the Council's Bank Statements on a sample basis and were found to be in order.

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.

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

8.1 Under the provisions of the Transparency Code, Creeting St Mary Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://www.creating-st-mary.suffolk.gov.uk/parish-council/>

8.3 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Yes, payments published.*
- b) *Annual Governance Statement: 2018/19 AGAR Annual Return Section One. Yes, published on website.*
- c) *End-of-Year accounts: 2018/19 AGAR Annual Return, Section Two. Yes, published on website.*
- d) *Annual Internal Audit report: within 2018/19 AGAR Annual Return. Yes, published on website.*
- e) *List of councillor or member responsibilities. Yes, published on website.*
- f) *The details of public land and building assets (Asset Register). Yes, published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Yes, published on website.*

8.4 The Council is complying with the requirements of 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 Clerk/RFO confirmed that the notice had been placed on the website and all noticeboards but has since been removed.

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

9.1 The Council is registered with HMRC and the Payroll is being operated in-house in accordance with HMRC requirements.

9.2 At its meeting on 25 March 2019 the Council considered the grading of the Clerk/RFO's post with reference to the national pay scales. The Council noted that the Clerk/RFO had passed the Certificate in Local Council Administration and it was agreed that the post be confirmed at SCP 22 (Minute CSM200/18/19 refers).

9.3 With regard to the workplace pensions legislation, the Council wrote to the Clerk/RFO on 2 July 2017 outlining the scheme and the criteria and confirmed that Mrs Blackburn did not become a member of the scheme automatically but had the option to join the scheme. Mrs Blackburn decided not to join the scheme.

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 total value of £39,081.18 as at 31 March 2020 is an increase of £5,816.59 over the value as at the end of the previous year (31 March 2019) and reflects the following acquisitions and disposals:

Acquisitions (added to Register):

Speed Equipment £3,146.34

HP Laptop £670.00

Defibrillator £2,345.00

Grit Bin (Creeting Bottoms) £128.62

Telephone Kiosk Signage £176.63

Bosch Tools (gifted and displayed at nil cost)

Disposals (values removed from Register):

Dell Laptop £500.00

Noticeboard £150.00

10.2 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at purchase cost (where known) or a community value of £1 in appropriate cases. The value should be entered into Box 9 of Section 2 of the AGAR.

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

11.1 The bank statements for the TSB Business Current Account, the two Savings Accounts and the CIL Fund Account 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/RFO provides financial reports to Council meetings and Councillors are provided with

information to enable them to make informed decisions. The Council receives details of the financial position of the Council, including accounts balance, payments and receipts and bank reconciliation.

13.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. Payments were predominately made through electronic means/internet banking during 2019/20. The Clerk/RFO is the Service Administrator, who initiates payments which are then authorised by two parish councillors before payment is released. The procedure is documented in the Council's Financial Regulations (item 6.15 et seq.). In addition, the Clerk/RFO confirmed that:

- (a) where appropriate, 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 nominated signatories in confirmation of the payment being correctly made.
- (c) where appropriate, Cheque Book counterfoils are initialled by Cheque Signatories, in accordance to the requirements of the Council's Financial Regulations under 'Instructions for the Making of Payments'.

These particular areas were not examined due to the Internal Audit being conducted remotely/electronically but will be test-checked at the next scheduled audit.

13.3 The Internal Audit Report for the previous year, 2018/19 was reported to the Council at its meeting on 14 May 2019 (Minute CSM24/19/20 iii refers). No matters of concern had been raised in the Report.

13.4 The Internal Auditor for the 2019/20 year was appointed by the Council at the meeting held on 24 February 2020 (Minute CSM196/19/20e 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 14 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year.

14.2 At the video meeting on 30 March 2020 the Council agreed that the same arrangements were to apply for the year 2019/20 in that the Council was classed as exempt and did not need an external audit (Minute CSM222/19/20 refers). However, the End-of-Year Accounts have revealed that as gross income exceeded £25,000 in the year of account ending 31 March 2020, the Council is unable to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. Accordingly, the Council is subject to a Limited Assurance Review for the year 2019/20 by the External Auditors, PKF Littlejohn LLP.

15. Additional Comments.

15.1 The Annual Parish Council meeting was held on 14 May 2019, within the required timescale. The first item of business was the Election of Chair, in accordance with the requirements of the Local Government Act 1972.

15.2 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

Trevor Brown, CPFA

Internal Auditor

5 May 2020