

Report to Chediston and Linstead Grouped Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2021

1. Introduction and Summary.

1.1 During the 2020/21 year the Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. This Internal Audit review has confirmed the overall adequacy of the financial arrangements currently in place within the Council.

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), is satisfactorily undertaking 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 approved by the Council display the following:

Total Receipts for the year: £4,493.88

Total Payments in the year: £3,271.78

Total Reserves at year-end: £5,439.36

1.4 Sections One and Two of the Annual Governance and Accountability Return (AGAR) were approved by the Council at the meeting held on 17 May 2021. The following figures were approved by the Council in Section Two:

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £4,218</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £3,250</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,244</i>
<i>Staff Costs:</i>	<i>Box 4: £1,981</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,291</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £5,440</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £5,440</i>
<i>Total fixed assets:</i>	<i>Box 9: £4,948</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within the AGAR. 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 At the first meeting of the Council in 2020/21 on 20 July 2020 (as the Annual General Meeting of the Parish Council) the Council elected a Chairman in accordance with the requirements of the Local Government Act 1972 (Minutes 1 and 2 refer).

2.2 Standing Orders and Financial Regulations are in place and were reviewed and adopted by the Council at its meeting on 21 September 2020 (Minute 10 refers).

2.3 As part of its overall governance responsibilities, the Council formally re-confirmed the Clerk as the Council's Responsible Financial Officer (RFO) and re-confirmed direct debit mandates at the meeting held on 20 July 2020 (Minute 10 refers).

2.4 The Minutes of the Council are well presented and provide evidence of the decisions taken by the Council in the year.

2.5 The Council noted at its meeting on 15 March 2021 that the agenda for the meeting held on 18 January 2021 had not been published/advertised as required by regulation and by the Council's own Standing Orders. The Clerk/RFO confirmed that checks were in place to ensure that future agenda are published/advertised as required (Minute 11 refers).

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 (Registration ZA509545, expiring on 4 April 2022).

2.7 The Council reviewed and re-adopted the Local Code of Conduct at the meetings held on 20 July 2020 (Minute 11 refers) and 17 May 2021 (Minute 16 refers). 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 Council Member.

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 is maintained in the form of a hand-written ledger 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 found to be in good order with supporting invoices and vouchers in place.

3.2 Payments under the Local Government Act 1972 Section 137 are separately identified in the Cashbook and Receipts and Payments Account.

3.3 It was noted in the Accounts presented to the Internal Auditor that a refund of £185.32 relating to a repayment by the Suffolk Association of Local Councils (SALC) has been shown in the Accounts as a Receipt. Current accounting practice provides that refunds of expenditure (e.g. a refund of a cheque paid) should be deducted from Payments to avoid artificially inflating the income figures of the authority. The External Auditors, PKF Littlejohn LLP, has listed this as one of the common errors made by local councils (Appendix 1 (Box 9) of their Guidelines).

3.4 VAT payments are separately identified in the Cashbook to assist future claims to HMRC for re-imbursement. Relatively small amounts of VAT are normally paid in the year. The most recent re-claim to HMRC was for the £442.32 VAT paid in the period 18 October 2017 to 13 March 2019, submitted by the Clerk/RFO on 18 March 2019 and received at bank on 1 April 2019.

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 Risk Assessment documentation was reviewed and approved by the Council at the meeting held on 20 July 2020 (Minute 8 refers). The internal control and risk assessment documents provide an analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 The Council accordingly complied with Section 4 of 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 the management of risk, with the review suitably Minuted.

4.3 Insurance was in place for the year of account. The Council approved the renewal premium of £146.56 to CAS Insurance at its meeting on 21 September 2020 (Minute 8 refers). The premium covered the period 1 October 2020 to 30 September 2021 and included a discount for a three-year long-term undertaking with CAS. 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. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000).

5.1 Chediston and Linstead Grouped Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://chedistonandlinstead.onesuffolk.net/>

5.2 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 (2019/20) – Yes
- c) End of year accounts, AGAR Annual Return, Section Two:
Published (2019/20) – Yes
- d) Annual Internal Audit report within AGAR Annual Return:
Published (2019/20) – Yes
- e) List of councillor or member responsibilities:
Published – Yes
- f) Details of public land and building assets:
Published – No public land or building assets are owned
- g) Minutes, agendas and meeting papers of formal meetings:
Published – Yes

5.3 The Council is meeting the requirements of the Transparency Code.

5.4 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)'. The Internal Auditor was able to confirm that the document for the year 2019/20 was presented to Council at the meeting on 20 July 2020 for approval (Minute 9 refers).

5.5 The Clerk/RFO confirmed that the remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes, were accessible on the Council's website.

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

Precept 2020/21: £3,250 (2 December 2019, Minute 8 refers).

Precept 2021/22: £3,250 (18 January 2021, Minute 7 refers).

6.1 The Precepts were agreed in Full Council and the precept decision and amount have been clearly Minuted. 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.

6.2 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.

6.3 The Reserves available to the Council at the year-end 31 March 2021 were £5,439.36. The level of Reserves and Contingency sums available were sufficient to meet, within reason, any unforeseen items of expense that may occur.

7. Income Controls (*regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms*).

7.1 Income controls were checked and income received and banked cross referenced on a sample basis with the Cashbook and bank statements.

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

8.1 No Petty Cash is held; an expenses system is in place with any expenses incurred reimbursed by payment by cheque.

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

9.1 The Council has previously agreed (at its meeting on 24 March 2014 - Minute 9 refers) to make salary payments to the Clerk/RFO gross of tax by standing order to take account of the Clerk's tax code. Accordingly, no payments were made by the Council to HMRC in respect of PAYE during 2020/21.

9.2 The Council noted at the meeting held on 21 May 2018 that the Clerk's wages were to be increased in accordance with the National Joint Council for Local Government Services (NJC) recommended rates, with effect from April 2018 (Minute 12 refers) and Scale Point 16 at £9.52 per hour at 4 hours per week x 52 weeks = £1,980.16 p.a. became payable. This was paid as a Standing Order of £165.01 per month and continued to be paid during the year 2019/20 and 2020/21.

9.3 The Council may wish to note that the NJC agreed new pay scales with effect from 1 April 2019 and the old Scale Point 16 was replaced by a new Scale Point 6 at £9.96 per hour (from 1 April 2019). The 2020/21 national salary award resulted in Scale Point 6 being increased to £10.24 (from 1 April 2020).

9.4 With regard to the legislative requirements relating to workplace pension schemes, the Council is registered with the Pensions Regulator. A re-declaration of compliance was submitted by the Council to the Pensions Regulator on 21 April 2020 under 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 and was reviewed by the Council at its meeting on 20 July 2020 (Minute 8 refers). The Clerk/RFO explained to the Internal Auditor that the Council normally reviews the Asset Register at its May meeting each year.

10.2 The Council's records show that the Asset Register originally displayed a total of £3,928.27 as at 31 March 2019. This was later reduced to £3,569.47 following the

deletion of some defibrillator training costs that had been mis-stated in the Register. During the year 2019/20 a second defibrillator was acquired at the cost of £1,498.80 resulting in the value of assets being accordingly increased to £5,068.27 as at 31 March 2020.

10.3 The Assets show a total of £4,948.27 as at 31 March 2021, a reduction of £120 from the value as at the end of the previous year, reflecting the removal of a grit bin in the year of account.

10.4 The value as at 31 March 2021 has been entered into Box 9 of the AGAR (rounded to £4,948 for purposes of the Return).

10.5 The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are recorded at original purchase cost or, where the original purchase price is unknown, a proxy value is given which will remain unchanged until disposal. No public land or building assets are owned by the Council.

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

11.1 The bank statements for the Barclays Community (Current) Account and the Barclays Business Premium (Savings) Account as at the 31 March 2021 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 formally approved by the Council at the meeting on 17 May 2021.

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's internal financial controls were examined. The Clerk/RFO provides detailed financial reports to Council meetings including Quarterly Financial Statements. Councillors are provided with information to enable them to make informed financial decisions. Details of payments made are listed within the Minutes of the Council's meetings.

13.2 Cheque book counterfoils and invoices/vouchers for payment are initialled by cheque signatories as part of the overall financial control framework operating within the Council.

13.3 The Internal Audit report for the previous year 2019/20 was reported to Council at its meeting on 21 September 2020 (Minute 9 refers). The Report had put forward the following recommendations:

R1: The model Standing Orders and Financial Regulations adopted by the Council on 16 September 2019 should be tailored to the particular requirements of the Council where alternative options or square brackets are displayed in order to eliminate any ambiguity. (The Council reviewed and approved Standing Orders and Financial Regulations at its meeting on 21 September 2020).

R2: The Council should note the NJC Pay Scales that applied from 1 April 2019 and consider increasing the salary of the Clerk/RFO accordingly. (The item was noted by the Council at its meeting on 21 September 2020).

13.4 The Internal Auditor was formally re-appointed by the Council at the meeting held on 17 May 2021 (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 20 July 2020 the Council completed the Certificate of Exemption from a Limited Assurance Review alongside the Annual Governance and Accountability Return for 2019/20 (Minute 9 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. Accordingly, at its meeting on 17 May 2021 the Council completed the Certificate of Exemption from a Limited Assurance Review in respect of the year 2020/21.

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

Trevor Brown, CPFA

Internal Auditor

23 June 2021