

Report to Creeting St Peter 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: £7,380.32
Total Payments in the year: £5,124.44
Total Reserves at year-end: £17,488.06*

1.6 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the 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: £15,232</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £5,300</i>
<i>Total Other Receipts:</i>	<i>Box 3: £2,080</i>
<i>Staff Costs:</i>	<i>Box 4: £2,344</i>
<i>Loan Interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £2,780</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £17,488</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £17,488</i>
<i>Total fixed assets:</i>	<i>Box 9: £28,935</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 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 Standing Orders and Financial Regulations at its meeting on 16 March 2020 (Minute CSP125/19/20b refers).

2.2 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council. The Clerk/RFO has confirmed that each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved.

2.3 The Council is proposing to develop a 5-year rolling Plan, to outline the Council's main aims and objectives and the specific proposals for the future. The Clerk/RFO has advised Internal Audit that the construction and review of the Plan has been delayed due to the current pandemic.

2.4 The Council demonstrates good practice by maintaining a wide range of formal policies and procedures and internal protocols including a Communications Policy, Equal Opportunities Policy, Social Media Policy, Blogging and Social Networking Internal Procedure Protocol, all of which have been published on the Council's website.

2.5 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA048115, expiring 21 May 2020 refers). A Data Protection and Security Policy is in place, having been adopted by the Council at its meeting on 19 March 2018 (Minute CSP129/17/18c refers), and a copy has been published on the Council's website.

2.6 The Council adopted the revised Suffolk Local Code of Conduct on 24 July 2014 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 meet 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 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. Payments made under the Local Government Act 1972 (Section 137) have been separately recorded in the year. VAT payments are tracked and identified within the Cashbook Spreadsheet.

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/RFO. A sample of transactions was closely examined and was found to be in order with supporting invoices and 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 £250.37 VAT paid in the year 2018/19 was submitted to HMRC on 3 April 2019, recorded in the Cashbook as received on 8 May 2019 and its receipt was reported to Council at the meeting held on 9 May 2019 (Minute CSP25/19/20v refers).

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 Control Measures and Risk Assessment Arrangements were reviewed and approved by the Council at the meeting held on 16 March 2020 (Minute CSP125/19/20a refers). The documentation provides a 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 An independent Play Equipment Inspection was undertaken by Mid Suffolk District Council in the year. At the meeting on 18 November 2019 the Council noted that the Play Area Inspection had been completed and no high risks had been identified in relation to the equipment although the slide required replacement and some areas needed to be monitored (Minute CSP90/19/20 refers). The Council also receives regular reports of inspections taking place at the Play Areas including a checklist of the current condition of equipment and any action proposed/taken.

4.4 Insurance was in place for the year of account. At the Council's meeting on 15 July 2019 the Clerk/RFO reported the receipt of notification from Community Action Suffolk 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 CSP41/19/20a refers).

4.5 The Council approved the insurance premium of £411.60 to CAS Business Ltd. for the forthcoming year at the meeting held on 23 September 2019 (Minute CSP62/19/20c refers). Employer's Liability cover and Public Liability cover each stand at £10m. The Employee/Councillor Dishonesty (fidelity guarantee) 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. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*).

Precept 2019/20: £5,300.00

Precept 2020/21: £5,285.00

5.1 The Draft Budget for 2019/20 was considered and agreed by the Council at its meeting on 19 November 2018 (Minute CPS73/18/19) and the Final Budget was approved at the meeting on 21 January 2019 (Minute CSP92/18/19d). The Precept for the year 2019/20 was also agreed at that meeting and the decision and amount have been clearly Minuted (CSP92/18/19e refers).

5.2 Similarly, a Draft Budget for 2020/21 was considered by the Council at its meeting on 18 November 2019 (Minute CSP83/19/20d refers). The Final Budget was approved by the Council at the meeting held on 20 January 2020, when the Precept of £5,285 was approved. The precept decision and amount have been clearly Minuted (CSP105/19/20e 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 estimates of the annual budget and of receipts and payments.

5.4 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The overall Reserves at the year-end totalled £17,488.06 of which £10,612.44 has been earmarked as follows:

Play Area:	£4,377.75
Fen Alder Carr Nature Reserve:	£2,768.32
Lottery:	£3,466.37

5.5 The General Reserves accordingly stood at £6,875.62 at the year-end and remain above the generally accepted best practice position of non-earmarked revenue reserves held usually being equal to three to six months of contractual expenditure or %0% 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 were cross referenced with the Council's Bank Statements on a sample basis and were found to be in order.

6.2 The Council operates a Village Lottery having resolved at its meeting on 20 September 2011 to take over the Bonus Ball previously run by the Community Council. The Council applied for and was granted a Small Society Lotteries registration under the Gambling Act 2005 (Registration LOTT/11/02560 refers). At the meeting on 18 November 2019 the Clerk/RFO confirmed to the Council that the annual Gambling Act documentation relating to the Village Lottery had been completed (Minute CSP83/19/20 a refers).

6.3 The previous Internal Audit Report dated 2 May 2019 noted that the documentation detailing the operation of the Bonus Ball Lottery related to the year 2011 and required review and up-dating. At the Council meeting held on 15 July 2019, the Clerk/RFO presented up-dated documentation which was approved by the Council (Minute CSP48/19/20 refers).

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 prepared or internet banking payments made 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, Creeting St Peter Parish Council can be designated as a 'Smaller Council'.

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

Smaller Councils should publish on their website:

- a) *All items of expenditure above £100.* Yes, published on website.
- 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: 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.

8.3 The Council is complying with 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 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. The P60 End of Year Certificate for the Clerk/RFO was presented to Internal Audit.

9.2 At its meeting on 18 March 2019 the Council considered the grading of the Clerk/RFO's post with reference to the national pay scales. It was noted that the Clerk/RFO had passed her Certificate in Local Council Administration (CiLCA) and it was agreed that the post be confirmed at SCP 22 (Draft Minute CSP118/18/19 refers).

9.3 With regard to the workplace pensions legislation, the Council wrote to the Clerk/RFO on 2 May 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. The Clerk/RFO has confirmed that the Council submitted a re-declaration to the Pensions

Regulator on 26 March 2020 in accordance with the requirements of the Pensions Act 2008.

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 £28,934.31 as at 31 March 2020 remained unchanged from the value as at the end of the previous year.

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 has been correctly 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 following accounts were presented to Internal Audit:

Barclays Community (Current) Account
Barclays Play Area Account
Barclays IAS Savings Account
Barclays Fen Alder Carr Nature Reserve Account
Barclays Lottery Account

11.2 The bank statements 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 balance of the accounts, payments for authorisation and receipts since the last meeting.

13.2 Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework. The Clerk/RFO confirmed that invoices/vouchers for payment are signed or initialled by the nominated signatories in confirmation of the payment being correctly made.

13.3 Payments are currently being made through electronic means/internet banking. The Clerk/RFO has confirmed that she is the Service Administrator, who initiates payments and is one of the two signatories that Barclays Bank require. The Clerk/RFO has acknowledged that this procedure is not in line with the Council's Financial Regulations, which require authorisation by two parish councillors before payment is released.

13.4 The Clerk/RFO confirmed that payments are authorised at a meeting of the Council (through e-mail since the 'lockdown') and the Chair authorises the payment as the second signatory. Internal Audit was advised that the Council plans to change to a Bank where a three-signatory procedure is available.

Recommendation 2:

- a) **The Council should amend its Financial Regulations to reflect that the current internet banking arrangements shall be allowed temporarily until the Council changes to a Bank that provides a three-signatory procedure.**
- b) **The Council should ensure that the Internet Banking payment confirmation is attached to the appropriate paid invoice/voucher to secure an adequate audit trail.**

13.5 The Clerk/RFO advised that where payments were made by cheque in 2019/20, the cheque numbers were noted on the paid invoices/vouchers to assist the verification of payment and that cheque book counterfoils were initialled by the 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 can be test-checked at the next scheduled audit.

13.6 The Internal Audit Report for the previous year, 2018/19, was received by the Council at its meeting on 9 May 2019 (Minute CSP 25/19/20iii refers). A recommendation had been put forward that during the year 2019/20 the Council should review and up-date the documentation that details the operation of the Bonus Ball Lottery, the intended use of funds and the role and responsibilities of all parties including the designated Lottery Promoter. As referred to at item 6.3 above, this has been addressed, the Council approved up to date documentation at its meeting on 15 July 2019.

13.7 The Internal Auditor for the 2019/20 year was appointed by the Council at the meeting held on 16 March 2020 (Minute CSP124/19/20d refers).

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

14.1 An External Audit was not required in the year 2017/18. At its meeting on 9 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year.

14.2 For the year 2019/20 the Council may similarly apply for Exemption from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account. This was noted by the Council at its meeting on 16 March 2020 (Minute CSP124/19/20e refers).

15. Additional Comments.

15.1 The Annual Parish Council meeting was held on 9 May 2019, within the required timescale. The first item of business was the Election of Chairman, 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

15 May 2020