

Report to Badingham 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 All documents were very well presented for the Internal Audit review.

1.4 The Accounts for the year confirm the following:

Total Receipts for the year: £28,599.45
Total Payments in the year: £34,258.67
Total Reserves at year-end: £9,032.12

1.5 The Annual Governance and Accountability Return (AGAR) was examined and the following figures confirmed with the Clerk/RFO for inclusion 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: £14,691</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £9,692</i>
<i>Total Other Receipts:</i>	<i>Box 3: £18,908</i>
<i>Staff Costs:</i>	<i>Box 4: £6,119</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £28,140</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £9,032</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £9,032</i>
<i>Total fixed assets:</i>	<i>Box 9: £327,909</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.6 Sections One and Two of the AGAR were approved by the Council at its meeting on 5 May 2021. The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within the AGAR Part 3.

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 Following guidelines set by Government, from July 2020 the Council met through 'virtual' meetings using the Zoom platform and received appropriate information from the Clerk/RFO regarding any Covid-19 issues that impacted upon the community and the operations of the Council. At the meeting on 7 July 2020 the Council appointed a new Chair who agreed to hold the position through to the next Annual Parish Council meeting.

2.2 Standing Orders are in place. At its meeting on 26 October 2020 the Council considered and adopted the 2020 revised edition of the Model Standing Orders published by the National Association of Local Councils (NALC) (Minute 3 refers). The Council's Standing Orders, reflecting the latest guidance provided by NALC, were ratified at the meeting on 10 March 2021 (Minute 6 refers). A copy of the Standing Orders has been published on the Council's website.

2.3 Financial Regulations are also in place. At its meeting on 26 October 2020 the Council considered and adopted the Model Financial Regulations published by NALC in 2019 (Minute 3 refers). The Financial Regulations were ratified by the Council at its meeting on 10 March 2021 (Minute 6 refers). A copy of the Financial Regulations has been published on the Council's website.

2.4 An amendment to the footnotes in Section 11 of Financial Regulations has since been put forward by NALC to state that *'Thresholds currently applicable for public supply and public service contracts is £189,330' (from £181,302)*. This up-date can be addressed at the Council's next review of Financial Regulations.

2.5 The Minutes of the Council's meetings are well presented and provide clear evidence of the decisions taken by the Council in the year. The Minutes are kept in loose-leaf form and individual papers are numbered in respect of each meeting. Each page is initialled by the person presiding at the meeting at which the Minutes are approved.

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 under current Data Protection legislation (Registration ZA487034, expiring 13 January 2022). The Council's Registration on the ICO's website displays the Council's Data Protection Officer as LCPAS, ceo@lcpas.co.uk which no longer applies.

2.7 A Data Protection Policy is in place and a copy has been published on the Council's website. The Policy displays the main contact as the DPO Centre, Liverpool Street, London.

Recommendation 1:

- (a) **The Council should advise the Information Commissioner's Office that the Council's Data Protection Officer is no longer LCPAS; the current contact address should be provided in order to ensure that any data protection issues arising will be referred to the Council's correct contact address.**
- (b) **The Council should review and up-date the Data Protection Policy during the year 2021/22 to ensure that the Policy meets the Council's current requirements and displays the Council's current contact details.**

2.8 The Council has a Freedom of Information Policy and a Publication Scheme to assist meeting the requirements of the Freedom of Information legislation. A copy has been published on the Council's website.

2.9 The Council's website displays the Suffolk Local Code of Conduct published in July 2014. During 2020, local councils were consulted on a new national Code of Conduct for Councillors.

2.10 New website accessibility regulations came into effect from 23 September 2020. It is good practice for local councils to publish a Website Accessibility Statement; this would detail what the Council has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible, or where there would be a disproportionate burden to secure full accessibility, with contact details to report accessibility problems.

Recommendation 2: The Council should consider constructing and publishing a Website Accessibility Statement which will include website navigation and accessing information and disclose any areas which are exempt from the Regulations or may involve a disproportionate financial burden to achieve full accessibility.

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 referenced and provides a good audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. 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 VAT payments made in the year have been separately entered into a VAT column in the Spreadsheet to assist re-claims to HMRC. Reclaims for VAT paid are regularly submitted to HMRC:

- a) A reclaim for £493.40 VAT paid during the period 16 March 2019 to 31 March 2020 was received at bank on 27 August 2020.
- b) A reclaim for £458.20 VAT paid during the period 15 June 2017 to 15 March 2019 was received at bank on 3 September 2020.
- c) A reclaim of £4,389.30 for VAT paid in the period 1 April 2020 to 31 March 2021 was submitted to HMRC on 27 April 2021.

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

3.4 The Clerk/RFO has completed a Community Infrastructure Levy (CIL) End-of-Year Report as at 31 March 2021, which displays the Opening Balance in the year of £7,490.70, CIL income received of £15,208.39 and CIL Funds spent of £20,829.16 (being applied to the Village Hall Community Improvement Project) with a closing balance of £1,869.93 at the year-end. The Report has been published on the Council's website and has to be submitted to the District Council no later than 31 December 2021.

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 submission to the External Auditors and 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 has a detailed Risk Assessment document in place. The Risk Assessment was considered and ratified by the Council at its meeting on 10 March 2021 (Minute 6 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. Previous Internal Audit Reports have recommended that the document should include an item identifying the risks associated with non-compliance with the General Data Protection Regulations (GDPR) and the actions in place to mitigate the risks involved. This recommendation remains outstanding and is accordingly repeated in this Report:

Recommendation 3: The Risk Assessment document should include an item identifying the risks associated with non-compliance with the General Data Protection Regulations and the actions in place to mitigate the risks involved. These additions should be made at the next scheduled review of the risk assessment documentation.

4.2 The Council 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 the management of risk, with the review suitably Minuted.

4.3 Insurance was in place for the year of account. At its meeting on 16 October 2020 the Council approved the payment of £356.72 to CAS Insurance Ltd (cover provided by Royal and Sun Alliance Insurance for the period 1 October 2020 to 30 September 2021). The Employer's Liability cover and Public Liability cover each stand at £10m. Fidelity Guarantee (Employee/Councillor 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 received.

4.4 The Asset Register lists the Village Hall as an asset valued at £303,000 and in the ownership of the Council. The Clerk/RFO confirmed to the Internal Auditor that insurance cover is organised by the Village Hall Management Committee, according to a Deed of Covenant and Constitution which require a Management Committee to manage and conduct the business of the Hall.

4.5 PlaySafety Ltd. completed a RoSPA inspection of the Pocket Park pond and play equipment in the year of account at a cost of £164.40 (payment made on 29 December 2020).

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

Precept 2020/21: £9,691.81 (4 December 2019, Minute 5.1).

Precept 2021/22: £10,000.00 (16 October 2020, Minute 6.1).

5.1 The Budget and Precept for the year 2020/21 were agreed in Full Council and the decision and the Precept amount of £9,691.81 were clearly Minuted.

5.2 Similarly, the Budget and Precept for 2021/22 were considered and agreed in Full Council. The Council agreed on 16 October 2020 that the Precept should be increased by £308.19.

5.3 The Clerk/RFO ensures that the Council is aware of its responsibilities and commitments and the need for forward planning and 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.

5.4 The estimates are used effectively for financial control and budgetary control purposes; the Council demonstrates good financial practice by considering at each meeting a financial statement that compares the budget for the year against actual receipts and payments.

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. The Overall Reserves at the year-end totalled £9,032.12, of which £3,027.41 has been listed as restricted funds or earmarked reserves, as follows:

- a) Community Infrastructure Levy Funds (restricted funds): £1,869.93
- b) Training Fund: £685.00
- c) Election Fund: £472.48

5.6 General Reserves (Overall Reserves less Earmarked/Restricted Funds) of £6,004.71 was accordingly available to the Council as at 31 March 2021.

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 Council's Bank Statements 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, 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, Badingham Parish Council can be designated as a 'Smaller Council'. The Council's website is:

<http://badinghampc.onesuffolk.net/>

8.2 Smaller Councils should publish on their website:

- a) All items of expenditure above £100:
Published: Yes
- b) Annual Governance Statement, 2019/20 AGAR Annual Return Section One:
Published: Yes
- c) End-of-Year accounts, 2019/20 AGAR Annual Return, Section Two:
Published: Yes
- d) Annual Internal Audit report within the 2019/20 AGAR Annual Return:
Published: Yes
- e) List of councillor or member responsibilities:
Published: Yes
- f) The details of public land and building assets (Asset Register):
Published: Yes
- g) Minutes, agendas and meeting papers of formal meetings:
Published: Yes

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 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, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.5 The remaining documents required to be published in respect of the year 2019/20, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis of variances) were confirmed at the date of the audit as being 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 operated in-house with a monthly standing order being paid to the Clerk/RFO. PAYE is not in operation and payments are made gross of tax. The Clerk/RFO has advised the Internal Auditor that she has previously reported to Council that HMRC has confirmed that there is no liability for PAYE/NI as the Clerk/RFO's salary is under the lower limit for PAYE.

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 2021 as £327,909.94, 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 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 correctly recorded in Box 9 of Section 2 of the AGAR (Annual Return).

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

11.1 Bank statements are regularly reconciled to the accounts and included in the Financial Statements presented to the Council's meetings.

11.2 The bank statements for the Barclays Community (Current) Account (as at 31 March 2021) and the Barclays Business Premium Account (as at 16 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 in good order. Sample audit trails were undertaken and were found to be in good order. The Clerk/RFO has constructed a Summary Receipts and Payment Account and Bank Reconciliation which, following some minor corrections to the narrative alongside the figures, were seen to be in good 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 comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Council receives, at each meeting, details of the financial position of the Council, including details of cheques presented for payment, bank account balances, Reserves and Fund balances and a statement comparing the budget with expenditure to date.

13.2 The Cheque Book counterfoils and invoices/vouchers for payment are being initialled by cheque signatories. Payments are listed in the Financial Statements presented to each Council meeting as part of the overall financial control framework. Cheque numbers are entered on each paid invoice/voucher to ensure that an audit trail is in place.

13.3 The Internal Audit Report for the previous year, 2019/20, was reported to the Council at its meeting on 28 August 2020 (Minutes 4 and 5 refer) and a copy of the Report has been published on the Council's website. The Report had put forward the following recommendations:

- a) *During the year 2020/21 the Council should review and consider the adoption of the latest Model Standing Orders published by NALC. (This was addressed by the Council on 26 October 2020 and on 10 March 2021).*
- b) *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. (This was addressed by the Council in on 26 October 2020 and 10 March 2021).*
- c) *The Council should submit an electronic reclaim to HMRC for the VAT paid from 15 June 2017 through to 31 March 2020. (The amount of £951.60 VAT paid during that period has been recovered from HMRC).*

13.4 The Internal Auditor for the 2020/21 year was re-appointed by the Council at the meeting held on 10 March 2021 (Minute 6 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.

14.2 For the year 2020/21, the Council will be required to receive an External Audit by PKF Littlejohn LLP as the higher of gross income or gross expenditure exceeded £25,000 in the year of account.

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

8 June 2021