

Report to Cratfield 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 continued to maintain effective governance arrangements including a robust and effective 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. The Council displays many examples of good financial practice.

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), 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: £7,127.36
Total Payments in the year: £9,873.71
Total Reserves at year-end: £8,072.09

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk 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: £10,818</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £3,500</i>
<i>Total Other Receipts:</i>	<i>Box 3: £3,627</i>
<i>Staff Costs:</i>	<i>Box 4: £2,351</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £7,522</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £8,072</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £8,072</i>
<i>Total fixed assets:</i>	<i>Box 9: £53,212</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 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.

1.6 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 During the period when restrictions were in place due to the Covid-19 situation, the Council conducted essential business and meetings through e-mail and, from 8 September 2020, the Council met virtually via Zoom as permitted in the Local Authorities and Police Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England and Wales) Regulations 2020.

2.2 Standing Orders are in place and were reviewed by the Council at the meeting held on 9 March 2021 and revised to reflect the latest guidance on Standing Orders published by NALC (Minute 6l refers).

2.3 Financial Regulations are in place. The Regulations were reviewed by the Council at the meeting held on 9 March 2021 and revised to reflect the latest guidance on Financial Regulations published by NALC (Minute 6d refers).

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

2.5 As part of its governance responsibilities and as a result of the Covid-19 situation, at the Extraordinary Council meeting on 7 May 2020 (conducted via email) the Council approved a Coronavirus Contingency Plan and Action Plan, an Email and Decision-Making Policy and a Scheme of Delegation which delegated all operational responsibilities of the Council to the Clerk/RFO (Minute 3 refers). The Scheme of Delegation remained until the Council met by video-conferencing through the Zoom platform on 8 September 2020.

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 Data Protection legislation (Registration ZA356518, expiring 21 May 2021, refers). The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption and review of Data Protection policies, procedures and documentation, including a GDPR Policy (reviewed on 9 March 2021) and a Data Information Audit Policy, Allotment Tenants Privacy Notice, a Staff, Councillors and Role Holders Privacy Notice and a General Data Protection Awareness Checklist for Councillors.

2.7 The Council demonstrates good practice by adopting and maintaining other formal policies and procedures, including a Planning Procedure Policy and a Play Area and Millennium Meadow Policy, both of which were reviewed and approved at the meeting held on 9 March 2021 (Minute 6 refers).

2.8 The Council also demonstrates good governance practice by periodically reviewing and re-adopting the Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. The Council reviewed and re-adopted the Code of Conduct at a meeting held on 10 March 2020 (Minute 6c refers).

2.9 The Council made appropriate preparations to ensure that the new website accessibility regulations were complied with no later than 23 September 2020. The Clerk/RFO reported on this matter to the Council on 8 September 2020 (Minute 9a refers). The Clerk/RFO has attended online training and has updated and checked the website with the WAVE Web Accessibility Evaluation Tool and added the Website Accessibility Statement as recommended by SALC.

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. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cashbook. The Council considered Grants/Donations at its meeting on 9 March 2021 and approved a grant of £100 to Suffolk Accident Rescue Service and placed the remaining £200 in a Grants Reserve (Minute 5b refers).

3.2 The Cashbook 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 with the supporting vouchers, invoices and receipts was examined and found to be in good order.

3.3 VAT paid is being reclaimed from HMRC. The VAT reclaim of £88.23 for the period April 2019 to April 2020 is recorded as received on 27 April 2020 and was reported to Council at its meeting on 19 May 2020 (Minute 5e refers).

3.4 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.

3.5 The CIL Fund Annual Report for the year ended 31 March 2021 shows £52.23 CIL received and nil CIL applied during the year of account and the amount of £52.23 retained as at 31 March 2021. A copy of the report has been published 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 Control Statement (including internal control arrangements and Internal Audit procedures) was reviewed by the Council at the meeting on 9 March 2021 (Minute 6g refers).

4.2 The Council's Risk Assessment document was also reviewed and approved by the Council at its meeting on 9 March 2021 (Minute 6k 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. The Council's Play Area Risk Assessment (Covid-19) was also reviewed and adopted at the meeting (Minute 6j refers).

4.3 The Council accordingly complied with 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 management of risk, with the review suitably Minuted.

4.4 An important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect the Council has a standing agenda item of Play Area Maintenance, which includes reports on the play area and the opportunity for Councillors to follow up any action agreed. The Clerk/RFO reported to Council on 8 September 2020 that the Annual Play Equipment Inspection was scheduled for September 2020 (Minute 7a refers). The Annual Inspection Report was considered by the Council at its meeting on 10 November 2020, when the remedial work required was noted and action agreed (Minute 7a refers).

4.5 Insurance was in place for the year of account. The Council had resolved on 10 September 2019 to accept the Community Action Suffolk (CAS) Parish Protect Insurance quotation for a 3-year long-term agreement. Payment of £299.78 for the 2020/21 year was approved by the Council at its meeting on 8 September 2020 (Minute 5a refers)

4.6 The Employer's Liability cover and Public Liability cover each stand at £10m. The 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. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*).

Precept 2020/21: £3,500 (Meeting on 12 November 2019, Minute 5b refers).

Precept 2021/22: £3,500 (Meeting on 10 November 2020, Minute 5c refers).

5.1 The Budget for the year 2020/21 was considered and agreed by the Council on 12 November 2019 and the approval and the amount of the Precept is clearly recorded.

5.2 Similarly, the Budget for the year 2021/22 was considered and agreed by the Council on 10 November 2020 and the approval and the amount of the Precept is clearly recorded.

5.3 The Precepts were accordingly agreed in Full Council and appropriate budget papers were prepared to ensure that Councillors had sufficient information to make informed decisions.

5.4 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.

5.5 The estimates for 2020/21 were used effectively for financial control and budgetary control purposes with detailed budgetary position statements (budget reports) being presented to meetings of the Council.

5.6 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves.

5.7 At its meeting on 9 March 2021 the Council considered its Restricted Reserves and noted that a contested election in May 2023 would cost approximately £1,000 and adequate reserves should be set aside. The Council also resolved to place the unspent £50 Miscellaneous budget and the VAT reclaim of £250, when received, into an Election Reserve.

5.8 As at the 31 March 2021 the Council's overall Reserves totalled £8,072, of which £6,362 has been earmarked as follows:

- (a) Bell Fund £69
- (b) Defibrillator Fund £243
- (c) Jubilee Fund £309
- (d) Play Area Equipment/Maintenance £1,171
- (e) Village Maintenance £700
- (f) Village Sign £520
- (g) HHCFT Grants (Bus Shelter) £1,462
- (h) ESC Bus Shelter Landscaping Grant £1,586
- (i) Election Reserve £50
- (j) Grant Reserve £200
- (k) CIL Funds to be spent before 2026 £52

5.9 The General Reserve of £1,710 held at 31 March 2021 is in line with the generally accepted position that non-earmarked revenue reserves should usually be between six and twelve months of gross expenditure or 50% of the precept. As at the 31 March 2021 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 consisted of Precept (£3,500), Land Rent (£545.62), Allotment Rents (£195.00), VAT reclaim from HMRC (£88.23), CIL Receipt (£52.23), SCC Grant for Play Area Chippings (£1,155.60), ESC Grant for Bus Shelter Landscaping (£1,586.00) and Bank interest (£4.68).

6.2 The Allotment Policy and Rent and the Agriculture Allotments Rent were considered and agreed by the Council at its meeting on 9 March 2021 (Minute 6 refers).

6.3 The Clerk/RFO reported to Council on 10 November 2020 that all the allotments had been let and annual rents had been received (Minute 7d 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 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, Cratfield Parish Council can be designated as a 'Smaller Council'.

The Council's website is: <http://cratfield.onesuffolk.net/>

8.2 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 within 2019/20 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.*

8.3 The Council is meeting 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, Dates of Inspection, 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, 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 The Council is registered with HMRC and the payroll is operated in accordance with HMRC requirements. A contract of Employment for the Clerk/RFO is in place. A copy of the Clerk/RFO's End of Year Certificate P60 for 2020/21 was presented to Internal Audit.

9.2 At its meeting on 10 November 2020 the Council was advised that following the 2020/21 Local Government pay award, the Clerk/RFO had noted that she was not being paid the correct hourly rate. The Internal Auditor had confirmed the rates of pay that applied and verified the correct salary point to be applied from 1 April 2020. The Council agreed to correct the Clerk/RFO's salary with effect from 1 April 2020 (Minute 5a refers).

9.3 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 29 July 2020 that the Council has completed a declaration of compliance 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. The Register was reviewed, updated and approved by the Council at its meeting on 9 March 2021 (Minute 6c refers).

10.2 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. As at 31 March 2021, the assets are recorded at a total value of £53,212, a net increase of £2,495 over the value listed at the end of the previous year 31 March 2020. The increase reflects the acquisition of a new Bus Shelter (£4,925) and Signs (£70) and the removal of the listed value of the previous Bus Shelter (£2,500).

10.3 The overall value of £53,212 has been correctly entered into Box 9 of Section 2 of the 2020/21 AGAR (Annual Return).

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

11.1 The Barclays Current Account and Business Savings Account bank statements were dated 30 March 2021 and reconciled with the end of year accounts and agreed with the overall Bank Reconciliation.

11.2 As the bank statements used in the Bank Reconciliation were dated 30 March 2021, the Clerk/RFO confirmed to the Internal Auditor that no further transactions passed through the bank accounts on 31 March 2021 which would require the accounts and the bank reconciliation to be amended in any way.

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 provides Financial and Budget reports to Council meetings; Councillors are provided with information to enable them to make informed decisions.

13.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. In having to adapt procedures to the unprecedented situation of the pandemic, it has not been possible for Cheque Book counterfoils to be initialled in all cases by Cheque Signatories (in accordance to the requirements of the Council's Financial Regulations 'Instructions for the making of payments'). Similarly, some invoices/vouchers for payment have not been signed or initialled by the Cheque Signatories. However, cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment and to secure an audit trail and the Clerk/RFO confirmed that Cheque Signatories view all invoices/vouchers for payment prior to the signing of the cheques.

13.3 The Internal Audit for the previous year (2019/20) was received by the Council at its meeting on 19 May 2020 (Minute 5b refers). There were no issues of concern arising from the report.

13.4 The Internal Auditor for the 2020/21 year was formally appointed by the Council at the meeting held on 19 May 2020 (Minute 5d 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 19 May 2020 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 5c 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 2020, 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/RFO to the Council for her assistance during the course of the audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

20 April 2021