

Report to Dennington 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 maintained effective governance arrangements including a robust 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.

1.2 By examination of the 2020/21 accounts and supporting documentation it was confirmed that the Clerk, in the role of 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: £11,003.14
Total Payments in the year: £6,475.40
Total Reserves at year-end: £9,064.05 (of which £8,477.95 is earmarked)

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for display 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: £4,536</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £9,998</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,005</i>
<i>Staff Costs:</i>	<i>Box 4: £2,881</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,594</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £9,064</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £9,064</i>
<i>Total fixed assets:</i>	<i>Box 9: £55,213</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 The Annual Parish Council meeting was held on 27 July 2020. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972. New Regulations brought into effect as a result of the covid-19 pandemic enabled local councils to hold remote meetings (including by video and telephone conferencing) until May 2021. The Council met in person on 27 July 2020, 14 September 2020 and 21 December 2020 and then met on-line through video-conferencing on 25 February 2021 and 22 March 2021 under the new Regulations.

2.2 The Council's Standing Orders reflect the latest model Standing Orders published by the National Association of Local Councils (NALC). The Standing Orders were reviewed and approved by the Council at its meeting on 27 July 2020. Minor amendments to Section 18 (concerning public contract figures) were adopted (Minute 13a refers).

2.3 Financial Regulations are in place and reflect the model Financial Regulations published by NALC in August 2019. Minor updates were made by the Council to the Financial Regulations (footnotes in Section 11) at the meeting held on 27 July 2020 (Minute 13c refers).

2.4 The Council formally re-appointed Mrs Lydia Kirk as the Council's RFO at its meeting on 27 July 2020 and nominated a Councillor as the 'Examining Councillor' (Minute 7 refers).

2.5 The Council remained committed in addressing the challenges of the covid-19 pandemic in their support to the local community. The Parish Council set up a scheme to pick up essential items, such as food or prescriptions, for residents who had to self-isolate and had no other arrangements in place. Details of the scheme were published on the Council's website. During the year 2020/21 the Council maintained effective governance arrangements by continuing to hold meetings of the Council, taking all necessary precautions to ensure the safety of individuals during the pandemic.

2.6 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is consecutively numbered.

2.7 The Council demonstrated good practice by resolving (at its meeting on 18 November 2019) that policies requiring annual review will be brought to Council by

the Clerk/RFO for review at the Annual Meeting of the Council in May each year in order to minimise chances of policies being overlooked when reviewed at different meetings throughout the year (Minute 8 (iv) refers).

2.8 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 ZA116681, expiring 20 May 2021). At the meeting on 27 July 2020 the Council reviewed and approved the Data Protection Policy and Impact Assessment document, a copy of which has been published on the Council's website (Minute 13g refers).

2.9 Also at its meeting on 27 July 2020, 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 (Minute 14 refers). A copy of the Code has been published on the Council's website. The Council discussed the new model Code of Conduct which local councils were being consulted upon by the Local Government Association and NALC (Minute 17 refers).

2.10 The Clerk/RFO presented a Community Infrastructure Levy (CIL) Report for 2019/20 to the Council on 27 July 2020. The Report was approved by the Council, with a copy to be submitted to the East Suffolk Council (Minute 15 refers). The Clerk/RFO has constructed a CIL Report for 2020/21 which displays a balance of £318.88 as at 31 March 2021 (a figure arrived at by the Clerk following consultation with East Suffolk Council). This balance of CIL receipts is displayed as an Earmarked/Restricted Reserve in the 2020/21 End-of -Year Accounts.

2.11 At the Council's meeting on 27 July 2020 the Clerk/RFO reported upon the Website Accessibility Regulations, effective from 23rd September 2020. The Council noted that the Clerk/RFO and the village webmaster had completed online SALC training on these matters. A Website Accessibility Statement has been published on the Council's website by the website host Suffolk Cloud.

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 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.

3.2 VAT payments are tracked and separately identified. Reclaims for VAT paid are regularly submitted to HMRC. The re-claim to HMRC for £4,228.04 VAT paid during the period April 2019 to March 2020 was received at bank on 25 March 2020.

3.3 A sample of payments was examined with the supporting invoices and vouchers. All was in order other than one transaction. The payment of £102 to Walnes Seeds Ltd on 21 December 2020 was recorded in the Cashbook as a gross payment of £102 for the purchase of a Christmas Tree. The invoice from Walnes Seeds included

VAT of £17.00 which has not been separately identified in the Cashbook. The Clerk/RFO has agreed to make the necessary correction to record the £17.00 VAT paid to Walnes Seeds to facilitate a re-claim for that amount from HMRC.

3.4 Local Government Act 1972 (Section 137) payments are separately recorded within the Cashbook Spreadsheet. The Cashbook records a Section 137 payment of £55 to the Citizens Advice Bureau. The Council may wish to note that donations to advisory organisations, including those to the Citizens Advice Bureau, may be made under Section 142 (2A) of the Act without having to resort to Section 137.

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 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 At the meeting on 27 July 2020 the Council's Statement of Internal Control (Audit arrangements) was reviewed and considered to be effective (Minute 13d refers). A copy has been published on the Council's website.

4.2 The Council's Financial Risk Assessment was also reviewed at the meeting held on 27 July 2020 and a new clause relating to digital data protection was adopted (13f refers). The Risk Assessment displays each risk identified, the risk level and the action taken to manage/mitigate the risks involved. The Council also reviewed at the meeting the Risk Assessments for Physical Assets and adopted a Risk Assessment for the new tractor mower and a new Health and Safety Policy. The Council noted that all mower drivers had been given training and a copy of the risk assessment (Minute 13e refers).

4.3 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.

4.4 Insurance was in place for the year of audit. Payment of £200.04 to Robins Rowe Ltd for mower insurance was approved at the meeting on 27 July 2020 (Minute 10b refers).

4.5 At its meeting on 14 September 2020 the Council reviewed the annual insurance renewal from Came and Company and considered the cover suitable for the Council's needs (Minute 9 refers) and the renewal payment of £464.17 was approved. Employer's Liability cover and Public Liability cover each stand at £10m. The Fraud and Dishonesty (Fidelity) cover stands at £150,000 and 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: £9,998.00

Precept 2021/22: £9,998.00

5.1 The Budget and Precept for 2020/21 were agreed in Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 18 November 2019, Minute 8 (i) refers).

5.2 Similarly, the Budget and Precept for 2021/22 were agreed in Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 21 December 2020, Minute 8i refers).

5.3 Examination of the accounts and supporting documentation confirmed that the Council prepares detailed estimates of the annual budget and of receipts and payments. The estimates for 2020\21 were used effectively for financial control and budgetary control purposes during the year. At the meetings on 14 September 2020 and 21 December 2020 the Council received and approved reports detailing the Receipts and Payments in the year to date compared to the budget.

5.4 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments. The Clerk/RFO provides Councillors with sufficient information to make informed decisions.

5.5 At the meeting on 22 March 2021 the year-to-date receipts and payments account was considered alongside the budgeted figures. The Council authorised the Clerk/RFO to transfer the £1,000 donation for a future mower, plus the budgeted £1,000 for the mower, into the Earmarked Equipment Fund. The Council also agreed to Earmark £1,500 for Asset Maintenance as per the budget.

5.6 As at 31 March 2021 the Council's Overall Reserves stood at £9,064.05, of which £8,477.95 has been Earmarked, as follows:

Equipment Fund:	£6,659.07
Asset Maintenance:	£1,500.00
CIL receipts balance:	£318.88 (Restricted Reserve) *

*Complied by Clerk/RFO using information supplied by East Suffolk Council.

5.7 The General Reserves of £586.10 (the Overall Reserves less the Earmarked Reserves) are significantly lower than the generally accepted best practice, which is that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (in effect, the Precept less any loan repayments - the JPAG Proper Practices Guide, Item 5.32 refers).

Recommendation 1: During the year 2021/22 the Council should aim to restore sufficient General Reserves to meet, within reason, any unforeseen items of

expense and to work towards the generally accepted best practice for the holding of General Reserves as outlined in the JPA Proper Practices Guide.

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 consisted of Precept (£9,998), Grant for Mower (£1,000) and bank Interest (£5.14).

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

8.1 Payroll Services are being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. Detailed payslips are produced. PAYE is in operation with payments being made to HMRC.

8.2 A Contract of Employment is in place under which the Clerk/RFO is paid for 5 hours per week. At the meeting on 27 July 2020 the Council noted that the Clerk/RFO was to proceed from NJC scale point (SP) 9 to SP 10 with effect from 20 May 2020, in accordance with the Contract (Minute 11e refers).

8.3 At the meeting on 14 September 2020 the Council noted the National Pay Awards for Local Government Officers and agreed the Clerk/RFO's salary increase from £10.79 to £11.08 per hour, payable from 1 April 2020 (Minute 8g refers).

8.4 A copy of the End-of-Year Certificate P60 for the Clerk/RFO was presented to Internal Audit.

8.5 At its meeting on 15 July 2019 the Council noted that in accordance with its pension obligations as an employer, the Chairman had written to the Clerk/RFO to invite her to pay into a voluntary pension scheme. The Clerk/RFO chose not to participate at that time.

8.6 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed at the Council's meeting on 27 July 2020 that the required re-declaration of compliance under the Pensions Act 2008 had been completed and submitted to the Pensions Regulator (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).

9. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).

9.1 An Assets Register is in place and was considered and updated by the Council at its meeting on 27 July 2020. The Kubota mower was added to the Register and the Parkway mower was removed (Minute 13b refers).

9.2 The Asset Register records a total value of £55,213 as at 31 March 2021, an increase of £8,865 over the value of £46,348 as at 31 March 2020. This reflects the changes made on 27 July 2020 by the Council and the addition of a speed indicator device.

9.3 The value recorded in the Asset Register as at 31 March 2021 has been correctly placed in Box 9 of Section 2 of the AGAR. The Clerk/RFO confirmed that the up-to-date Register is due to be presented to Council at a forthcoming meeting.

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

10.1 Bank Reconciliations are routinely presented to the Council and signed by the Examining Councillor.

10.2 The bank statements as at 31 March 2021 for the Barclays Current Account, Barclays Saver Account and Barclays Equipment Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

11. 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*).

11.1 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.

12. 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. Identifying VAT payments and re-claims. Any previous audit recommendations implemented*).

12.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO presents financial information and Year-to-Date Receipts and Payments Account details to the Council. Financial reports were delivered to Council meetings in the year. Councillors were provided with information to enable them to make informed decisions. Bank statements and bank reconciliations are reviewed by the Council,

signed by the Examining Councillor and Minuted to evidence that the action has taken place.

12.2 Payments and Receipts are listed in the Council's Minutes as part of the overall financial control framework. In addition, it was confirmed that:

- (a) 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 Cheque Signatories in confirmation of the payment being correctly made.
- (c) Cheque Book counterfoils are initialled by Cheque Signatories in accordance with the requirements of the Council's Financial Regulations.

12.3 The Council considered and accepted the Internal Audit report for the previous year (2019/20) at the meeting held on 27 July 2020 (Minute 12 refers). The auditor had recommended that the Council should (a) prepare a Community Infrastructure Levy (CIL) Report for the year 2019/20 and publish the Report on the Council's website and (b) ensure that evidence is available to demonstrate that each year the Council correctly provides for the exercise of public rights as required by the Accounts and Audit Regulations. These two matters were addressed by the Council at its meeting on 27 July 2020.

12.4 The Internal Auditor for the 2020/21 year was appointed by the Council at the meeting held on 27 July 2020 (Minute 16 refers).

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

13.1 The External Audit for the year 2019/20 was undertaken by PKF Littlejohn. The Auditors' Report and Certificate 2019/20 is dated 6 November 2020 and raised no issues of concern.

13.2 The Council approved a payment of £240.00 to PKF Littlejohn on 21 December but there is no formal record in the Minutes that the Council received and approved the External Auditor's Report and Certificate 2019/20. The Clerk/RFO confirmed that the External Auditor's Report was received by the Council on 21 December 2020 under the item 'correspondence received' (Minute 10 refers).

Recommendation 2: The Minutes of the Council should formally record that the External Auditors' Report and Certificate has been received, considered and approved by the Council to evidence the action taken and to ensure that any issues raised by the External Auditors have been addressed by the Council.

13.3 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. 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.

14. Publication Requirements.

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website (the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the statutory deadlines for the publication of the 2019/20 documents):

Notice of the period for the exercise of Public Rights
AGAR - Sections 1 and 2.

Following the completion of the External Audit:

Notice of Conclusion of Audit
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

14.2 The Internal Auditor was able to confirm that the documents relating to the year 2019/20 were readily accessible on the Council's website:

<http://dennington.suffolk.cloud/parish-council/finance/>

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

21 April 2021