

Report to Westhall Parish Council

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

1. Introduction and Summary.

1.1 The Internal Audit for the year 2020/21 was undertaken during a period of time when many restrictions were still in place following the Covid-19 pandemic. Accordingly, the essential information required for the completion of the Internal Audit was e-mailed by Mrs Ann Donnachie, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically.

1.2 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 this report 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 2020/21 year the Council and the Clerk/RFO were working to ensure that effective and efficient financial administration continued to operate.

1.4 By examination of the 2020/21 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: £4,888.89
Total Payments in the year: £3,710.45
Total Reserves at year-end: £6,660.20

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 2020/21 (rounded for purposes of the Return):

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| <i>Balances at beginning of year (1 April 2020):</i> | <i>Box 1: £5,481</i> |
| <i>Annual Precept 2020/21:</i> | <i>Box 2: £3,120</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: £1,769</i> |
| <i>Staff Costs:</i> | <i>Box 4: £996</i> |
| <i>Loan interest/capital repayments:</i> | <i>Box 5: nil</i> |
| <i>All Other payments:</i> | <i>Box 6: £2,714</i> |
| <i>Balances carried forward (31 March 2021):</i> | <i>Box 7: £6,660</i> |

| | |
|---|-----------------------|
| <i>Total cash/short-term investments:</i> | <i>Box 8: £6,660</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £10,474</i> |
| <i>Total borrowings:</i> | <i>Box 10: nil</i> |

1.7 Sections One and Two of the AGAR were approved and signed at the Council's meeting on 14 June 2021. The Internal Auditor has completed the Annual Internal Audit Report 2020/21 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 The Annual Parish Council meeting was held on 13 July 2020. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

2.2 Standing Orders are in place. A copy of the adopted Standing Orders has been published on the Council's website and confirm that they were reviewed and approved by the Council at its meeting on 14 June 2021.

2.3 Financial Regulations are in place. A copy of the adopted Financial Regulations has been published on the Council's website and confirm that they were reviewed and approved by the Council at its meeting on 14 June 2021. and were reviewed and approved by the Council at its meeting on 14 June 2021. The Financial Regulations include the procedures relating to payments made through on-line banking.

2.4 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. The Minutes are consecutively numbered and signed by the Chairman at the meeting when approval is given.

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 under Data Protection legislation (Registration ZA218208 refers, expiring 11 December 2021). The Council has a Privacy Policy in place and adopted a Data Protection and Information Management Policy at its meeting on 14 June 2021.

2.6 In response to the Freedom of Information requirements, the Council has adopted the model Publication Scheme and the website confirms that appropriate information is available on application to the Clerk/RFO.

2.7 A Code of Conduct applies to all Councillors for the purposes of assisting a Local Council to discharge its duty to promote and maintain high standards of conduct within its area. The Suffolk Local Code of Conduct has been published on the

Council's website and confirms that the Code was adopted by the Council at its meeting on 14 June 2021. The Code highlights the requirements and responsibilities placed upon each individual Councillor.

2.8 In response to the website accessibility regulations which came into effect on 23 September 2020, the Council has published a Website Accessibility Statement which details 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 and contact details to report accessibility problems

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 A Cashbook Spreadsheet has been constructed and is being used to manage and control the Receipts and Payments in the year of account. The Spreadsheet displays the essential information required to ensure that adequate information and data is held to secure the necessary internal control (date of payment, description of payment, transaction ID with the Total Amount analysed over appropriate cost headings).

3.2 The Spreadsheet was found to be in good order. VAT payments are tracked and separately identified. Payments made under Section 137 of the Local Government Act 1972 are also separately identified in the End of Year Accounts.

3.3 The Spreadsheet is well referenced and facilitates an audit trail to the bank statements, the cheque book counterfoils, online payments and the financial information prepared by the Clerk/RFO. Similarly, the Receipts are analysed under appropriate headings with the transaction ID displayed to secure an audit trail. The Council has made a step-change improvement in the year by moving from the previous hand-written ledger arrangements to a computerised Spreadsheet system which can now provide the flexibility required in the construction and presentation of financial reports.

3.4 As a result of the Internal Audit for 2020/21 being conducted remotely/electronically, the supporting invoices, vouchers and receipts were not examined in detail. The Clerk/RFO has confirmed to the Internal Auditor that all payments made in 2020/21 were supported by invoices/vouchers.

3.5 Relatively small amounts of VAT are paid in the year (£28.21 is recorded in the Cashbook Spreadsheet as being paid in 2020/21). A re-claim to HMRC for £168.01 VAT paid in the period 1 January 2019 to 30 September 2019 was recorded as received on 23 October 2019.

3.6 A Statement of Explanation 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 time of the audit the Council had published on its website a Risk Assessment and Management (financial) document for the period 1 April 2015 to 31 March 2016. This was replaced by the document for the period 1 April 2021 to 31 March 2022 following its adoption by the Council at its meeting on 14 June 2021. The previous Internal Audit Report (dated 26 May 2020) reported that the Council had not formally reviewed the document in the year 2019/20. Similarly, the Clerk/RFO confirmed that the Council did not formally review the document in the year ending 31 March 2021.

4.2 Accordingly, during the year 2020/21 the Council failed to comply 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.

Recommendation 1: In order to comply with the Accounts and Audit Regulations 2015, the Council should, each financial year, review the Risk Assessment documents which detail the controls in place to secure good governance, identify the risks (both financial and otherwise) and record the actions in place to mitigate the risks identified. (The review by the Council for the year 2021/22 was completed on 14 June 2021).

4.3 Many local councils maintain a Statement of Internal Control which summarises the main elements of internal controls exercised within the Council. The Statement can support the Risk Assessments held by the Council and, by being reviewed each year alongside the Risk Assessments, enables the Council to meet the requirements of the Account and Audit Regulations 2015 in terms of completing the annual review/approval of Internal Control and Risk Management arrangements. A model copy of a Statement of Internal Control has been provided to the Clerk/RFO for possible use by the Council.

4.4 Insurance was in place for the year of account. The Council approved the insurance renewal premium of £234.08 to CAS Insurance (for cover over the period 1 October 2020 to 30 September 2021) at the meeting held on 14 September 2020 (Minutes 5c and 5d refer). 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: £3,120

Precept 2021/22: £4,000

5.1 The Draft Budget for the 2020/21 year was considered and agreed by the Council at its meeting on 13 January 2020 and a Precept of £3,120 was approved. The Precept was agreed in Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 13 January 2020, Minute 5b refers).

5.2 Similarly, the Draft Budget for 2021/22 was considered by the Council on 14 December 2020. The 2021/22 Precept for 2021/22 was agreed in Full Council and the precept decision and amount have been clearly Minuted (Council's meeting on 8 March 2021, Minute 5a refers).

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. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

5.4 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. The estimates for 2020/21 were used effectively for financial control and budgetary control purposes. The half-year Budget monitoring report for 2020/21 was presented to Council on 14 December 2020, when the 2021/22 draft Budget was also discussed as part of the expenditure plans for the forthcoming year (Minute 5 refers).

5.5 The Council has a Reserves Policy in place to manage its General Reserves and Earmarked Reserves in order to ensure that adequate funds are available to secure viability beyond the immediate future. The Policy is currently being reviewed and is due for approval by the Council at a future meeting.

5.6 Overall Reserves at the year-end 31 March 2020 totalled £6,660.20 of which £3,977.00 were earmarked/restricted as follows:

| | |
|---------------------------------|--------|
| Election Costs (every 4 years): | £900 |
| Full External Audit: | £700 |
| Unplanned Asset Acquisition: | £400 |
| Unplanned Contingency: | £1,500 |
| Defibrillator: | £477 |

5.7 The General Reserves (Overall Reserves less the sums Earmarked) were accordingly £2,683.20 and is in line with the generally accepted best practice that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (the JPAG Proper Practices Guide, Item 5.32 refers).

5.8 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 in the year recorded in the Cashbook consisted of Precept (£3,120), Allotment Rents (£30), Reimbursement of Recreation Ground asset maintenance (£1,138.89), ESC Locality Fund Grant (£500) and Donation for the Memorial to Mr Tony Whatling (£100).

6.2 The Clerk/RFO reported to Council on 8 March 2021 that all Allotment Rents for the year had been received (Minute 10 refers). The Clerk/RFO advised the Internal Auditor that an Allotments Register is in place from which the Council controls the renewals and the rents due and received. The Clerk/RFO confirmed that most plot holders pay by BACS transfer directly into the Westhall Recreation Ground Charity Account and that only a few still pay by cash or by cheque (also paid directly into that Account). Some payments were made into the Council's bank account and later transferred to the Recreation Ground Charity, as owner of the Allotments site. The Clerk/RFO also confirmed that Council is due to pay for Recreation Grounds maintenance directly from the Recreation Ground Charity Account from the year 2021/22.

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

7.1 A Petty Cash system is not in use; any expenses incurred and claimed back from the Council are reimbursed through the normal payment system.

8. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000).

8.1 Under the provisions of the Transparency Code, Westhall Parish Council can be designated as a 'Smaller Council'. The Council's website is:

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

8.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:
Published – Yes
- b) Annual Governance Statement, AGAR, Section One:
Published (2019/20) – Yes
- c) End of year accounts, AGAR, Section Two:
Published (2019/20) – Yes
- d) Annual Internal Audit report within AGAR:
Published (2019/20) – Yes
- e) List of councillor or member responsibilities:
Published – Yes
- f) Details of public land and building assets:
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 require 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 appropriate form was published on the Council's website and displayed the Date of the 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, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis of variances) were confirmed 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. During the year 2020/21 the Clerk/RFO was paid for 9 hours per month. The Clerk/RFO's salary is paid on presentation to the Council of detailed payslips.

9.2 A review of the Clerk/RFO's Contract of Employment by the Council is currently being undertaken. The issue was included in the agenda of the Council's meeting on 14 June 2021 (agenda item 15 refers).

9.3 At its meeting on 13 January 2020 the Council undertook the annual review of the Clerk/RFO's salary and allowance and agreed that the home working allowance would be £18 per month in accordance with a recommendation from the Suffolk Association of Local Councils (SALC) (Minute 20 refers).

9.4 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to the Internal Auditor that the Council completed a declaration of compliance under the Pensions Act 2008 and submitted the declaration to the Pensions Regulator on 2 February 2021. (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 as at 31 March 2021 displays a total valuation of £10,473.64, an increase of £647 over the valuation as at the end of the previous year and reflects the acquisition of a Memorial Bench and Plaque.

10.2 The assets are valued at cost or a proxy value (where the actual cost is unknown) which will remain unchanged until disposal.

10.3 A separate Register is maintained under the heading 'Parish Trust' in respect of the land and other Playing Field Charity assets held under the Council's Sole Trusteeship.

10.4 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has been correctly entered into Box 9 of Section 2 of the AGAR 2020/21.

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

11.1 The Council demonstrates good financial practice by the Clerk/RFO presenting a Bank Reconciliation to each meeting of the Council and publishing the Reconciliations on the Council's website.

11.2 The Barclays Bank Community Current Account and Business Premium Account statements as at 31 March 2021 reconciled to 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 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 Clerk/RFO provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 The Council receives at each meeting a report of the financial position, including details of funds held and a completed bank reconciliation. The Council provides approval of online payments and cheques for signature or cheques signed since the previous meeting of the Council.

13.3 The Clerk/RFO acts as the 'system administrator' for on-line banking, initiates each payment and acts as the first authorising signatory under the arrangements Barclays Bank has in place. The payment is then authorised electronically by a nominated Councillor to release the payment.

13.4. Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. In cases where cheques are prepared, the Clerk/RFO confirmed that Cheque Book counterfoils are initialled by Cheque Signatories as required by the Council's Financial Regulations 6.2.

13.5 The Internal Audit Report for the previous year, 2019/20 was received, considered and noted by the Council at its meeting on 13 July 2020 (Minute 6c refers). The Report put forward a number of recommendations and to facilitate the progress of meeting those the Council constructed an Internal Audit Implementation Plan to review and update the existing policies. The specific recommendations were:

R1: *The Council should consider the development and adoption of a range of formal Policies, Procedures and Protocols in order to enhance the existing overall governance arrangements. In addition, the existing Policies in place should be reviewed and up-dated as soon as practicably possible to ensure, inter alia, that all have current contact details. (The Clerk/RFO confirmed that Policies and Procedures will be developed as required).*

R2: *The Council should look to adopt specific Data Protection Policies and Procedures to ensure that the Council demonstrates compliance with the General Data Protection Regulations. (The Council adopted a Data Protection and Information Management Policy at its meeting on 14 Jun 2021).*

R3: *The Council should review and re-adopt the Suffolk Local Code of Conduct during the year 2020/21 in order to comply with good governance practice. (The Council reviewed and adopted the Code of Conduct at its meeting on 14 June 2021).*

R4: *The Council should consider maintaining its Accounts in a Spreadsheet system in order to secure greater efficiency and achieve greater flexibility in financial reporting. (This was completed in the year and a Spreadsheet is now in place).*

R5: *In order to comply with the Accounts and Audit Regulations 2015, during the year 2020/21 the Council should review the Risk Assessment documents which detail the controls in place to secure good governance, identify the risks (both financial and otherwise) and record the actions in place to mitigate the risks identified. The review by the Council during the year 2020/21 should be Minuted in accordance with the Accounts and Audit Regulations. (The review was not undertaken in 2020/21 but was completed on 14 June 2021 in relation to the 2021/22 year).*

13.6 The Internal Auditor was appointed by the Council at its meeting on 13 January 2020 (Minute 4 refers).

14. Responsibilities as a Trustee (*Regarding the Council's role and responsibilities under the Charity Acts; submission of returns to Charity Commission*).

14.1 The Council is a Sole Trustee of the Westhall Recreation Ground Charity (Charity No: 304833). The Charity was registered with the Commission on 13 August 1965 as a Recreation Ground for events, fetes, sports events and allotments for the benefit of the residents of Westhall and the neighbourhood.

14.2 At the Council's meeting on 13 July 2020 the Clerk/RFO provided a financial report on the Recreation Ground Accounts for the year ended 31 March 2020, including opening and closing balances and the receipts and payments in the year. The Accounts were received, considered and approved by the Council (Minute 6i refers). A separate Asset Register is maintained in respect of the Parish Trust Assets.

14.3 The Charity Commission's Register of Charities confirm that the most recent annual update was for 31 March 2020, having been received by the Commission on 16 September 2020. The update displays Income of £159 and Expenditure of £267 in the 2019/20 year of account. Formal Accounts are not required to be submitted to the Commission as the Charity is below the Annual Return £10,000 threshold.

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

15.1 An External Audit was not required in the year 2019/20. At its meeting on 13 July 2020 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 6f refers).

15.2 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. The Certificate of Exemption for the year 2020/21 was approved by the Council at its meeting on 14 June 2021.

16. Additional Comments.

16.1 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

24 June 2021