

## **Report to Great Bricett 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: £14,115.24*  
*Total Payments in the year: £17,366.40*  
*Total Reserves at year-end: £14,531.58*

1.4 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):

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £17,783</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £10,465</i>
<i>Total Other Receipts:</i>	<i>Box 3: £3,650</i>
<i>Staff Costs:</i>	<i>Box 4: £3,957</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £13,409</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £14,532</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £14,532</i>
<i>Total fixed assets:</i>	<i>Box 9: £154,363</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. 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 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 and removed the requirement to hold an Annual Council Meeting. The Council accordingly held video conferencing meetings during 2020/21 from 11 June 2020.

2.2 Standing Orders and Financial Regulations are in place. The Council reviewed, approved and adopted both Standing Orders and Financial Regulations at the meeting on 9 March 2021 (Minute GB087/20/21b refers). The documents are in line with the latest model Standing Orders and Financial Regulations and guidance published by the National Association of Local Councils (NALC).

2.3 The Council continued to apply the General Power of Competence (GPOC). At its meeting on 16 May 2019 the Council declared that it was an eligible Council to use the GPOC, having at least two-thirds elected Councillors and a suitably qualified Clerk and adoption of the Power was agreed (Minute GB13/19/20 refers).

2.4 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council.

2.5 Mrs Jennie Blackburn was appointed as Clerk and Responsible Financial Officer (RFO) by the Council at the meeting held on 17 April 2018 (Minute GB06/18/19 refers).

2.6 The Council's website, under the heading of Village Projects, lists the Council's objectives over the Short-term, Medium Term and Long Term. However, it is not clear when these objectives were last reviewed as the 2018/19 year is referred to in the introduction.

2.7 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA048090, expiring 29 May 2021). The Council has adopted a Data Protection and Information Safety Policy to assist in meeting the requirements of the General Data Protection Regulations (GDPR).

2.8 At its meeting on 27 March 2018 the Council re-adopted the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area.

2.9 The Council demonstrates good practice by adopting and maintaining a range of formal Policies, Procedures and Protocols including a Communications Policy, Complaints Procedure, Equal Opportunities Policy, Training Policy, Reporting at Meetings Protocol and a Social Media and Blogging Procedure. The Council also has a Publication Scheme in place. All these documents are published on the Council's website.

**2.10 The website also lists a Freedom of Information Publication Policy and Freedom of Information Associated Charges but these may now be out of date (and cannot be opened through the link provided on the website) and should be either updated or removed from the webpage:**

**<https://greatbricett.suffolk.cloud/parish-council/freedom-of-information-publication-scheme/>**

2.11 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 The Cashbook Spreadsheet was found to be in good order and well presented. The payment made under the Local Government Act 1972 (Section 137) has been separately recorded in the year. VAT payments are tracked and identified within the Cashbook Spreadsheets to assist re-claims to HMRC.

3.2 The re-claim for £242.99 VAT paid in the year 2019/20 was received at bank on 19 May 2020. Similarly. the re-claim for £1,845.17 VAT paid in the year 2020/21 was submitted to HMRC on 27 April 2021.

3.3 The Cashbook Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements 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/vouchers in place.

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.

**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 Management Arrangements were reviewed and approved by the Council at its meeting on 9 March 2021 (Minute GB087/20/21a refers refers). The documents provide detailed analysis of the financial and other 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 Insurance was in place for the year of account. The insurance renewal payment of £218.40 was made on 8 September 2020 to CAS Business Ltd. for the forthcoming year. An amendment to reflect the increased value of assets at a cost of £21.84 was paid on 12 January 2021. Employer's Liability cover and Public Liability cover each stand at £10m. The 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 2020/21: £10,465 (21 January 2020, Minute GB100/19/20e)

Precept 2019/20: £10,481 (12 January 2021, Minute, Minute GB059/20/21e)

5.1 The Draft Budget for 2020/21 was considered and approved by the Council on 26 November 2019 (Minute GB80/19/20d refers). The Final Budget and Precept were considered and approved by the Council at the meeting held on 21 January 2020 (Minute GB100/19/20). The precept decision and amount have been clearly Minuted.

5.2 Similarly, the Draft Budget for 2021/22 was considered and agreed by the Council on 10 November 2020 (Minute GB036/20/21d refers). The Final Budget and Precept were approved by the Council at its meeting on 12 January 2021.

5.3 The Clerk/RFO ensures 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. The Clerk/RFO prepared detailed estimates of the annual budget and of receipts and payments for the year 2020/21.

5.4 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 £14,531.58, all of which were designated as General Reserves.

5.5 The General Reserves held were significantly in excess of the generally accepted best practice position 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). Accordingly, at its meeting on 4 May 2021, the Council discussed and identified some specific projects which Reserves will be applied to (as Earmarked Reserves) during the year 2021/22.

**6. Income Controls (regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms).**

6.1 The Receipts in the year consisted of Precept (£10,465.00), Grants (£3,399.45), VAT Reclaim (£242.99) and Bank Interest (£7.80). Income recorded in the Cashbook was cross referenced with the Council's Bank Statements on a sample basis and 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.

**8. Publication Requirements and the Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).**

8.1 Under the provisions of the Transparency Code, Great Bricett Parish Council can be designated as a 'Smaller Council'.

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

**8.2 Smaller Councils should publish on their website:**

- a) *All items of expenditure above £100. Payments published.*
- 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 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, 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 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 The Council is registered with HMRC and the Payroll is being operated in-house in accordance with HMRC requirements.

9.2 At its meeting on 26 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 had gained a Certificate in Local Council Administration (CiLCA) and it was agreed that the post be confirmed at SCP 25 (now SCP 17 under revised salary scales) (Minute GB146/18/19 refers).

9.3 With regard to the workplace pensions legislation, the Clerk/RFO is aware that she does not become a member of the scheme automatically but has the option to join the scheme should she choose to do so.

9.4 The Pensions Regulator has confirmed that the Council submitted on 13 May 2020 a re-declaration of compliance in accordance with the requirements of 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 total value of £154,363.13 as at 31 March 2021 is an increase of £4,516.33 over the value at the end of the previous year and reflects the acquisition of a Speed Sign (£4,300) and the contribution towards the cost of a Laptop computer (£216.33) in the year of account.

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 proxy value in appropriate cases. The value as at 31 March 2021 has been correctly entered into Box 9 of Section 2 of the 2020/21 AGAR.

10.3 The Council maintains an Asset of Community Value List, on which the Red Lion Public House was added by the Council at a meeting on 17 December 2020.

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

11.1 Bank Reconciliations are regularly presented to the Council and noted in the Minutes. The bank statements dated 31 March 2021 for the Barclays Community (Current) Account and the Business Savings Account 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. Councillors are provided with information to enable them to make informed decisions. The Council receives details of the financial position of the Council, including listings of receipts and payments, the balance in the accounts and bank reconciliation.

13.2. Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

13.3 Payments are being made through online banking. The Clerk/RFO is the Service Administrator who initiates payments and is one of the two signatories that Barclays Bank require. The Council recognised that this procedure was not in line with the Council's Financial Regulations (which required authorisation by two Parish Councillors before payment is released) and at its meeting on 9 March 2021 the Council agreed to temporarily amend Financial Regulations to reflect the payment authorisation procedure until such time as the bank accounts could be changed (Minute GB087/20/21 refers).

13.4 The Clerk/RFO confirmed that payments are authorised at a meeting of the Council and two councillors are informed, one of whom authorises the payment as the second signatory. The Clerk/RFO advised the Internal Auditor that the Council plans to change to a Bank where a three-signatory procedure is available.

13.5 The Internal Audit Report for the previous year, 2019/20 was received and approved by the Council at its meeting on 11 June 2020 (Minute GB005/20/21a refers). The Report had put forward the following recommendations:

- a) *In view of the high level of General Reserves the Council should consider further earmarking of some of its General Reserves for specific future projects. (The Council considered the Earmarking of Reserves at its meeting on 4 May 2021).*
- b) *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. (The Council reviewed the Financial Regulations at its meeting on 9 March 2021).*
- c) *The Council should ensure that the Internet Banking payment confirmation is attached to the appropriate paid invoice/voucher to secure an adequate audit trail. (The Clerk/RFO is maintaining a Transaction List and updating the List following each electronic payment).*

13.6 The Internal Auditor for the 2020/21 year was appointed by the Council at the meeting held on 9 March 2021 (Minute GB086/20/21e 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 11 June 2020 the Council approved and agreed the Certificate of Exemption from a Limited Assurance Review to be signed by the Chair and the Clerk/RFO (Minute GB005/20/21 refers).

14.2 For the year 2020/21 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 9 March 2021 (Minute GB086/20/21f refers).

**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**

**6 May 2021**