

Report to Stradbroke Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2020

1. Introduction and Summary.

1.1 The Internal Audit for the year 2019/20 was undertaken during the period of 'lockdown' following the coronavirus pandemic; at that time travel was severely restricted, social distancing was in place and many Clerks and Councillors were having to self-isolate.

1.2 In view of this unprecedented situation, the essential information required for the completion of the Internal Audit was e-mailed by Odile Wladon, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were completed accordingly. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the reports 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 2019/20 year the Council maintained 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, including the maintaining of a wide range of formally agreed written Policies and Procedures.

1.4 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role of 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: £84,482.73
Total Payments in the year: £56,449.04
Total Reserves at year-end: £48,779.72 (of which £27,019.70 is earmarked)

1.6 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2019/20 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £20,746</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £33,225</i>
<i>Total Other Receipts:</i>	<i>Box 3: £51,258</i>
<i>Staff Costs:</i>	<i>Box 4: £16,570</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £5,787</i>
<i>All Other payments:</i>	<i>Box 6: £34,092</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £48,780</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £48,780</i>
<i>Total fixed assets:</i>	<i>Box 9: £74,474</i>
<i>Total borrowings:</i>	<i>Box 10: £21,723</i>

1.7 Sections 1 and 2 of the AGAR will be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2019/20 within the AGAR.

1.8 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan agreed with the Council. 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 As part of its overall governance arrangements the Council, at its meeting on 13 May 2019, agreed that the Asset Working Party should be disbanded and its work undertaken by the Finance Committee. The meeting also established a Maintenance Sub-Committee (of the Finance Committee) and a Planning Committee (Minute 19.5.8 refers).

2.2 The membership for the Finance Committee, its Maintenance Sub-Committee and the Planning Committee and the Personnel Committee was agreed by the Council at its meeting on 13 May 2019. The Council also appointed Councillors to lead on the risk assessments for the Community Centre Play Park, the Fitness Track, the Westhall Play Park, the Cemetery and Permissive Path and re-affirmed the Clerk as the Council's Responsible Finance Officer (RFO) (Minute 19.5.8 refers).

2.3 At its meeting on 8 July 2019 the Council reviewed and approved the Terms of Reference for the Finance Committee and the Planning Committee (Minute 19.7.8 refers). The Terms of Reference for the Maintenance Sub-Committee was considered and approved by the Council at its meeting on 12 August 2019 (Minute 19.8.8 (3) refers).

2.4 Similarly, the Terms of Reference for the Personnel Committee were reviewed and approved by the Council at its meeting on 9 March 2020 (Minute 20.03.09 (3) refers).

2.5 At its meeting on 10 June 2019 the Council approved a motion that the cheque signatories to the Council's bank accounts will be the members of the Finance

Committee in line with the previous decision that members of the Committee will be the Councillors responsible for online payment authorisation (Minute 19.6.10 (4) refers).

2.6 The Council's Standing Orders were reviewed and approved by the Council at its meeting on 13 May 2019 (Minute 19.5.13 refers). Standing Order 3 (t), relating to the recording in the Minutes of votes cast at full Council meetings, was revised by the Council on 8 July 2019 (Minute 19.7.17 refers). Standing Order 3 (x) was amended by the Council at its meeting on 12 August 2019 (Minute 19.8.13 (1) refers).

2.7 Financial Regulations were also reviewed and approved by the Council at its meeting on 13 May 2019. The latest Model Financial Regulations, published by the National Association of Local Councils (NALC) in August 2019, were considered by the Council at its meeting on 9 December 2019. Following some revisions, the Financial Regulations (2019) were approved by the Council (Minute 19.12.12 refers).

2.8 The Council demonstrates good practice by maintaining an Annual Action Plan which outlines the short-term objectives of the Council. At its meeting on 12 August 2019 the Council reviewed and approved an Action Plan (August 2019 to March 2020) prepared by the Clerk/RFO and constructed from information taken from the budget, the PIIP approved in April 2019 and matters raised since May 2019. The Council noted that the Action Plan will be reviewed annually at the beginning of each financial year (Minute 19.8.11 (7) refers).

2.9 To assist in meeting its governance responsibilities, the Council agreed at the meeting held on 12 August 2019 to examine the construction of a 4-year Plan for the Council which will cover Longer-Term Strategic Objectives (Minute 19.8.16 refers). In this respect, at its meeting on 14 October 2019 the Council agreed to establish a Working Party to take this forward (Minute 19.10.14 refers). The Council approved the Terms of Reference for the Working Party at its meeting on 9 December 2019 and it was agreed that engagement with residents on this matter would take place at the next Annual Parish Meeting (Minute 19.12.15 refers).

2.10 At its meeting on 13 January 2020, Councillors noted that Stradbroke Parish Council meets the eligibility criteria for the General Power of Competence (GPoC) as:

- a) all Councillors hold office as a result of being declared elected (as opposed to being appointed or co-opted).
- b) The Clerk is suitably qualified, holding the Certificate in Local Council Administration (CILCA).
- c) The Clerk has completed the relevant training in the exercise of the power.

The Council voted to adopt the GPoC as the power of first resort (Minute 20.01.12).

2.11 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council in the year.

2.12 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 Z8543049 refers, expiring 22 July 2020). The Council

maintains a Data Protection Policy, Privacy Policy, Lawful Basis for Processing Data Policy, Document and Data Retention Policy and a Subject Access Request Policy in order to assist compliance with the General Data Protection Regulations (GDPR). All these Policies were reviewed, minor changes noted and approved by the Council at its meeting on 9 March 2020 (Minute 20.03.12 refers). The Policies have been published on the Council's website: <https://www.stradbrokepc.org>

2.13 The Council has a Freedom of Information Policy in place and a Model Publication Scheme, both of which have been published on the Council's website.

2.14 The Council demonstrates good practice by adopting and reviewing a wide range of other formal policies and procedures, all of which assist the Council to maintain good governance and robust management within the Council. The policies include those relating to Communications, Environmental, Equality, Grievance & Disciplinary, Bullying & Harassment, Safeguarding, Health and Safety, Playing Field, Bad Debts and Grant Awarding. All these policies and procedures are available for public inspection on the Council's website.

2.15 The Playing Field Policy was reviewed and amended by the Council at its meeting on 12 August 2019 (Minute 19.8.3 (2) refers). Similarly, at its meeting on 11 November 2019 the Council reviewed and approved the Communications Policy and Press and Media Policy, subject to minor changes (Minute 19.11.10 refers).

2.16 In accordance with the Localism Act 2011 sections 26 to 37, the Council re-affirmed the adoption of the Suffolk Local Code of Conduct at the meeting held on 13 May 2019 (Minute 19.5.13 refers). Councillors received training on the Code of Conduct and Declarations of Interest prior to the meeting held on 11 November 2019 (Minute 19.11.11 (2) refers).

2.17 The Council is making appropriate preparations to ensure that the new website accessibility regulations will be complied with no later than 23 September 2020. The Clerk/RFO reported on this matter to the Council on 9 March 2020 and confirmed that the website is being updated to ensure compliance with the new accessibility requirements (Minute 20.03.13 (3) refers).

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 is very well referenced and includes notation of the legislative authority under which payments are made. VAT payments are tracked and identified within the Cashbook. In view of the Internal Audit for 2019/20 being conducted remotely/electronically, supporting invoices and vouchers were examined by means of a test-check to verify satisfactory operation of the internal control systems in place. The sample of Cashbook transactions examined. was found to be in good order. The Clerk/RFO has confirmed to Internal Audit that all payments made in 2019/20 were supported by invoices, vouchers and other documentary evidence.

3.2 The Council makes regular reclaims to HMRC for VAT paid. Reimbursement from HMRC of £2,045.53 VAT paid during the period March 2018 to March 2019 is recorded in the Cashbook as received on 2 May 2019. At its meeting on 12 August 2019 the Council noted that the Clerk/RFO had received confirmation from HMRC that the VAT on invoices relating to the Health Centre can be reclaimed and that rent charged is exempt from VAT.

3.3 A Community Infrastructure Levy (CIL) Annual Report for 2019/20 has been prepared by the Clerk/RFO in accordance with Regulation 62A, Community Infrastructure Levy Regulations (2010), as amended. The Report confirmed CIL Receipts of £20,846.18 received in the year and CIL Expenditure of £2,210.48 during the year. The CIL retained balance at the year-end, 31 March 2020 accordingly stands at £18,635.70 and forms part of the Earmarked Reserves (see item 5.7 below). The CIL Annual Report for 2019/20 is due for publication and submission to the District Council no later than 31 December 2020.

3.4 The Council has comprehensive financial documentation and data in place. A Statement of Variances (explaining significant differences in receipts and payments between the years 2018/19 and 2019/20) has been prepared by the Clerk/RFO for publication on the Council's website.

3.5 Confirmation has been received from the PWLB (UK Debt Management Office) of the Outstanding Capital Balance of £21,723.18 as at 31 March 2020. This balance has been correctly recorded at Box 10 of the AGAR.

3.6 The End-of-Year Accounts and supporting documentation were extremely well presented for the Internal Audit review.

4. Internal Control and the Management of Risk (*Review by the Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*).

4.1 The Statement of Internal Control, including the Annual Review of Effectiveness of Internal Control, was reviewed and approved by the Council at its meeting on 8 July 2019 (Minute 19.7.15 (1) refers). A copy has been published on the Council's website.

4.2 The Council's Risk Assessment for 2019 was reviewed and approved by the Council at its meeting on 8 July 2019 (Minute 19.7.15 (2) 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 the management of risk, with the review suitably Minuted.

4.4 The Council demonstrates good risk management practices, including an agenda item at meetings of the Council for the review of risk assessment issues relating to the Community Centre Play Park, Fitness Track, Westhall Play Park, Cemetery and Permissive Path. Updates are provided by Councillors on any risks identified in each

of their areas of responsibility. At its meeting on 11 November 2019 the Council received the RoSPA Inspections Report (Minute 19.11.13 refers).

4.5 At its meeting on 12 August 2019 the Council noted that the Fire Risk Assessment for the Health Centre had been reviewed by the Finance Committee and the recommendations added to the schedule of works. The Legionella Assessment report had also been reviewed by the Committee and the recommendations similarly added to the schedule of works. In accordance with the insurance policy document, the Clerk/RFO had advised Zurich Insurance of the works undertaken to upgrade the alarm system (Minute 19.8.14 refers).

4.6 Insurance was in place for the year of audit. At its meeting on 9 September 2019 the Council agreed the appointment of Zurich Insurance as the Council's insurers under a long-term agreement of 3 years, expiring on 30 September 2022 (Minute 19.9.11 refers). The Cashbook records the insurance premium of £796.25 being paid by BACS on 14 October 2019. Public Liability cover stands at £12m. The Employee Dishonesty (Fidelity Guarantee) cover stands at £250,000, 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.

4.7 The insurance premium of £127.89 for the Stradbroke Community Land Trust is recorded in the Cashbook as paid on 15 July 2019 to Zurich Municipal Insurance. An additional premium of £172.70 for the Stradbroke Health Centre Surgery was approved by Council at its meeting on 9 March 2020 and paid to Zurich Municipal Insurance on 10 March 2020.

4.8 At its meeting on 12 August 2019 the Council noted that following receipt of correspondence indicating that the Community Shed building was no longer insured, the Clerk/RFO arranged for the building to be added to the Council's insurance policy. The Council took responsibility for the management of the building (Minute 19.8.12 (1) refers).

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

Precept 2019/20: £33,225 (10 December 2018, Minute 18.12.11 (6) refers).

Precept 2020/21: £35,107 (13 January 2020, Minute 20.01.9 refers).

5.1 The draft budget and precept amount for the year 2019/20 was considered by the Finance Committee at its meeting on 15 November 2018 and recommendations were put forward to Full Council. The Precept of £33,225 was agreed in Full Council and the precept decision and amount has been clearly Minuted.

5.2 Similarly, the draft budget prepared by the Finance Committee for the year 2020/21 was considered, revised and agreed by Full Council on 9 December 2019. The Precept of £35,107 was agreed in Full Council on 13 January 2020 and the precept decision and amount has been clearly Minuted.

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

5.4 Good budgetary control 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 for the year of account.

5.5 At its meeting on 8 July 2019 the Council reviewed the First Quarter's accounts and compared them to the budget (Minute 19.6.12 refers). At its meeting on 14 October 2019 the Council reviewed and approved the half-year accounts and the virements for the Second Quarter from Reserved Funds (Minute 19.10.9 (1) refers). Similarly, the Council received and reviewed a report of the Third Quarter's actual expenditure compared to budgeted figures at its meeting on 10 February 2020 (Minute 20.02.10 (1) refers). The detailed estimates prepared for the 2020/21 year can also be used effectively for financial control and budgetary control purposes.

5.6 The Council's Reserve position was reviewed by Internal Audit. The previous Internal Audit Report had noted that the General Reserve of £9,741 held as at 31 March 2019 was low in comparison with the general level of reserves expected to be maintained. At its meeting on 8 April 2019 the Council approved recommendations from the Finance Committee, including virements from Reserve accounts (as per the schedule appended to the Minutes of that meeting). The recommendations agreed within the schedule aimed to increase the Parish Council's General Reserves from £9,741 to approximately £13,000 during 2019/20. The Council successfully achieved and surpassed this aim by the end of the 2019/20 year.

5.7 As at 31 March 2020 the overall Reserves stood at £48,779.72, of which £27,019.70 was earmarked for specific projects, as follows:

Playpark Equipment:	£629.00
Maintenance:	£1,300.00
Community Projects:	£73.00
Churchyard & Cemetery:	£4,432.00
Playing Field Drainage:	£1,950.00
Community Infrastructure Levy:	£18,635.70

5.8 The General Reserves held accordingly stood at £21,760.02 as at 31 March 2020 which is in line with the general level of reserves expected to be maintained. It is generally accepted that non-earmarked (general revenue) reserves held will usually be approximately six months of running costs or 50% of the Precept. As at the 31 March 2020, the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

6.1 Income controls were test checked and income received and banked was cross referenced on a sample basis with the Cashbook and bank statements.

6.2 At its meeting on 8 July 2019 the Council reviewed and approved revised Cemetery Fees and the Updated Rules and Regulations for the Management of the Cemetery, as recommended by the Finance Committee (Minute 19.7.8 refers).

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

7.1 No Petty Cash is held; an expenses system is in place.

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

8.1 A PAYE system is in place and the Council is operating Real Time Information in accordance with HMRC requirements. Regular payments for PAYE and NI were made to HMRC and detailed pay slips are produced.

8.2 At its meeting on 9 September 2019 the Council approved a one scale-point increase to the Clerk/RFO's salary following her completion of the CiLCA qualification and asked the Personnel Committee to review benchmarking of the Clerk/RFO's salary and to advise the Finance Committee of any implications for the Budget for 2020/21 (Minute 19.9.19 refers).

8.3 At the meeting on 14 October 2019 the Council approved a recommendation from the Personnel Committee that from November 2019 the Clerk/RFO's contracted hours should increase to 20 hours per week (Minute 19.10.20 (3) refers).

8.4 The outcome of the benchmarking exercise on the Clerk/RFO's salary, undertaken by the Personnel Committee, was reported to the Finance Committee, which in turn included the recommendations proposed for the Clerk/RFO's salary and allowances in the Draft Budget for 2020/21. At its meeting on 9 December 2019, the Council approved the recommendations from the Personnel and Finance Committees, as follows:

- a) The Parish Council adopt a salary range for the Clerk/RFO as per the recommendations of the Personnel Committee following the benchmarking exercise.
- b) The Clerk/RFO's salary increases to the first point on that scale from 1 April 2020.
- c) The Office Allowance increases from 1 April 2020 to £180 pa (payable £15 per month).
- d) The IT Support allowance increases from 1 April 2020 to £360 pa (payable £30 per month).

8.5 With regard to the Council's legislative responsibilities regarding workplace pensions, the Clerk/RFO has confirmed that no member of staff has opted to join a workplace pension scheme and there are no outstanding deadlines regarding declarations to the Pensions Regulator.

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 A comprehensive Asset Register is in place. The Register was reviewed and formally approved by the Council at its meeting on 8 April 2019 (Minute 19.4.10 refers). The Register complies with the current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. The values are displayed at original purchase cost. Where the original purchase price was unknown at the time of first recording on the asset register, a proxy (community) value is used.

9.2 The Register displays a total value of £74,474.05 as at 31 March 2020, a reduction of £196.00 from the end of the previous year, 31 March 2019, and reflects the removal from the Register of the items of Dog Waste Bins and Post (Westhall).

9.3 The Assets have been correctly recorded in Box 9 of Section 2 of the Annual Governance and Accountability Return.

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

10.1 The Unity Trust Current Account and Unity Trust Deposit Account bank statements as at 31 March 2020 reconciled with the End of Year Accounts. The bank statements are regularly reconciled to the Accounts during the year and presented to the Council for approval.

10.2 At its meeting on 10 July 2019 the Council noted that the setting-up grant for the Stradbroke Community Land Trust (SCLT) has been paid into the Council's bank account and noted that any payments made from this grant will be shown for information on the schedule prepared by the Clerk/RFO. Councillors noted that once the SCLT has established its own bank account, the balance of the grant would be transferred to the new account (Minute 19.7.11 (4) refers). The transfer of a balance of £5,407.11 took place following the Council being advised on 29 September 2019 of the SCLT bank account being opened.

10.3 Bank account balances are presented to the Council as a matter of routine at each meeting under the Finance item on the agenda. An appended schedule detailing the most recent bank reconciliation, payments for approval, VAT payable, the power under which each payment is made, the balances held in Reserves and a list of receipts is also presented to each meeting of the Council. The schedule is published on the Council's website to provide transparency in the Council's financial transactions.

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

12.1 The Council has no responsibilities regarding the sole management of Trust funds.

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, including details of bank balances, cheques for approval, BACS payments for online authorisation and standing order and direct debit payments. The Clerk/RFO also provides the Council with reports on the actual receipts and payments compared to budget. The Minutes of the Council confirm that Councillors note the receipts received in the previous month and the estimated reserve accounts balances held taking into account committed funds as per the schedule prepared by the Clerk/RFO. Councillors are provided with comprehensive information to enable them to make informed decisions.

13.2 Payments are listed on reports appended to the Council's Minutes as part of the overall financial control framework. The Clerk/RFO has confirmed that invoices/vouchers for payment are signed or initialled by the nominated Signatories in confirmation of the payment being correctly made and, in cases where cheques are prepared, the Cheque Book counterfoils are initialled by Cheque Signatories.

13.3 The Internal Audit report for the previous year (2018/19) was received, reviewed and noted by the Council at its meeting on 13 May 2019 (Minute 19.5.14 refers).

13.4 The Internal Auditor for the year 2019/20 was formally appointed by the Council at its meeting on 10 February 2020 (Minute 20.02.13 (4f) refers).

14. External Audit (*Recommendations put forward, issues arising/comments made following the annual review*).

14.1 The Council noted the Report and Certificate by the External Auditors, PKF Littlejohn LLP, at its meeting on 12 August 2019. The External Auditors did not raise any points of concern (Minute 19.8.11 (4) refers).

15. Publication Requirements and the Transparency Code.

15.1 In December 2014 the Department for Communities and Local Government (DCLG) issued the Transparency Code for Smaller Authorities. For the year 2019/20 Stradbroke Parish Council is not considered a smaller authority for this purpose and it is not necessary to publish Transparency Code information.

15.2 However, under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website:

Before 1 July 2019 authorities must publish:

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

Not later than the 30 September 2019 authorities must publish:

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

15.3 The Internal Auditor was able to confirm that the above documents were readily accessible on the Council's webpage <https://www.stradbrokepc.org/statutory-information>.

16. Additional Comments.

16.1 The Annual Parish Council meeting was held on 13 May 2019, within the required time scale. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

16.2 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
7 April 2020**