

Report to Homersfield Parish Council

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

1. Introduction and Summary

1.1 The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and the information published on the Council's website, confirmed the overall adequacy of the financial arrangements currently in place within the Council. Since her appointment on 1 March 2021 the current Clerk, in her role as the Council's Responsible Financial Officer (RFO), has successfully completed the End-of-Year Accounts and has taken steps to enhance the Council's financial and administrative arrangements to ensure that Councillors have adequate and appropriate financial management information to enable them to make well-informed decisions.

1.2 The Accounts for the year confirm the following:

Total Receipts for the year: £3,515.26

Total Payments in the year: £4,249.91

Total Reserves at year-end: £7,480.77

1.3 The following figures were agreed with the Clerk/RFO for entry into Section 2 (Accounting Statements 2020/21) of the Annual Governance and Accountability Return (AGAR), rounded for purposes of the Return:

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £8,216</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £3,514</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1</i>
<i>Staff Costs:</i>	<i>Box 4: £3,466</i>
<i>Loan interest/principal repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £784</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £7,481</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £7,481</i>
<i>Total fixed assets:</i>	<i>Box 9: £6,623</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.4 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.

1.5 It was noted that Boxes 9 and 10 in the previous (2019/20) AGAR had been mis-recorded at the time by the Locum Clerk. The current Clerk/RFO agreed to re-state the figures in the 2019/20 comparative year of the 2020/21 AGAR to reflect the correct amounts.

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 Due to the restrictions placed upon public meetings due to the pandemic, the Council did not meet in person after 2 March 2020 until meeting on 6 July 2020 in an open space in compliance with Covid-19 regulations. The meeting on 7 September similarly took place with social distancing in place. Meetings from 11 January 2021 took place by video-conferencing (through the Zoom platform) in accordance with the Local Authorities and Police Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England and Wales) Regulations 2020.

2.2 At its meeting on 1 March 2021 the Council noted that Mrs Lua Leggett had resigned her position of Locum Clerk to the Council as from 31 March 2021. The Council agreed to appoint Mrs Sally Chapman as Clerk and Responsible Financial Officer (RFO) with immediate effect with hours of work, salary and other conditions of service in accordance with the contract that had been circulated to Councillors (Minute 4 refers).

2.3 Standing Orders are in place. The updated model Standing Orders, produced by the National Association of Local Councils (NALC), were considered and adopted by the Council at its meeting on 1 March 2021 (Minute 5.8 refers).

2.4 Financial Regulations are in place. The Regulations were also reviewed by the Council at the meeting held on 1 March 2021 and revised to reflect the latest guidance published by NALC (Minute 6c refers).

2.5 The Minutes of the Council 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.

2.6 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA115530, expiring 31 May 2021 refers). At the meeting on 6 July 2020 the Council agreed not to renew its registration with the ICO, noting that it holds no personal details and the risks to exposure to non-compliance with the General Data Protection Regulations (GDPR) were so remote as to not pay the annual fee (Minute 8.1.1(b)

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refers). The Clerk/RFO was instructed to pay the outstanding invoice of £40 but to then cancel the registration. (The current registration displays an out-of-date contact address for the Council and the Clerk/RFO has advised the ICO of the Council's current contact address).

2.7 The Internal Auditor discussed the issue of the Council's ICO registration with the Clerk/RFO and it was agreed that the Council should be advised to re-new its registration with the ICO as a Fee Payer/Data Controller for the provision of council services following the expiry of the current registration on 31 May 2021 in order that the Council meets its data protection responsibilities. The Council has demonstrated good practice by complying with the General Data Protection Regulations (GDPR) in the consideration and adoption of a GDPR Policy at the meeting on 1 March 2021 (Minute 5.9 refers).

2.8 Similarly, in response to the Freedom of Information requirements, a Freedom of Information and Publication Scheme Policy was considered and agreed by the Council at the meeting on 1 March 2021 (Minute 5.6 refers). The Policy has been published on the Council's website.

2.9 A Planning Procedure Policy is also in place, having been reviewed and adopted by the Council on 1 March 2021. The Policy has been published on the Council's website.

2.10 At its meeting on 27 June 2012, the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. It is good governance practice for local councils to periodically review and re-adopt the Code as this usefully highlights the requirements and responsibilities placed upon each individual Councillor. The previous Internal Audit Report noted that the Locum Clerk/RFO had been unable to identify the Council's review of the Code in recent years. Accordingly, the Council reviewed and re-adopted the Code of Conduct at a meeting held on 1 March 2021 (Minute 6b refers). A copy of the Code has been published on the Council's website.

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 is well referenced and provides an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. The document provided good evidence in support of the receipts and payments in the year. The Clerk/RFO advised the Internal Auditor that some difficulty was experienced in gathering all the documentary evidence in support of payments made in the year of account. However, the End-of-Year Accounts have now been successfully finalised and examined by the Internal Auditor.

3.2 Payments made under the Local Government Act 1972 Section 137 are separately identified in the Cashbook Spreadsheet and the Receipts and Payments Account.

3.3 VAT is separately identified in the Cashbook Spreadsheet to assist future re-claims to HMRC. The Clerk/RFO has confirmed that a VAT re-claim for the £34.07 VAT paid during the period February 2019 to February 2021 was submitted to HMRC on 8 April 2021.

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 demonstrated good practice by considering and adopting an Internal Control Statement at its meeting on 1 March 2021 (Minute 5.4 refers). The Statement outlines the scope of the Council's responsibility and the key elements in place to meet the requirements (Minute 5.4 refers).

4.2 Similarly, a Risk Assessment document was considered and adopted by the Council on 1 March 2021 (Minute 5.7 refers) The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified.

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 The insurance renewal premium of £218.00 to Came and Company was considered and approved by the Council at its meeting on 7 September 2020. The insurance cover is provided by Hiscox Insurance. Employer's Liability cover and Public Liability cover each stand at £10m. and Fraud and Dishonesty (Fidelity) cover stands at £150,000 (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. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).

5.1 Homersfield Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://homersfield.onesuffolk.net/parish-council/>

5.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:
Published – Yes, within published Minutes
- b) Annual Governance Statement, AGAR Annual Return, Section One:
Published (2019/20) – Yes
- c) End of year accounts, AGAR Annual Return, Section Two:

- Published (2019/20) – Yes
- d) Annual Internal Audit report within the AGAR Annual Return:
Published (2018/19) – Yes
- e) List of councillor or member responsibilities:
Published – Yes
- f) Details of public land and building assets (Asset Register):
Published – Yes
- g) Minutes, agendas and meeting papers of formal meetings:
Published – Yes

5.3 The Council is currently meeting the requirements of the Transparency Code.

5.4 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 a notice was published on the Council's website and displayed the inspection dates. However, the notice for the 2019/20 year published by the Locum Clerk/RFO was not the official form specifically designed for publication. The official form provides the required information of 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.

Recommendation 1: The Council should ensure that the official form displaying full information relating to the exercise of public rights, as required under the Accounts and Audit Regulations, is published in respect of the 2020/21 accounts.

5.5 The Internal Auditor has to certify within the AGAR Annual Internal Audit Report 2020/21 that the Council complied with the publication requirements for the 2019/20 AGAR (listed under the AGAR page 1 Guidance Notes). The Internal Auditor was unable to identify from the Council's website that the Analysis of Significant Variances (comparing the year 2018/19 to the year 2019/20) had been published and will accordingly be required to indicate 'No' to Assertion N in the Annual Internal Audit Report 2020/21 regarding the Council's compliance with the Regulations in force.

Recommendation 2: The Council should ensure that each year all the publication requirements are met (as listed under the AGAR page 1 Guidance Notes).

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

Precept 2020/21: £3,514 (20 January 2020, Minute 11.1 refers).

Precept 2021/22: £4,458 (11 January 2021, Minute 6 refers).

6.1 The Draft Budget for the year 2020/21 and explanatory notes prepared by the Clerk/RFO were distributed to and reviewed by Councillors at the meeting on 20 January 2020, when the Precept was formally approved.

6.2 At its meeting on 7 September 2020 the Council noted that the Precept had not been increased for many years. The cost of maintenance of village assets (such as refurbishing the phone box, repairing the bus shelter, providing additional dog bins) could normally only be met from the Precept. The Council agreed that its future Budget setting would be prepared based on quotations received for some of these items to identify the impact on the Precept (Minute 8.3 refers).

6.3 The Budget and Precept for the year 2021/22 was considered, approved and adopted by the Council at its meeting on 11 January 2021,

6.4 The Precepts were agreed in Full Council and the Precept decision and amount have been clearly Minuted. Budget papers are sufficiently detailed to ensure that Councillors have sufficient information to make informed decisions.

6.5 The Overall Reserves available to the Council at the year-end 31 March 2021 totalled £7,480.77, of which £5,800.00 has been earmarked as follows:

Election Reserve	£1,000
Equipment:	£300
Church Wood:	£1,500
Phone Box:	£2,500
Playing Field:	£500

6.6 The General Reserves of £1,680.77 (the Overall Reserves less the Earmarked Reserves) was in line with the generally accepted position that non-earmarked revenue reserves held should usually be between three and twelve months of gross expenditure or 50% of the Precept. As at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

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

7.1 The Receipts in the year consisted of Precept (£3,514) and Bank Interest (£1.26).

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

8.1 No Petty Cash is held; an expenses system is in place with cheques made out for expenses incurred.

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

9.1 The Council is operating Payroll Services in-house and PAYE payments have been made regularly to HMRC. Detailed pay slips are produced. The P60 End of Year Return for the current Clerk/RFO was presented to Internal Audit.

9.2 A Contract of Employment dated 1 March 2021 is in place for the current Clerk/RFO and was presented to the Internal Auditor for examination. The Contract provides details of the conditions of service including hours of work and salary to be paid.

9.3 With regard to the requirements under the Workplace Pensions legislation, the Pensions Regulator confirmed that the necessary re-declaration of compliance under the Pensions Act 2008 was completed by the Council on 8 April 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 was reviewed and adopted by the Council at its meeting on 1 March 2021. The Assets were amended to provide for 3 tables (not 4) and with the addition of a marquee.

10.2 As at 31 March 2021 the Register shows a total valuation of £6,623, an increase of £258 over the value at the end of the previous year, reflecting the amendments agreed by Council on 1 March 2021.

10.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at replacement value or at purchase price or community value as a proxy cost.

10.4 The value as at 31 March 2021 has been correctly placed in Box 9 of Section 2 of the AGAR.

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

11.1 The Barclays Community Current Account and the Business Savings Account bank statements (both dated 31 March 2021) 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 Locum Clerk/RFO provided a detailed financial report to the Council meeting on 6 July 2020, including accounts due for payment and a schedule of accounts settled since the previous meeting in March 2020. The Locum Clerk/RFO also presented a Bank Reconciliation and a Balance Sheet, which were approved and signed as correct (Minute 8.1.4 refers)

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

13.3 The Internal Audit report for the previous year 2019/20 was presented to the Council at its meeting on 6 July 2020 (Minute 5.1 refers). The report had put forward the following ten recommendations:

R1: During the year 2020/21 the latest Model Standing Orders and Model Financial Regulations published by the National Association of Local Councils (NALC) should be considered by the Council, tailored to the particular requirements of the Council, and formally adopted as required. (This was addressed by the Council on 1 March 2021).

R2: (i) 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. (Policies, Procedures and Protocols were presented by the Clerk/RFO to Council on 1 March 2021).

R2 (ii) The Council should also put into place a programme for the regular review of all its policies and procedures, including Standing Orders, Financial Regulations and those relating to General Data Protection Regulations (GDPR), to ensure that all

documentation remains up to date and fit for purpose. (This has been put in place by the Clerk/RFO).

R3: The Council should review and re-adopt the Local Code of Conduct during the year 2020/21 in order to comply with good governance practice. (This was addressed by the Council on 1 March 2021).

R4: Formal invoices relating to the operating of the website should in future be obtained from One Suffolk and should include details of VAT charged in order that the VAT element paid can be re-claimed to HMRC. (This has been addressed).

R5: The Council should publish the Annual Governance Statement for the year 2018/19 and aim to ensure that the Code is met in full in respect of the publication of 2019/20 information. (This is being addressed by the Clerk/RFO).

R6: The Council should 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. (This is being addressed by the Clerk/RFO).

R7: As the Council's General Reserves are higher than the generally accepted best practice, the Council should consider earmarking further reserves for specific future projects. (This has been addressed).

R8: The Council should review the presentation of the Asset Register in order to clearly identify assets currently in place and included in the overall total and those disposed assets which are no longer included in the overall value. (This has been addressed by the Clerk/RFO and the Asset Register approved by Council on 1 March 2021).

R9: The Locum Clerk/RFO should confirm on behalf of the Council that the balance on the Barclays Bank Deposit Account as at 31 March 2020 remained unchanged from that as at 2 March 2020 in order to ensure that no further transactions are required to be brought into the reconciliation as at 31 March 2020. (This has been addressed).

R10: The Council and Locum Clerk/RFO should clarify the Council's position with regard to the Homersfield Playing Field Charity and confirm, as necessary, that the Council has no responsibilities as a Sole Trustee. (This is being addressed).

14. Sole Trustee (To confirm that the Council has met its responsibilities as a trustee, if appropriate).

14.1 The Council is not currently recorded as a Sole Trustee (The Council has previously ticked 'not applicable' to the box in the Annual Governance Statements regarding any responsibilities as Sole Trustee).

14.2 The previous Internal Audit Report noted that during the review of Legal Liabilities within the Financial Risk Management document considered by the Council on 2 March 2020, there is reference to the Homersfield Playing Field Charity

(1066181) at item 4.1.6 which states that '*The Council obtained confirmation from the Charity Commission confirming that it is the sole trustee for the Playing Field Charity (1066181). The Council has discharged the asset into the hands of a public management committee in accordance with advice from the Charity Commission*'. The Audit Report accordingly recommended that the Council should clarify the Council's position with regard to the Homersfield Playing Field Charity and confirm, as necessary, that the Council has no responsibilities as a Sole Trustee.

14.3 At the meeting on 1 March 2021 the Council received an update from Lucy Phillips, a Trustee of the Playing Field Charity, regarding:

- (a) the status and Charity Commission Requirements.
- (b) the implications to the Council of taking over the land and/or charity and the matters outstanding.
- (c) the requirements of the Existing Trustees before any handover can take place.
- (d) to agree next steps and actions required.

14.4 The Council resolved that it would not progress with the Playing Field issues until the Playing Field Charity (1066181) was dissolved properly and would prefer the Playing Field to become an asset of the Parish Council. Lucy Phillips agreed to contract the other trustees to action dissolving the trust and signing the Playing Field and land title to Homersfield Parish Council (Minute 6 refers).

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 and the Council completed the Certificate of Exemption from a Limited Assurance Review for that year at its meeting on 6 July 2020 (Minute 5.5.1 refers). A copy of the Certificate has been published on the Council's website.

15.2 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.

16. Additional Comments.

16.1 I would like to record my appreciation to the Clerk/RFO for her assistance during the course of the audit work.

Trevor Brown

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Internal Audit for Homersfield Parish Council 2020/21

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Internal Auditor

20 April 2021

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