

Report to Palgrave 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; there were continuing restrictions on people meeting and working away from home and social distancing was still in place.

1.2 Accordingly, the essential information required for the completion of the Internal Audit was e-mailed by Mrs Caroline Emeny, 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 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 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.

1.4 By examination of the 2020/21 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 in the year and produced appropriate financial and management information to enable the Council to make well-informed decisions. The Council has adopted and maintains a wide range of formal Policies and Procedures which can act as a basis for strong financial management and control.

1.5 The Accounts for the year confirm the following:

Total Receipts for the year: £33,911.07

Total Payments in the year: £42,324.91

Total Reserves at year-end: £44,409.56

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 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: £52,823</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £14,770</i>
<i>Total Other Receipts:</i>	<i>Box 3: £19,141</i>
<i>Staff Costs:</i>	<i>Box 4: £8,447</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £33,878</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £44,409</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £44,409</i>
<i>Total fixed assets:</i>	<i>Box 9: £37,092</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.7 Sections One and Two of the AGAR are to be approved and signed/dated at a forthcoming meeting of the Council. 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 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 New Regulations came into force on 4 April 2020 which enabled local councils to hold remote meetings (including by video and telephone conferencing) until May 2021. They also removed the requirement to hold an annual meeting in 2020. The Regulations applied to local council meetings, committee and sub-committee meetings. After its meeting on 12 March 2020, the Council undertook 'virtual' meetings through video/audio conferencing.

2.2 Standing Orders are in place. At its meeting on 29 April 2020 the Council reviewed and approved the Standing Orders, which were in accordance with the model Standing Orders published by the National Association of Local Councils (NALC) in 2018 (Minute 04.29.18 refers). On 12 November 2020 the Standing Orders were reviewed (specifically paragraphs 7a and 26b which at that time were not workable) and amendments agreed (Minute 11.12.18 refers).

2.3 NALC has since published revised Model Standing Orders (entitled 2018 revised 2020) with amendments at Section 18 (items f and g) to reflect the changes in the thresholds for public service or supply and public works contracts. This amendment should be included at the Council's next review of Standing Orders.

2.4 Financial Regulations are in place and are in line with the model Financial Regulations published by NALC in August 2019. The Regulations were reviewed and approved by the Council at its meeting on 10 June 2020 (Minute 06.10.18 refers).

2.5 NALC has since advised that its Model Financial Regulations have been revised to reflect the changes in the thresholds for public service or supply and public works contracts. The amendment to item 11.1 (c) should be included at the Council's next review of Financial Regulations.

2.6 The Council remained committed in addressing the challenges of the covid-19 pandemic in their support to the local community and in maintaining effective governance arrangements. The Council received reports under the Village Emergency Plan (VEP) and liaised closely with the Palgrave Community Support Group (PCSG).

2.7 The Council continued to demonstrate effective community engagement in obtaining ideas and guidance from the local community relating to the development of the Parish Infrastructure Investment Plan (PIIP) and received regular updates from the Clerk/RFO on specific projects.

2.8 The Council participates in the Diss and District Neighbourhood Plan (DDNP) which is due for further public consultation as a pre-submission draft in 2021. After further modification and another public consultation, the final version will be submitted for independent examination by a qualified Planning Inspector. Any amendments are then made before the DDNP is put to a public referendum and if 51% vote for it, it will be adopted.

2.9 The annual review of the documents which detail the 'Powers Specifically Delegated to the Clerk/RFO' and 'The Roles and Responsibilities of the Parish Council' was undertaken by the Council at its meeting on 10 December 2020 (Minute 12.10.17 refers).

2.10 The Minutes of the Council are well presented and provide clear evidence of the decisions taken by the Council in the year. The Clerk/RFO has confirmed that the Minutes are signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved and that all Minutes up to and including the March 2021 meeting are signed and held in her files.

2.11 The Council demonstrated good governance during the year by maintaining a standing agenda item for General Governance issues. As part of the overall arrangements, the revised Terms of Reference for the Cemetery Committee were approved and adopted by the Council on 1 February 2021 and those for the Personnel Committee were approved and adopted at the meeting on 11 March 2021.

2.12 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller under Data Protection legislation (Registration ZA189657 refers, expiring 20 June 2021). The Council maintains and reviews a number of formal policies to evidence support of the General Data Protection Regulations (GDPR) including the Privacy Notice for Staff and Councillors, the General Privacy Notice and the Consent Form (all reviewed and approved on 10 June 2020) and a Data Protection Policy (reviewed and approved on 10 September 2020), all of which are published on the Council's website.

2.13 The Council's website confirms that the revised Suffolk Local Code of Conduct (2014) is being applied within the Council. The Council demonstrates good practice by having a standing agenda item and Minuting at each meeting a formal reminder of the obligations of Councillors under the Code of Conduct. At the meeting on 9 July 2020 the Council was advised that the Local Government Association (LGA) has launched a consultation on a new model Code of Conduct for Councillors. The Clerk/RFO was asked to complete the survey on behalf of the Council and Councillors were also encouraged to respond individually (Minute 07.09.17 refers).

2.14 The Council demonstrates good practice through the regular review of its Policies, Procedures and Protocols. During the course of 2020/21 the Council reviewed and approved the Freedom of Information documents (29 April 2020), the Subject Access Request (SAR) Policy and the Filming, Videoing, Photography & Audio Recording at Council Meetings Policy (10 June 2020) and the Protocols for Public Participation in Council Meetings (10 September 2020). All have been published on the Council's website.

2.15 The Council also maintains a Policy for Financial Support, Grants and Awards, having reviewed, amended and approved the policy at the meeting on 12 March 2020 (01.09.18 refers).

2.16 The Clerk/RFO has constructed a Community Infrastructure Levy (CIL) Annual Report for the year 2020/21. The Report displays the CIL balance carried forward from the previous year at £32,099.89, an amount of £12,342.92 received by the Council in the year of account and CIL spent (expenditure) of £22,809.37 in the year, giving a balance of £21,633.44 retained as at 31 March 2021 (held as a Restricted Reserve in the Accounts). A copy of the Report has been published on the website.

2.17 The Council made appropriate preparations for the new website accessibility regulations which came into force on 23 September 2020. The Clerk/RFO reported to Council on 10 September 2020 that the Website Accessibility Audit, scan and fix had been completed by Community Action Suffolk (CAS), the Accessibility Statement had been published on the Council's website and that she had attended a Website Accessibility webinar (Minute 09.10.20 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 Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements, cheque book counterfoils, the online payments documentation and financial information prepared by the Clerk/RFO. In view of the Internal Audit for 2020/21 being conducted remotely/electronically, the supporting vouchers, invoices and receipts were not examined and a sample of the 2020/21 transactions can be undertaken at the next scheduled audit or when circumstances permit. The Clerk/RFO has confirmed to Internal Audit that all payments made in 2020/21 were supported by invoices/vouchers.

3.2 Payments made under the Local Government Act 1972 Section 137 are tracked and identified in the Cashbook and within the End-of-Year Accounts. Details of the payments made were noted by the Council at its meeting on 10 December 2020 (Minute 12.10.18d refers). Some donations to advisory organisations, including those to the Citizens Advice Bureau, may be made under Section 142 (2A) of the Act without having to resort to Section 137. Whilst not a legislative requirement, some local councils find it good practice to enter against each payment in the Cashbook Spreadsheet the legislative power available to make the payment.

3.3 VAT payments are separately identified in the Cashbook Spreadsheet. A reclaim to HMRC for £645.71 VAT is recorded as received on 29 July 2020. Similarly, a VAT reclaim of £1,062.44 was received at bank on 12 February 2021.

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 submission to the External Auditors and 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 Risk Assessment (Assets) and Risk Assessment (Financial) documents were reviewed and approved by the Council at its meeting on 11 March 2021. The documents provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified. Similarly, the Statement of Internal Control was considered and approved by the Council on 11 March 2021 for signing by the Chair (Minute 03.11.17 refers).

4.2 The Council accordingly complied with the Account and Audit Regulations 2015 which require a review, at least once during each year of account, by the Full Council of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, with the review suitably Minuted.

4.3 The Council's Statement of Internal Control was reviewed, approved and signed by the Chair at the Council's meeting on 10 June 2020 (Minute 06.10.18 refers).

4.4 Insurance was in place for the year of account. The payment of £567.16 to Came and Company in respect of the annual insurance premium renewal was agreed by the Council at its meeting on 10 June 2020 (Minute 06.10.19a refers). Employer's Liability cover and Public Liability cover each stand at £10m. Employee Dishonesty (Fidelity Guarantee) 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.

4.5 An additional premium of £95.08 was approved by the Council on 12 November 2020 to be paid to Came and Company in respect of cover for the Speed Indicator Devices and the War Memorial (Minute 11.12 19 refers).

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

5.1 Palgrave Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://palgrave.onesuffolk.net>

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 AGAR Annual Return:
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

5.3 The Council is 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 the official 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.

5.5 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 easily accessible on the Council's website.

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

Precept 2020/21: £14,770 (12 December 2019, Minute 12.12.20e refers).

Precept 2021/22: £16,000 (14 January 2021, Minute 01.14.17d refers).

6.1 The Clerk/RFO presented a provisional budget for the year 2020/21 at the Council's meeting on 14 November 2019 (Minute 11.14.18.3 refers). The Budget was given final approval by the Council at its meeting on 12 December 2019.

6.2 Similarly, the Council noted on 10 December 2020 that budget documents for the year 2021/22 had been sent by the Clerk/RFO to all Councillors for review ahead of agreeing the precept in January 2021 pending receipt of final tax base information from the District Council. The budget variances were reviewed in an up-to-date financial document issued to Councillors prior to the Council meeting on 14 January 2021, when the precept was voted on and unanimously approved at £16,000.

6.3 The precepts were agreed in Full Council and the precept decision and amount have been clearly Minuted. 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 budgetary and precept decisions.

6.4 Good budgetary 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. The estimates were used effectively for financial control and budgetary control purposes. The Clerk/RFO presented detailed reports to the Council in the year comparing expenditure with budgeted amounts. The Minutes of Council meetings record that the Council notes the budget variances displayed in the accounting spreadsheets circulated to Councillors.

6.5 The Reserves available to the Council at the year-end, 31 March 2021 were £44,409.56 of which £27,133.44 were earmarked/restricted, as follows:

Community Infrastructure Levy (CIL) Balance:	£21,633.44
Replacement Street Lighting:	£5,000.00
Purchase of The Green as Community Asset:	£500.00

6.6 The General Reserve accordingly stood at £17,276.12. As at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

7.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced with the bank statements on a sample basis and were found to be in order.

7.2 At its meeting on 12 July 2018 the Cemetery Committee reviewed the Fees and Charges applied to the Cemetery. The Committee agreed that as the Fees and Charges had only recently been increased (from 1 January 2018) no further increases were deemed necessary (Minute 5 refers). Similarly, at the meeting of the

Cemetery Committee on 20 February 2019 it was agreed to leave charges unchanged (Minute 5 refers).

7.3 At the Council's meeting on 10 December 2020 the Clerk/RFO reported that she had attended a Benchmarking event where Clerks share information regarding charges for various services including cemeteries. It was evident to the Clerk/RFO that the Council's cemetery fees and charges were well below those applied in most other villages and she suggested a review of the cemetery charges at the next scheduled Cemetery Committee meeting (Minute 12.10.19 refers).

7.4 The meeting of the Cemetery Committee on 14 January 2021 considered revised Terms of Reference, Fees and Charges and Income against Expenditure. The Committee agreed that the Clerk/RFO should compile information regarding cemeteries income and expenditure and report back on a SALC benchmarking exercise shortly to be published. At the Council meeting on 14 January 2021, the Chair updated Councillors on the actions taken by the Cemeteries Committee. The revised Terms of Reference for the Cemetery Committee were approved and adopted by the Council on 1 February 2021.

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 or online payments made in the year for expenses incurred.

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

9.1 The Contract of Employment for the Clerk/RFO was approved and signed at the meeting of the Council held on 17 May 2018 (Minute 05.18.27 refers).

9.2 Payroll Services is operated in-house. The Council is registered with HMRC and regular PAYE payments have been made. A P60 End-of-Year Certificate for the Clerk/RFO was made available to Internal Audit.

9.3 At its meeting on 10 September 2020 the Council noted and approved the JNC/NALC national Salary Award for Local Council Clerks, to apply from 1 April 2020 (Minute 09.22.23 refers).

9.4 A meeting of the Personnel Committee was held on 7 January 2021. The Clerk/RFO's employment was reviewed in line with the Contract of Employment and Job Description. The Clerk/RFO's annual appraisal was also completed. The salary scale point was reviewed; the Committee agreed to increase the salary by 1 point to SCP24. The Committee also agreed that the working from home allowance should be increased to £8 per month. At the Council's meeting on 14 January 2021 the Chair updated Councillors on the action taken by the Personnel Committee (Minute 01.14.21 refers).

9.5 With regard to the legislation in respect of workplace pensions, the Council has completed a re-declaration of compliance the Pensions Regulator as from 1 July 2019. (The re-declaration of compliance confirms to The Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

9.6 The Council demonstrates good practice as an employer by maintaining a wide range of staffing Policies and Procedures including Lone Worker Policy, Health and Safety Policy and Disciplinary Procedure, all of which have been published on the Council's website.

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 The Register of Assets was reviewed and agreed by the Council at its meeting on 11 March 2021 (Minute 03.11.17). The Register displays a total value of £37,092 as at 31 March 2021, an increase of £3,964 over the value at the end of the previous year 31 March 2020, reflecting (inter alia) the acquisition of a Speed Indicator Device, Seats/Benches and a Printer in the year of account.

10.2 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. The Register displays assets at original purchase cost or, where the original purchase price is unknown, a proxy value for the original cost that will remain unchanged until disposal. The value has been correctly placed in Box 9 of the AGAR 2020/21.

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

11.1 The Clerk/RFO routinely presents financial reports to the Council which include bank reconciliations for the period just ended; these are approved and signed at the meeting in accordance with the Council's Financial Regulations.

11.2 The Unity Trust Current Account bank statement as at 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 Council had satisfactory internal financial controls in place during the year of account. Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provides comprehensive financial reports to Council meetings which are approved by Council and signed by the nominated Councillor. Similarly, the Monthly Schedule of Payments is approved by Council and signed by two nominated Councillors. The financial statements routinely presented by the Clerk/RFO to the Council display the up-to-date financial position with bank reconciliations.

13.2 The Clerk/RFO confirmed that the invoices and vouchers for payment cannot currently be signed due to the holding of remote meetings. The Clerk/RFO also confirmed that where cheque payments have been made:

- (a) Cheque Book counterfoils are initialled by the signatories in accordance with the requirements of the Council's Financial Regulations and
- (b) Cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment.

13.3 As electronic payments are now being made, the Clerk/RFO confirmed that:

- (a) under the Unity Trust Bank arrangements, the Clerk/RFO initiates the payment and 1 out of the 3 authorised signatories log in and approve the payment.
- (b) the bank statement is checked each month against the accounts spreadsheet and balances to confirm the correctness of the payment; an internet banking payment confirmation is not obtained through Unity Bank.
- (c) Financial Regulations incorporate the internet banking arrangements in place and those procedures are being followed.

13.4 At the meetings of the Council held on 10 June 2020 and 9 July 2020 the Clerk/RFO reported on e-banking options. The Council agreed to change the Council's bankers from NatWest to Unity Trust Bank to facilitate Online Banking. On 10 September 2020 the Clerk/RFO reported to Council that the change of bank account to Unity Trust Bank was complete and that the new e-banking protocols included a Schedule of Annual Regular Payments, which was approved by the Council and will be reviewed annually. The protocols include the Monthly Schedule of Payments which requires signing by two Councillors and approval by Full Council. The Clerk/RFO advised that the Council is due to review the online banking arrangements at the meeting on 4 May 2021.

13.5 Details of receipts and payments are listed in the Council's published Minutes as part of the overall financial control framework.

13.6 The Internal Audit report for the previous year 2019/20 was received by the Council at its meeting on 10 June 2020 (Minute 06.10.18 refers). The Clerk/RFO highlighted the following two sections from the report:

- a) Financial Regulations required review following new model Financial Regulations issued by NALC (this issue was addressed by the Council at its meeting on 10 June 2020).
- b) In order to clearly demonstrate that the Account and Audit Regulations 2015 requirements regarding the review of internal controls and risk management are met in full each financial year, the Statement of Internal Control should be reviewed and approved alongside the Risk Management documents at the annual review (the Statement of Internal Control was considered and signed by the Council at its meeting on 10 June 2020).

13.7 The Council formally appointed the Internal Auditor for the year 2020/21 at its meeting on 11 March 2021 (Minute 03.11.18e 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 29 April 2020 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for 2019/20 (Minute 04.29.18 refers). A copy of the Certificate has been published on the Council's website.

14.2 For the year 2020/21 the Council will be required to have an External Audit (a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015) by PKF Littlejohn LLP because the higher of gross income or gross expenditure exceeded £25,000 in the year of account.

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

30 April 2021