

Report to Kedington Parish Council

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

1. Introduction and Summary.

1.1 During the 2020/21 year the Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. The Council demonstrates many examples of good financial practice. The Internal Audit review has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.2 By examination of the 2020/21 accounts and supporting documentation it was confirmed that the Clerk, in the role as 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 All documents were extremely well presented for the review by Internal Audit.

1.4 The Accounts for the year confirm the following:

<i>Total Income for the year:</i>	<i>£96,869</i>
<i>Total Expenditure in the year:</i>	<i>£82,260</i>
<i>Total Reserves at year-end:</i>	<i>£79,620</i>

1.5 The Annual Governance and Accountability Return (AGAR) to be submitted 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):

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £65,011</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £84,070</i>
<i>Total Other Receipts:</i>	<i>Box 3: £12,799</i>
<i>Staff Costs:</i>	<i>Box 4: £25,120</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £57,140</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £79,620</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £81,840</i>
<i>Total fixed assets:</i>	<i>Box 9: £340,140</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.6 Sections One and Two of the AGAR are due to be approved and signed by the Council at a forthcoming meeting. The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within the AGAR.

1.7 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 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 Parish Council Meeting in 2020. The Council accordingly held video conferencing meetings during 2020/21, commencing 21 July 2020, when the Council met through the Zoom platform. The Council provided support to the local community during the pandemic with Parish Councillors and the Chair leading the Kedington Volunteer Group, which provided assistance to vulnerable residents and other residents requiring support. The Clerk/RFO provided all necessary documentation and risk assessments to assist in this respect.

2.2 In meeting its overall governance responsibilities, at its meeting on 6 October 2020 the Council agreed to appoint a Sub-Committee to review the Council's Policies and Procedures, including Standing Orders and Financial Regulations, and membership of the Sub-Committee was agreed (Minute 11 refers). As part of the process to increase the range of Policies, Procedures and Protocols in place, at its meeting on 26 January 2021 the Council confirmed that the Policies and Procedures Committee would examine all necessary documentation required (Minute 9 refers).

2.3 The Council has Standing Orders in place. The latest model Standing Orders and guidance from the National Association of Local Councils (NALC) were considered and adopted by the Council at its meeting on 26 January 2021 (Minute 7.5 refers).

2.4 Similarly, the Council's Financial Regulations, which are in line with the latest Model Financial Regulations issued by NALC, were considered and agreed by the Council at the meeting on 26 January 2021 (Minute 8 refers).

2.5 NALC has 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 the footnote to item 11.1 (c) can be included at the Council's next review of Financial Regulations.

2.6 The Council's Minutes and Committees' Minutes are extremely well presented and provide clear evidence of the decisions taken in the year. The Council, after approving the Minutes as a true record, agreed for the Chair to sign the Minutes outside of the meeting at which the Minutes were approved.

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 under Data Protection legislation (Registration ZA160422, expiring 21 January 2022). The Council has

adopted a Privacy Notice to assist in its compliance with the General Data Protection Regulations (GDPR) and a copy has been published on the Council's website.

2.8 The Council adopted the Suffolk Local Code of Conduct at a meeting held on 24 June 2014 (Minute 3 refers). The Code applies to all Councillors for the purpose of assisting a Local Council to discharge its duty to promote and maintain high standards of conduct within its area. The Clerk/RFO reported to Council on 21 July 2020 that the LGA and NALC were consulting all local councils on a new Model Code of Conduct and a copy was emailed to all Councillors for comments to be returned to the Clerk/RFO (Minute 18.1 refers).

2.9 The Council agreed at its meeting on 21 July 2020 that a new website for the Council should be designed and hosted by Suffolk Cloud. The Chair reported to Council on 26 January 2021 that she now co-ordinated the Parish Council website so there would not be a need for Suffolk Cloud to do this.

2.10 With regard to the Website Accessibility requirements which came into force on 23 September 2020, it is noted that the Council has not as yet published a Website Accessibility Statement. It is good practice for a local council to publish such a 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 or where there would be a disproportionate burden to secure full accessibility with contact details to report accessibility problems. The Clerk/RFO advised the Internal Auditor that a Website Accessibility Statement has been constructed and will shortly be published.

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 Spreadsheets are well referenced and provide a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. Supporting paperwork is in place and well referenced. VAT payments are tracked and separately identified. A sample of transactions within the Cashbook Spreadsheets was closely examined and all were found to be in order with supporting invoices/vouchers in place.

3.2 Payments made under the Local Government Act Section 137 are separately identified in the accounts and detailed within the Minutes of the Council's meetings.

3.3 VAT Returns were submitted regularly and promptly to HMRC during the year. The re-claim for £2,229.16 VAT paid in the period 1 April 2020 to 30 September 2020 was submitted to HMRC on 21 October 2020 and received at bank on 30 October 2020. Similarly, the reclaim for £4,412.93 VAT paid in the period 1 October 2020 to 31 March 2021 was submitted to HMRC on 23 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. Following the restrictions imposed by the Government as a result of the pandemic, the Council produced Covid-19 Risks Assessments for the play equipment on Old School Field and the outdoor gym equipment in Silver Street Park. The Council noted that it was unable to fulfil all of the recommendations put forward by Government for the re-opening of play areas and outdoor gym equipment in July 2020 so suitable provision was made within the Risk Assessments to state it would not be feasible for the Council to provide all the safeguards recommended (Meeting on 21 July 2020, Minute 12 refers). The Council continued to receive detailed reports from the Clerk/RFO regarding the arrangements for the re-opening the play areas and outdoor gyms.

4.2 The Fire Risk Assessment and the Covid-19 Risk Assessment for the Parish Council Office was considered and agreed by the Council at its meeting on 26 January 2021 (Minute 10 refers).

4.3 The Internal Control document and the Management of Risk/Internal Audit documentation was considered and agreed by the Finance Committee at its meeting on 9 March 2021. The two documents were reviewed and agreed by Full Council at its meeting on 16 March 2021 (Minute 8.5.1 refers). The documents identify the risks to the Council, the level of risk and the internal controls in operation to manage and mitigate the risks identified.

4.4 Similarly, the Financial Management Risk Assessment was also considered and approved by the Council at the meeting on 16 March 2021 (Minute 8.5.2 refers).

4.5 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.

4.6 Operational Inspections of the play equipment are being undertaken on a monthly basis by the Play Inspection Company. Monthly Play Inspection Reports are presented to the Council and remedial action, where necessary, is agreed by the Council and Minuted. Items identified in the Reports as being in need of repair and improvement are considered and action agreed, including the appointment of contractors to undertake the repairs. The meeting on 21 July 2020 nominated a Councillor to complete a weekly check list for the play equipment. (Minute 13.2 refers).

4.7 Insurance was in place for the year of account. At the Council's meeting on 6 October 2020 the Clerk/RFO reported upon the renewal invitations received via Came and Company for the period 1 October 2020 to 30 September 2021. Pen Underwriting Limited had offered a 3-year long term agreement option with no increase in renewal premium. The Clerk/RFO reported that she had checked through all the documentation and found it to be in order. The Council resolved to accept the

quotation from Pen Underwriting Limited, including the option of a 3-year long term agreement (Minute 7.2 refers).

4.8 The Employer's Liability cover and the Public Liability cover each stand at £10m. The Fidelity Guarantee (Councillor/Employee Dishonesty) cover is £150,000 and was reviewed by the Finance Committee on 9 March 2021. The Fidelity Guarantee cover meets the current recommended guidelines of at least the sum of the year-end balances plus 50% of the precept/grants. The cover of £150,000 for the year 2021/22 was approved by the Council at its meeting on 16 March 2021 (Minute 8.1 refers).

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

Precept 2020/21: £84,070 (Council meetings on 19 November 2019, Minute 8.3, and on 17 December 2019, Minute 7.3).

Precept 2021/22: £84,070 (Council meeting on 26 January 2021, Minute 7.3).

5.1 Comprehensive budgetary procedures are in place. The Precept decisions have been agreed in Full Council and the amounts 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. For the year 2020/21, the Finance Committee meeting on 5 November 2019 considered the Budget/Precept for 2020/21 and the Full Council undertook a final review on 17 December 2019.

5.2 The Budget papers for 2020/21 were sufficiently detailed and well prepared to ensure that Councillors had sufficient information to make informed decisions. The estimates were used effectively for financial control and budgetary control purposes and the Clerk/RFO presented detailed reports to the Council comparing Budget to the Expenditure incurred. The individual budget statements for April, May and June 2020 were presented to the Council at its meeting on 21 July 2020 through the Zoom platform following a break in formal meetings after 17 March 2020 due to the restrictions in place as a result of the pandemic. The Financial and Budget Statements for the remaining months of 2020/21 were routinely presented to the Council.

5.3 With regards to the year 2021/22, at its meeting on 17 November 2020 the Council received the budget sheets for the financial year 2021/22 from the Budget/Precept meeting held on 3 November 2020. The Council agreed in principle a Precept of £85,893.00 at its meeting on 15 December 2020 (Minute 8.3 refers) but revised this amount to £84,070 at its meeting on 26 January 2021.

5.4 As at 31 March 2021 the overall Reserves stood at £79,620, of which £8,400 has been earmarked (Recreation Equipment £3,000, War Memorial £2,900 and West Suffolk Council Covid-19 Grant £2,500).

5.5 The General Reserves (Overall Reserves less Earmarked Reserves) accordingly stood at £71,220 which is in line with of the generally accepted 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). As at 31 March 2021 the Council had sufficient General Reserves available to meet, within reason, any unforeseen items of expense that may occur.

6. Income controls (*Regarding Precept and other income, including credit control mechanisms*).

6.1 Sample audit trails were examined using the details displayed in the Cashbook Spreadsheets. Overall income controls were reviewed on a test-check basis; a sample of income received was cross referenced with the bank statements and with supporting paperwork and found to be in order.

6.2 The Council noted at its meeting on 6 October 2020 that a Business Grant of £10,000.00 had been received from the Government (via West Suffolk Council), paid into Bank of Ireland Deposit Account on 4 September 2020 and held in General Reserves (Minute 6 refers).

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

7.1 A Petty Cash system is in use and is working satisfactorily with vouchers and receipts supporting the expense claims.

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

8.1 Payroll Services are being operated in-house; the Council operated Real Time Information during the year in accordance with HMRC regulations. P60 End of Year Certificates were made available to Internal Audit to confirm compliance in the year of account. PAYE payments have been made to HMRC in the year. Detailed pay slips are produced and the Clerk/RFO maintains a Register of hours worked.

8.2 The Clerk/RFO's hours of work are 105 hours per month (as agreed by the Council at its meeting on 15 May 2018).

8.3 At the Council's meeting on 6 October 2020 the Chairman reported upon the NJC Local Government Services Pay Agreement 2020/21, which provided for a pay increase of 2.75% for local government staff from 1 April 2020. The Council noted that at the Council meeting on 21 January 2020 the Clerk/RFO had been awarded a salary increase of 2.4% from 1 April 2020 (as the NJC had not released the new pay scales for 2020/21 at that time). Due to the lockdown, the Clerk/RFO had not yet claimed the increase of 2.4% from 1 April 2020. The Chairman asked Councillors if they wished to give the Clerk/RFO the 2.75% cost of living rise backdated to 1 April 2020 or remain with the 2.4%. It was agreed by the Council that the Clerk/RFO should receive 2.4% backdated to 1 April 2020 and once a Professional Development Review (PDR) has been carried out the Clerk/RFO would then receive

the remaining 0.35% which would then give the full NJC award of 2.75% (Minute 7.4 refers).

8.4 The Council received an update on the Clerk/RFO's PDR at the meeting on 17 November 2020. The Council noted that the PDR had been completed and the balance of 0.35% of the NJC pay rise from April 2020 should now be paid. (Minute 8.4 refers).

8.5 With regard to the legislation for workplace pensions, the Clerk/RFO reported to Council at its meeting on 21 May 2019 that a re-declaration of compliance with the Pensions Act 2008 had been submitted to the Pensions Regulator on 17 April 2019 to confirm pension eligibility for employees (Minute 10 refers). The re-declaration had been acknowledged by the Pensions Regulator on 1 May 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. Asset control and valuation (*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 agreed by the Council at its meeting on 21 July 2020 (Minute 7.6 refers).

9.2 The Asset Register displays a value of £340,140.38 as at 31 March 2021, a net increase of £1,434.55 over the value at the end of the previous year and reflects (inter alia) the replacement of an office computer and dog waste bins and the acquisition of skate ramps signs, Covid-19 Signs and safety surfacing under the cradle swings.

9.3 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 the original purchase cost or, where the original purchase price is unknown, a proxy cost or a nominal value which will remain unchanged until disposal.

9.4 Box 9 in Section 2 of the AGAR (Annual Return) has correctly recorded the value of assets as at 31 March 2021.

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

10.1 Bank Reconciliations are being completed on a monthly basis. The Bank Statements as at 31 March 2021 for the NatWest Current Account and the Bank of Ireland UK Treasurers Account reconciled with the End-of-Year accounts and agreed with the Bank Reconciliation for all accounts.

10.2 The Clerk/RFO presents detailed bank account information to each meeting of the Finance Committee in order to ensure that the Committee fully meets its responsibilities under its terms of reference. The Council receives, in turn, detailed

reports from the Finance Committee and the Clerk/RFO on the up-to-date financial position.

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 an Income and Expenditure basis and were in good order. Sample audit trails were examined and all were found to be in good order. The £4,412.93 VAT owing from HMRC as at 31 March 2021 was correctly recorded as a Listed Debtor in the End-of-Year Accounts. Similarly, the Listed Creditors as at 31 March 2021 were presented to the Internal Auditor and confirmed as £6,633.23.

12. 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*).

12.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides detailed financial reports to Council meetings to ensure that Councillors are provided with adequate financial information and data to enable them to make informed decisions.

12.2 The Council continues to demonstrate many examples of good financial practice and robust governance arrangements. The Clerk/RFO provides comprehensive financial reports to the Finance Committee and the Council, including standing items relating to the expenditure compared with the budget, bank balances and reserves available. Cheque Book counterfoils and invoices/vouchers for payment are initialled by signatories as part of the overall financial control framework in place.

12.3 At its meeting on 6 October 2020 the Council resolved to adopt internet banking to enable payment of invoices on-line and to avoid making payment by cheque. Work is currently continuing to bring online banking into effect.

12.4 The Bank Signatories on both the Bank of Ireland UK and Nat West Bank PLC accounts were updated by the Council at its meeting on 16 February 2021 (Minute 8.6 refers).

12.5 The Internal Audit Report for the previous year (2019/20) was received by the Council at its meeting on 21 July 2020 (Minute 7.3 refers). The Report raised no matters of concern.

12.6 The Internal Auditor for the 2020/21 year was appointed by the Council at its meeting on 16 March 2021 (Minute 8.1 refers) following a recommendation from the Finance Committee.

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

13.1 The Report and Certificate from the External Auditor, PKF Littlejohn LLP, for the previous year (2019/20) was dated 15 November 2020 and was received by the Council at its meeting on 17 November 2020. No matters of concern had been raised by the External Auditors. The Clerk/RFO advised the Council that the formal notice of the Conclusion of Audit would be placed on the Council's website and all notice boards (Minute 7 refers).

14. Publication Requirements.

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website (the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the statutory deadlines for the publication of the 2019/20 documents):

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

Following the completion of the External Audit:

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

14.2 The Council agreed at its meeting on 21 July 2020 the dates for the period of the exercise Public Rights (Minute 7.5 refers).

14.3 The Internal Auditor was able to confirm that the documents relating to the year 2019/20 were readily accessible on the Council's website:

<https://www.kedington.suffolk.cloud/>

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 and would particularly like to commend her for maintaining a very high standard of documentation on behalf of the Council and for the excellent presentation of the Council's documents at the audit.

15.2 In this final year as the Council's Internal Auditor, I would also like to express my appreciation to Councillors for their support during the course of the audit work performed for the Council.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

17 May 2021