Report to Ditchingham 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 Mrs Sally Chapman, the Clerk/Responsible Financial Officer (RFO) to the Internal Auditor, who undertook the work remotely/electronically. All relevant published data held on the Council's website was accessed by the Internal Auditor. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were accordingly completed. 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 framework of financial administration and internal control. The Council has continued to ensure that effective and efficient financial administration is in place. A wide range of formal policies, procedures and protocols have been adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control.

1.4 By examination of the 2019/20 accounts and supporting documentation it was confirmed that the Clerk, in the role as 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 in the year:	*£177,622.89*
Total Payments in the year:	*£101,413.13*
Total Balances at year-end:	*£143,820.92*

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):

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

Balances at beginning of year (1 April 2019):	*Box 1: £67,611*
Annual Precept 2019/20:	*Box 2: £28,000*
Total Other Receipts:	*Box 3: £149,623*
Staff Costs:	*Box 4: £10,160*
Loan interest:	*Box 5: £0*
All Other payments:	*Box 6: £91,253*
Balances carried forward (31 March 2020):	*Box 7: £143,821*
Total cash/short-term investments:	*Box 8: £143,821*
Total fixed assets:	*Box 9: £154,124*
Total borrowings:	*Box 10: £0*

1.7 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 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. 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 Standing Orders are in place and were reviewed and re-adopted by the Council at its meeting on 20 May 2019 (Minute 10f refers). The Standing Orders reflect the latest model Standing Orders published by the National Association of Local Councils (NALC). The Standing Orders were also reviewed and re-adopted by the Council at its meeting on 16 March 2020 (Minute 7e refers).

2.2 Financial Regulations are in place. The Regulations were reviewed by the Council at the meeting held on 16 March 2020 and revised to reflect the latest model Financial Regulations published by NALC in August 2019 (Minute 7c refers).

2.3 The Council resolved to apply the General Power of Competence (GPoC) at its meeting on 20 May 2019. The Council declared that it was an eligible Council to use the GPoC, having at least two-thirds elected Councillors and a suitably qualified Clerk and adoption of the Power was agreed (Minute 10h refers). The Council reviewed and confirmed the GPoC at the meeting held on 16 March 2020 (Minute 7h refers).

2.4 The Council demonstrates good financial and management practice by maintaining and regularly reviewing a wide range of formal written policies which are published on the Council's website. The Council Policies with the Sub Committee and Advisory Committee Terms of Reference were considered and re-adopted by the Council at its meeting on 20 May 2019 (Minute 10c refers) and reviewed and approved at the meeting on 16 March 2020 (Minute 7b refers). The Street Light Policy was also reviewed and approved at the meeting on 16 March 2020 (Minute 7f refers).

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

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

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 under Data Protection legislation (Registration ZA061875, expiring 23 July 2020). The Register entry currently states a contact address of 'Clerk, 19 Gawdy Close, Harleston, Norfolk IP20 9ET' The Clerk/RFO has confirmed to Internal Audit that she has advised the ICO of her current address in order that the ICO can correct the contact address. A General Data Protection Regulations Policy is in place and was reviewed and re-adopted by the Council at its meeting on 16 March 2020 (Minute 7d refers).

2.7 At its meeting on 20 May 2019 the Council considered and re-adopted the overall General Data Protection Regulations Policy (Minute 10d refers). The Council demonstrates good management practice by the adoption of Data Protection policies, procedures and documentation, including a Data Information Audit Policy, Data Protection Privacy Policy, Allotment Tenants Privacy Notice, Purchase of Exclusive Rights of Burial Privacy Notice, a Staff, Councillors and Role Holders Privacy Notice and a General Data Protection Awareness Checklist for Councillors.

2.8 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2020 shows an amount of £188.79 at the end of previous year (31 March 2019), a total amount of £443.96 CIL received during the year, £180 applied to crocus bulbs for roundabout, and £452.75 retained as at 31 March 2020.

2.9 The Council demonstrates good practice by periodically reviewing and re-adopting the Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. The Council reviewed and re-adopted the Code of Conduct at a meeting held on 20 May 2019 (Minute 10b refers) and similarly reviewed and re-adopted the Code at the meeting on 16 March 2020 (Minute 7a refers).

2.10 The Clerk/RFO advised Internal Audit that the Council is making preparations to ensure that the new website accessibility regulations will be complied with no later than 23 September 2020 (compliance with the Public Sector Bodies (Websites and Mobile Applications) (No 2) Accessibility Regulations 2018). The Clerk/RFO informed Internal Audit that she intended to take part in suitable training courses to ensure that the website will comply with the regulations.

3. Accounting Procedures and Proper Book-keeping *(examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting).*

3.1 The Cashbook Spreadsheet was found to be in good order and well presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cash Book.

3.2 The Cashbook is well referenced and facilitates an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. In view of the Internal Audit for 2019/20 being conducted

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

remotely/electronically, the supporting vouchers, invoices and receipts were not examined and a sample of the 2019/20 transactions will be undertaken at the next scheduled audit. The Clerk/RFO has confirmed to Internal Audit that payments made in 2019/20 were supported by invoices.

3.3 VAT re-claims were regularly submitted to HMRC during the year of account, as follows:

a) The VAT re-claim of £573.73 for the period 1 January 2019 to 31 March 2019 is recorded in the Cashbook as received at bank on 16 April 2019 and reported to Council at its meeting on 20 May 2019 (Minute 9d refers).
b) The VAT re-claim of £832.66 for the period 1 April 2019 to 30 September 2019 is recorded in the Cashbook as received at bank on 30 September 2019 and reported to Council at its meeting on 18 November 2019 (Minute 6a Finance Report refers).
c) The VAT re-claim of £772.46 for the period 1 October 2019 to 31 December 2019 is recorded in the Cashbook as received at bank on 20 January 2020 and reported to Council at its meeting on 16 March 2020 (Minute 6a Finance Report refers).

3.4 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. The External Auditors require an explanation where the carried forward (end of year) reserves are greater than twice the income from the Precept and the Clerk/RFO has addressed this matter in the Statement of Variances.

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 document was reviewed and re-adopted by the Council at its meeting on 20 May 2019 (Minute 10e refers). The Risk Assessment provides an analysis of both the financial and non-financial risks faced by the Council and the internal control measures in place to mitigate the risks identified. The Risk Assessment document was also reviewed, updated and approved by the Council at the meeting held on 16 March 2020 (Minute 7i refers).

4.2 The Council accordingly complied with the Accounts and Audit Regulations 2015, which require that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, and that the Minutes of the Council must formally record that the review has taken place.

4.3 The RoSPA Annual Play Inspection was undertaken by the Play Inspection Company (payment of £156.00 is recorded in the Cashbook as paid on 29 July 2019).

4.4 Insurance was in place for the year of audit. At its meeting on 15 July 2019 the Council considered the insurance renewal quotations and resolved to accept the Community Action Suffolk (CAS) Parish Protect Insurance quotation (Minute 6b

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

refers) and approved the payment of £596.96 to CAS. A further payment of £155.68 was made to CAS on 29 July 2019, being the amount due for insurance cover for Street Lights.

4.5 Employers Liability insurance cover and Public Liability insurance cover each stand at £10m. The Fidelity Guarantee (Councillor/Employee Dishonesty) insurance cover stands at £50,000 and is significantly below 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 (£158,821 as at 31 March 2020)

Recommendation 1: The Council should consider increasing the current £50,000 level of Fidelity Guarantee (Councillor/Employee Dishonesty) insurance cover to ensure that it meets the recommended guidelines of year-end balances plus 50% of the precept (approx. £158,000). The level of cover should continue to be reviewed each year as part of the risk assessment process undertaken by the Council.

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

Precept 2019/20: £28,000 (Meeting on 19 November 2018, Minute 6c refers).

Precept 2020/21: £30,000 (Meeting on 18 November 2019, Minute 6b and Budget Report refer).

5.1 The Precepts were agreed in full Council and the Precept decision and amount have been reported in the Council's Minutes. The Clerk ensures the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

5.2 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 can be used effectively for financial control and budgetary control purposes.

5.3 Detailed budgetary position statements (budget reports) are presented to each meeting of the Council.

5.4 The Council considered the investment options for the Reserves at the meetings held on 20 January 2020 and 16 March 2020 (Minute 6c refers in both meetings).

5.5 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £143,821, of which £127,022 is earmarked as follows:

(a) Lychgate Maintenance (Cemetery Building) (£12,919)
(b) Hollow Hill Footpath Maintenance (£3,470)
(c) Play Area Reserves (£30,000)

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

(d) Community Infrastructure Levy (CIL) Fund (£633)
(e) New Strategies Reserve (£2,000)
(f) Streetlights Reserve (£77,800)
(g) SNC VE Day Grant (£200)

5.6 The General Reserve of £16,799 held at 31 March 2020 is in line with the generally accepted position that non-earmarked revenue reserves should usually be between six and twelve months of contractual gross expenditure or at least 50% of the precept.

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

6.1 Receipts recorded in the Cashbook were cross referenced with the Council's Bank Statements on a test-check basis and were found to be in order.

6.2 Cemetery Fees were reviewed by the Council at its meeting on 16 March 2020 and the Council agreed to apply an increase of 5% (Minute 7k refers). The Fees that apply from 1 April 2020 have been published on the Council's website.

6.3 The annual review of Allotment Rents was undertaken by the Council at its meeting on 16 March 2020. The Council agreed that there should be no change to the existing fees (Minute 7j refers).

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

7.1 A Petty Cash system is not in use; an expenses system is in place, with cheques being made out for expenses incurred.

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

8.1 PAYE system is outsourced to Ladywell Accountancy Services and is being operated in accordance with HMRC requirements. Detailed payslips are produced. A copy of the End of Year Certificates P60 for 2019/20 for the Clerk/RFO and the two other employees were presented to Internal Audit. Contracts of employment are in place.

8.2 With regard to the legislative requirements relating to workplace pension schemes, the Pensions Regulator confirmed on 21 July 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008.

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 An Asset Register is in place. The Asset List was considered, updated and re-adopted by the Council at its meeting on 20 May 2019 (Minute 10a refers). The Asset

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

List was similarly reviewed, updated and approved by the Council at its meeting on 16 March 2020 (Minute 7g refers).

9.2 The total value of £154,124 as at 31 March 2020 is an increase of £78,389 over the value at the end of the previous year (£75,735) and reflects the acquisition of the following in the year of account:

a) Bus Shelter Noticeboard: £420
b) Streetlamps (87): £77,800
c) Acer Computer for SAM machine: £169

9.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at purchase cost (where known) or a community value of £1 in appropriate cases. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

10.1 The Council's Barclays Community (Current) Account and Business Savings Account bank statements as at 31 March 2020 reconciled with the End-of-Year Accounts and agreed with the overall Bank Reconciliation.

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. 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 comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provides the Council with an up-to-date report at each meeting regarding the Council's finances, including a list of Payments and Receipts since the previous meeting and Bank Balances. The Chair signs the bank statements in confirmation of the figures presented to Council.

12.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. In addition, the Clerk/RFO confirmed that (a) cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment (b) invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made and (c) Cheque

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

Book counterfoils are initialled by Cheque Signatories, all as a matter of routine in accordance to the requirements of Item 6 of the Council's Financial Regulations 'Instructions for the making of payments'. These areas of control were not examined due to the Internal Audit being conducted remotely/electronically but will be test-checked at the next scheduled audit.

12.3 The Internal Audit for the previous year (2018/19) was received by the Council at its meeting on 20 May 2019 (Minute 9a refers). The Report had advised that to comply with the Accounts and Audit Regulations 2015 the Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during the 2019/20 year. This matter was addressed by the Council at its meetings on 20 May 2019 and 16 March 2020.

12.4 The Internal Auditor for the 2019/20 year was formally appointed by the Council at its meeting on 20 May 2019 (Minute 9c refers).

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

13.1 The External Audit Report and Certificate by PKF Littlejohn LLP for the 2018/19 year (dated 30 August 2019) was received by the Council at its meeting on 16 September 2019 (Minute 6b refers). The Report raised no issues of concern. (The Council had acknowledged within Box 5 of Section 1 of the AGAR that a formal review of the Risk Management arrangements was not undertaken in 2018/19 but would take place at the Council's meeting in May 2019).

14. Publication Requirements and the Transparency Code.

14.1 Under the Accounts and Audit Regulations 2015 authorities were required to publish in 2019 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)

14.2 The Internal Auditor was able to confirm that the above documents were readily accessible on the Council's webpage:
https://ditchinghampc.norfolkparishes.gov.uk/category/finances/

15. Additional Comments.

15.1 The Annual Parish Council meeting was held on 20 May 2019. The first item of

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk

formal business was the Election of Chair, in accordance with the Local Government Act 1972.

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

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

28 April 2020

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcdbrown01@yahoo.co.uk