Report to Ditchingham Parish Council

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

1. Introduction and Summary.

1.1 The Internal Audit work undertaken confirmed that during the 2020/21 year the Council continued to maintain effective governance arrangements including a robust and effective framework of internal control and risk management. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed that the Council maintains an effective framework of financial administration and internal financial control. The Council displays many examples of good financial practice.

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 The Accounts for the year confirm the following:

Total Receipts in the year:	*£38,179.15*
Total Payments in the year:	*£39,561.99*
Total Balances at year-end:	*£142,438.08*

1.4 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):

Balances at beginning of year (1 April 2020):	*Box 1: £143,821*
Annual Precept 2020/21:	*Box 2: £30,000*
Total Other Receipts:	*Box 3: £8,179*
Staff Costs:	*Box 4: £10,640*
Loan interest:	*Box 5: £0*
All Other payments:	*Box 6: £28,922*
Balances carried forward (31 March 2021):	*Box 7: £142,438*
Total cash/short-term investments:	*Box 8: £142,438*
Total fixed assets:	*Box 9: £159,015*
Total borrowings:	*Box 10: £0*

1.5 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.

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

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 During the period when restrictions were in place due to the Covid-19 coronavirus situation, the Council conducted essential business and meetings through e-mail and, from 21 September 2020, the Council met virtually via Zoom as permitted in the Local Authorities and Police Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England and Wales) Regulations 2020.

2.2 On 18 May 2020 the Chairman reported to Council that it was not possible for Councillors and the Clerk/RFO to meet virtually through Skype or Zoom platforms but bi-monthly meetings through e-mail would be held and any decisions taken would be ratified at the next face-to-face meeting. The Annual Parish Meeting and the General Annual Parish Council Meeting in May 2020 were postponed.

2.3 At its meeting on 16 November 2020 the Council agreed that three Committees should be maintained (for Community, Finance, and Planning and Highways). The Council agreed the membership of each Committee (Minute 8 refers).

2.4 Standing Orders are in place reflect the latest model Standing Orders published by the National Association of Local Councils (NALC). The Standing Orders were reviewed and re-adopted by the Council at its meeting on 16 March 2020 (Minute 7e refers). Standing Orders were updated by the Council at its meeting on 15 March 2021 in accordance with the latest guidance from NALC regarding item 18f and 18g (Minute 7m refers).

2.5 Financial Regulations are in place. The Regulations were reviewed by the Council at the meeting held on 15 March 2021 and updated in accordance with the latest guidance published by NALC regarding the footnote to Section 11 (Minute 7d refers).

2.6 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 15 March 2021 (Minute 7f refers).

2.7 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. As part of this process, the Publication Scheme and the Vexatious Correspondence and Complaints Policy were adopted by the Council at its meeting on 21 September 2020 (Minute 7 refers) and the Grants Policy was amended on 16 November 2020 (Minute 6 refers). The Publication Scheme was

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

reviewed and re-adopted at the meeting held on 15 March 2021 (Minute 7h refers).

2.8 The Council's Policies and the Sub Committee and Advisory Committee Terms of Reference were considered and re-adopted by the Council at its meeting on 15 March 2021 (Minutes 7c and 7j refer).

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

2.10 It is clear that Councillors and the Clerk/RFO have been committed in addressing the challenges of the Covid-19 pandemic in their support to the local community and in maintaining effective governance arrangements. At the Extraordinary Council meeting on 11 May 2020 (conducted via email) the Council approved a Coronavirus Contingency Plan and Action Plan, an Email and Decision-Making Policy and a Scheme of Delegation which delegated all operational responsibilities of the Council to the Clerk/RFO (Minute 3 refers). The Scheme of Delegation remained until the Council met with video-conferencing through the Zoom platform on 21 September 2020.

2.11 The Council also demonstrates a high standard of engagement with the community through an informative and up-to-date website and the provision of updates/information and reports from police and other services. The severe weather during Christmas 2020 resulted in properties being flooded in the Parish and the Council posted updates for residents on the storm/weather conditions, provided advice on flooding issues including location of sandbags.

2.12 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under Data Protection legislation (Registration ZA061875, expiring 23 July 2021. A General Data Protection Regulations Policy is in place and was reviewed and re-adopted by the Council at its meeting on 15 March 2021 (Minute 7e refers).

2.13 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) by maintaining a GDPR Policy and other 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.

2.14 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2021 shows an amount of £452.75 at the end of previous year (31 March 2020), nil CIL received during the year and nil CIL applied. Accordingly, the balance of £452.75 continued to be retained as at 31 March 2021.

2.15 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 15 March 2021 (Minute 7b refers).

2.16 The Council made appropriate preparations to ensure that the new website accessibility regulations were complied with no later than 23 September 2020. The Clerk/RFO reported on this matter to the Council on 21 September 2020 (Minute 10

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

refers). The Clerk/RFO has attended online training and has updated and checked the website with the WAVE Web Accessibility Evaluation Tool and added the Website Accessibility Statement as recommended by SALC.

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. A sample of transactions with the supporting vouchers, invoices and receipts was examined and found to be in good order.

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

a) The VAT re-claim of £1,267.12 for the period 1 January 2020 to 31 March 2020 is recorded in the Cashbook as received at bank on 28 April 2020 and reported to Council at its meeting on 18 May 2020 (Minute 6e and Finance Report refer).
b) The VAT re-claim of £1,792.43 for the period 1 April 2020 to 30 September 2020 is recorded in the Cashbook as received at bank on 30 September 2020 and reported to Council at its meeting on 16 November 2020 (Minute 7a and Finance Report refer).
c) The VAT re-claim of £2,462.87 for the period 1 October 2020 to 31 January 2021 is recorded in the Cashbook as received at bank on 15 February 2021 and reported to Council at its meeting on 15 March 2021 (Minute 6a and Finance Report refer).

3.4 A Statement of Explanation 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. 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.

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 has a Risk Assessment document in place. 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 and the Play Area Risk Assessment (Covid-19) document were reviewed and re-adopted by the Council at its meeting on 15 March 2021 (Minutes 7g and 7i refer).

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

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 An important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect, a RoSPA Annual Play Inspection was undertaken in the year by the Play Inspection Company (payment of £162.00 is recorded in the Cashbook as paid on 5 August 2020). At Its meeting on 18 January 2021 the Council agreed the recommendation from the Community Committee to accept the quotation from Playquip UK Ltd to repair the Multi Play/Slide Unit at the Thwaite Road Play Area.

4.4 In response to the announcement by Government that play areas could re-open from 4 July 2020, the Council complied with guidance that a risk assessment should be undertaken to ensure that measures were being considered relating to Covid-19 and the opening of the play areas. The risk assessment was undertaken on 4 July 2020 and has been published on the Council's website.

4.5 Insurance was in place for the year of account. At its meeting on 20 July 2020 the Council agreed the payment of £780.21 insurance renewal to Community Action Suffolk (CAS) Insurance, being year 2 of a 3-year Agreement.

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 £250,000 and 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. Budgetary controls *(Verification of the budgetary process with reference to Council Minutes and supporting documents).*

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

Precept 2021/22: £37,000 (Meeting on 16 November 2020, Minute 7b and Budget Report 3 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 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 decisions. For the Council's consideration of the 2021/22 requirements, the Clerk/RFO prepared three draft budgets for the Council to examine.

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.

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

5.3 The estimates for 2020/21 were used effectively for financial control and budgetary control purposes with detailed budgetary position statements (budget reports) being presented to meetings of the Council.

5.4 The Council considered the options for the Earmarked Reserves at the meeting on 15 March 2021 and agreed the setting up of a new Village Improvement Reserve (Minute 6c refers).

5.5 As at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Overall Reserves at the year-end totalled £142,438, of which £127,434 is earmarked as follows:

(a) Lychgate Maintenance (Cemetery Building) (£12,919)
(b) Footpath Maintenance (£2,045)
(c) Play Area Reserves (£31,829)
(d) Community Infrastructure Levy (CIL) Fund (£444)
(e) Tree Survey/Maintenance (£593)
(f) Village Improvement (£2,412)
(g) Street Lights Repairs (£74,147)
(h) Street Lights Contract (£2,845)
(i) SNC VE Day Grant (£200)

5.6 The General Reserve of £15,004 held at 31 March 2021 is in line with the generally accepted position that non-earmarked revenue reserves should usually be between 3 and 12 twelve months of expenditure or at least 50% of the precept.

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

6.1 Receipts recorded in the Cashbook consisted of the Precept (£30,000), Allotment Rents (£275), Burial Grounds (£2,260), VAT reclaimed from HMRC (£5,522.42) and Bank Interest (£121.73).

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 applied for the 2020/21 were published on the Council's website. Cemetery Fees were similarly reviewed by the Council at its meeting on 15 March 2021 (Minute 7l refers) and left unchanged.

6.3 The annual review of Allotment Rents was undertaken by the Council at its meeting on 15 March 2021 (Minute 7k refers). The Council agreed that there should be no change to the existing fees.

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.

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

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

8.1 PAYE system was outsourced to Ladywell Accountancy Services during the year of account and was 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.

8.2 In terms of the requirements under the Workplace Pensions legislation, the Pensions Regulator confirmed on 2 June 2020 that the Council has completed a re-declaration of compliance under the Pensions Act 2008. (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. 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 reviewed, updated and adopted by the Council at its meeting on 15 March 2021 (Minute 7a refers).

9.2 The total value of £159,015 as at 31 March 2021 is an increase of £4,891 over the value at the end of the previous year (£154,124) and reflects the acquisition in the year of account of a Noticeboard in Loddon Road (£326), Swings (£4,487), Swing Seats (£278) and the removal from the Register of the old noticeboard in Loddon Road (£200).

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.

9.4 The value as at 31 March 2021 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 2021 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.

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

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. Councillors and the Clerk/RFO coped well in maintaining a high standard of financial control during the challenging circumstances of the pandemic and the Chairman confirmed to Council on 20 July 2020 that the procedures relating to the signing of cheques had been working well (Minute 6b refers).

12.2 Receipts and 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.

12.3 The Internal Audit for the previous year (2019/20) was received by the Council at its meeting on 18 May 2020 (Minute 6b refers). The Report had put forward the recommendation that the Council should consider increasing the £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 Clerk/RFO confirmed to Council on 18 May 2020 that the insurance cover had been increased in accordance with the recommendation (see item 4.5 above).

12.4 The Internal Auditor for the 2020/21 year was formally appointed by the Council at its meeting on 18 May 2020 (Minute 6d 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 2019/20 year (dated 8 September 2020) was received by the Council at its meeting on 21 September 2020 (Minute 6b refers). The Report raised no issues of concern.

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

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 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 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

20 April 2021

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