

Report to Ufford 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 confirmed that the Council continues 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 for the year: £27,361.90
Total Payments in the year: £27,618.22
Total Reserves at year-end: £24,841.00

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):

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|--|------------------------|
| <i>Balances at beginning of year (1 April 2020):</i> | <i>Box 1: £25,097</i> |
| <i>Annual Precept 2020/21:</i> | <i>Box 2: £20,466</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: £6,896</i> |
| <i>Staff Costs:</i> | <i>Box 4: £9,254</i> |
| <i>Loan interest/capital repayments:</i> | <i>Box 5: £0</i> |
| <i>All Other payments:</i> | <i>Box 6: £18,364</i> |
| <i>Balances carried forward (31 March 2021):</i> | <i>Box 7: £24,841</i> |
| <i>Total cash/short-term investments:</i> | <i>Box 8: £24,841</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £119,358</i> |
| <i>Total borrowings:</i> | <i>Box 10: £0</i> |

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.

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1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control. 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 The Annual Parish Council meeting was held on 19 May 2020 through video conferencing using the Zoom platform. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972. 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. The Council accordingly continued to hold meetings through the Zoom platform during the year 2020/21.

2.2 Standing Orders are in place; they were reviewed and approved by the Council at the meeting held on 21 July 2020 (Minute 15a refers). The Standing Orders reflect the latest model documents published by the National Association of Local Councils (NALC). A copy has been published on the Council's website.

2.3 Similarly, the Council's Financial Regulations were reviewed and approved by the Council at the meeting held on 21 July 2020 (Minute 15b refers). Financial Regulations were amended to reflect the authorisation process under online banking and were considered and adopted by the Council at its meeting on 19 January 2021 (Minute 12a refers). The Financial Regulations reflect the latest model documents published by NALC. A copy has been published on the Council's website.

2.4 The Council applied the General Power of Competence (GPoC) in the year 2019/20. At its meeting on 21 May 2019 the Council declared that it was an eligible Council to use the GPoC, having a 100% elected Council and a suitably qualified Clerk and adoption of the Power was agreed (Minute 7 refers). The GPoC continues in place until May 2023.

2.5 The Clerk's position as Responsible Financial Officer (RFO) was re-affirmed by the Council at its meeting on 19 May 2020 (Minute 6a refers).

2.6 The Council's Minutes are extremely well presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is consecutively numbered and signed/initialled by the Chair.

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 ZA056410 refers, expiring 21 May 2021). Whilst the Council is not required to formally appoint a Data Protection Officer, the Council

demonstrated good practice by resolving that the Clerk/RFO should undertake this role (the meeting on 15 May 2018 refers).

2.8 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of a Data Protection Statement, Privacy Statement, Data Protection Impact Assessment, a Data Protection Risk Assessment, an Information Protection Policy, an Information Security Incident Policy, CCTV Policy and a Retention of Documents and Records Policy, all of which have been published on the Council's website.

2.9 The Council also demonstrates good practice by maintaining a wide range of other formal Policies, Procedures and Protocols. These include an Equal Opportunities Policy, Formal Grants Awards Policy, Safeguarding Children, Grievance Procedure, Disciplinary Procedure, Health and Safety Policy, Sickness and Absence Policy and a Formal Complaints Procedure, all of which have been published on the Council's website. During the 2020/21 year, a Bring Your Own Device (BYOD) Policy was agreed and adopted by the Council at its meeting on 16 June 2020 (Minute 12 refers) and a copy has also been published on the Council's website.

2.10 The Council reviewed the Suffolk Local Code of Conduct for Councillors at the meeting held on 16 February 2021 (Minute 14a refers). The Council demonstrates good practice by periodically reviewing and re-adopting the Code of Conduct in order to emphasise the requirements and responsibilities placed upon each individual Councillor.

2.11 In response to the new website accessibility regulations, which had to be complied with no later than 23 September 2020, the Council has published a Website Accessibility Statement which details what the Council has done to ensure that as many people as possible are able to use the website, provides technical information about the website's accessibility and lists contact details.

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 very good order and well presented. VAT payments are tracked and identified within the Cashbook.

3.2 The Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements and Cheque Book counterfoils and the monthly financial information prepared by the Clerk/RFO. A sample of supporting invoices, vouchers and receipts was examined and found to be in good order.

3.3 The Council has comprehensive documentation and financial data in place. The documentation and information were very well presented for the internal audit.

3.4 A Statement of Significant Variances (explaining significant differences in receipts and payments between the years 2019/20 and 2020/21) has been prepared by the Clerk/RFO.

3.5 Re-claims to HMRC for VAT paid were regularly made, as follows:

- a) A re-claim to HMRC for £429.43 VAT paid in the period 1 February 2020 to 2 April 2020 is recorded as being received on 28 April 2020.
- b) A re-claim to HMRC for £894.40 VAT paid in the period 3 April 2020 to 31 July 2020 is recorded as being received on 6 August 2020.
- c) A re-claim to HMRC for £464.95 VAT paid in the period 1 August 2020 to 31 October 2020 is recorded as being received on 6 November 2020.
- d) A re-claim to HMRC for £224.89 VAT paid in the period 1 November 2020 to 31 January 2021 is recorded as being received on 10 February 2021.

3.6 A Community Infrastructure Levy (CIL) Annual Report for 2020/21 has been prepared by the Clerk/RFO and confirms a Nil Return for both CIL Receipts and CIL Expenditure during the year. The CIL Annual Report for 2020/21 is due for publication and submission to the District Council no later than 31 December 2021.

4. Internal Control & 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 documents (Financial and Non-Financial) provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified. Both documents were received and adopted by the Council at its meeting on 16 March 2021 (Minutes 13a and 13b refer).

4.2 The Council's Internal Control arrangements, including the efficiency of Internal Audit, were reviewed and agreed by the Council at its meeting on 19 January 2021 (Minute 7f refers).

4.3 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 management of risk, with the review suitably Minuted.

4.4 Insurance was in place for the year of account. The Council approved the insurance renewal payment of £965.95 at its meeting on 15 September 2020 (Minute 14d refers), this being the final year of a three-year Long-Term Agreement with Inspire (through Came and Company). Public Liability cover and Employer's Liability cover each stand at £10m. The insurance cover in the event of Councillor/Staff fraud or dishonesty 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 important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect the Council arranged for Ipswich Borough Council (IBC) to undertake play area inspections at the Play Park as part of the overall risk management arrangements in place. The completed inspections are recorded by IBC on the Public Sector Software (PSS) system, which is accessed by the Clerk/RFO.

4.6 At its meeting on 17 November 2020 the Council discussed the maintenance contract and inspections of Play Park by IBC. The Council noted that although IBC was definitely carrying out quarterly inspections of the Play Park (as these were visible on the PSS System), IBC was very slow to deal with any reported issues and had not sent an invoice for inspections undertaken over the past 2 years. At its meeting on 15 December 2020 the Council agreed to continue to use IBC for the maintenance of the Play Park (Minute 11b refers). In addition, a Parish Councillor agreed to attend the full RoSPA Play Equipment Checking Training (programmed for April 2021) to assist the Council carry out its Play Park responsibilities.

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

Precept 2020/21: £20,466 (17 December 2019, Minute 10d refers).

Precept 2021/22: £20,985 (19 January 2021, Minute 7e refers).

5.1 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.

5.2 Good budgetary procedures are in place. The Council prepared detailed estimates of the annual budget and of receipts and payments. The Clerk/RFO presented to Council a Draft Budget and Precept options for the year 2020/21 at the meeting on 19 November 2019 (Minutes 11c and 11d refer). A revised Draft Budget and the Precept for 2020/21 were considered and approved at the meeting held on 17 December 2019 (Minutes 10c and 10d refer).

5.3 Similarly, at the meeting on 20 October 2020 the Clerk/RFO presented to Council a timetable for the consideration and approval of the 2021/22 Budget (Minute 10b refers). A Draft Budget for the year 2021/22 was considered at the Council's meeting on 15 December 2020 (Minute 7c refers).

5.4 A revised Draft Budget and the Precept for 2021/22 were considered and approved at the meeting held on 19 January 2021 (Minutes 7d and 7e refer). The agreed estimates for 2021/22 can be used effectively during the year for financial control and budgetary control purposes.

5.5 At its meeting on 16 June 2020 the Council considered the allocation of Reserves and agreed to hold a level of General Reserves equivalent to between 30% and 100% of annual predicted expenditure at any one time (Minute 11b refers).

5.6 Overall Reserves available to the Council as at 31 March 2021 were £24,841.00. Of those, the Allocated (Earmarked) Reserves totalled £11,500 and were comprised of the following:

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|-----------------------------|--------|
| Woodlands: | £2,000 |
| Woodlands Special Projects: | £4,000 |
| Play Park Refurbishment: | £1,500 |
| Car Park Refurbishment: | £1,000 |
| Staffing: | £3,000 |

5.7 General Reserves (Overall Reserves less Earmarked Reserves) as at 31 March 2021 accordingly totalled £13,341 (equivalent to approximately 48% of the 2020/21 level of expenditure). The overall Reserves available to the Council at the year-end were appropriate. 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.

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 sample basis and were found to be in good order.

6.2 At the meeting held on 17 December 2019 the Council reviewed the rents payable by the Ufford Tennis Club, Ufford Football Club and the Ufford Community Hall. The Council agreed to raise the annual ground rents as from 1 April 2020 as follows: Tennis Club to £300.00, Football Club to £60.00, Community Hall to £800.00 (Minute 9b refers). The ground rent for the Community Hall was later reduced to £790 per year (payable six years in advance) at the meeting of the Council on 21 January 2020 (Minute 11b refers).

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

7.1 A Petty Cash system is not in use; an expenses system is in place, with cheque and internet payments being made for expenses incurred.

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

8.1 Payroll Services are operated on behalf of the Council by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. Detailed payslips

are produced, PAYE is in operation and contributions are being made to the Local Government Pension Scheme.

8.2 At its meeting on 15 September 2020 the Council agreed that the NJC pay scales applicable from 1 April 2020 should be applied to the Clerk/RFO's salary and the hourly rate be increased to £11.53, back dated to 1 April 2020 (Minute 14b refers).

8.3 The Council has entered the Clerk into the Suffolk County Council (SCC) Local Government Pension Scheme and contributions are being made to the SCC Pension Fund on a monthly basis.

8.4 With regard to the legislation relating to workplace pensions, the necessary re-declaration of compliance as required by the Pensions Regulator under the Pensions Act 2008 was made by the Clerk/RFO on 21 October 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. 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 and was reviewed and approved by the Council at the meeting held on 19 May 2020 (Minute 13a refers). The Council considered and adopted an up-dated copy of the Asset Register at its meeting on 17 November 2020 (Minute 13a refers).

9.2 The assets are recorded at cost value. In the instances where the actual cost is unknown the asset is recorded at a nominal £1 community value. The total value of £119,357.92 as at 31 March 2021 displays an increase of £3,870 from the value of £115,487.92 at the end of the previous year, 31 March 2020. The increase reflects (inter alia) the acquisition in the year of account of Speed Indicator Sign Solar Panels, Dog Bins, Dell Laptop and a Chainsaw and the removal from the Register of the St Mary's Church PA System, the PCC having agreed to take ownership.

9.3 The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent value, year-on-year. The value has been correctly placed in Box 9 of the AGAR 2020/21.

9.4 A copy of the Asset Register has been published on the Council's website.

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

10.1 At its meeting on 15 September 2020 the Council agreed that the £6,500 funds earmarked in specific reserves be transferred to the Council's second Lloyds Bank account (Minute 14c refers).

10.2 The bank account statements as at 31 March 2021 in respect of the Council's Lloyds Treasurer's (Current) Account and the Lloyds Treasurer's (Playpark) Account 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 also found to be in good 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. Councillors are provided with information to enable them to make informed decisions. A copy of each month's Accounts is presented to Councillors for review and approval.

12.2 The Council receives at each meeting lists of payments for review and authorisation, payments made since the previous meeting and any sums received. Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.

12.3 At its meeting on 21 July 2020 the Council agreed to operate full online banking. Under the Lloyds Bank on-line system, the Clerk/RFO raises the payment which is then authorised online by two Councillors (Minute 13b refers). The Clerk/RFO reported to Council on 20 October that online banking was fully set up and all authorisers had completed their log on process. The Council noted that initially the system only required one authoriser and the Clerk/RFO's salary payment had been processed without second and third authorisation. The Council noted that the settings had since been amended and all payments now required three individuals to authorise every payment (Minute 10c refers).

12.4 The Council further considered the online banking arrangements and possible amendments to the bank mandate on 17 November 2020. The Clerk/RFO reported to Council that, upon use of the online banking system, it had become apparent that she did not have to be an authoriser (as the original literature from Lloyds Bank had suggested) and that she could have amended access to a status of 'Full Access – Create Only' which would mean she could create all payments and two authorised Councillors could authorise them. The Council agreed that the November 2020 payments should go through as per the existing agreed arrangements but after that

time, a mandate should be completed to return to 'Two Authorisers to sign' and the Clerk/RFO's access amended to 'Create Only' (Minute 12b refers).

12.5 The Council received an up-date on this matter on 15 December 2020 when the Clerk/RFO confirmed that her online access had been changed to 'Create Only' and the number of signatories to 'two to sign' (Minute 7b refers). The Clerk/RFO confirmed to the Council on 19 January 2021 that the online access was now as required by the Council; with herself having 'Create Only' access and four Authorising Councillors having 'Create and Authorise' access. Financial Regulations had been amended accordingly (Minute 7b refers).

12.6 A designated Councillor confirms the amounts listed on bank statements. This inspection process was considered by the Council at its meeting on 19 January 2021 in terms of whether the inspection of a paper copy was relevant under the online banking arrangements. The Council agreed that the Clerk/RFO would download a PDF copy of the previous month's transactions at the start of the month and would send to all Councillors, asking one of the payment authorisers to log on to verify the figures, and report back to all. The Council agreed to trial this process for six months (Minute 7b refers).

12.7 Tests checks were undertaken by the Internal Auditor on cheque payments made prior to 30 September 2020 and confirmed that (a) cheque numbers were 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 Book counterfoils are initialled by Cheque Signatories.

12.8 Online payments were made from 20 October 2020 and were examined by the Internal Auditor on a sample basis by verifying the entries in the bank account with the supporting documentation.

12.9 The Internal Audit Report for the year 2019/20 (dated 6 April 2020) was received and accepted by the Council at its meeting on 19 May 2020 (Minute 12b refers). No matters of concern were raised in the report.

12.10 The Internal Auditor for the year 2020/21 was appointed by the Council at its meeting on 19 May 2020 (Minute 6f refers).

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

13.1 The Report and Certificate from the External Auditors, PKF Littlejohn LLP, for the year 2018/19 was formally recorded in the Minutes of the Council's meeting on 19 May 2020 as being received, considered and accepted.

13.2 Similarly, the Report and Certificate dated 27 July 2020 from the External Auditors, PKF Littlejohn LLP, for the year 2019/20 was reported to the Council at its

meeting on 18 August 2020. No issues of concern had been raised in the Report (Minute 13b 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 Internal Auditor was able to confirm that the documents were readily accessible on the Council's webpage:

<https://ufford.suffolk.cloud/parish-council/accounts/year-ending-31st-march-4/>

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. I would particularly like to commend the Clerk for the excellent presentation of the Council's documents for the audit.

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6 April 2021