

## **Report to Hollesley 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 for the year: £55,443.49*  
*Total Payments in the year: £42,595.56*  
*Total Reserves at year-end: £49,190.29*

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):

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £36,342</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £32,140</i>
<i>Total Other Receipts:</i>	<i>Box 3: £23,303</i>
<i>Staff Costs:</i>	<i>Box 4: £9,089</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £1,229</i>
<i>All Other payments:</i>	<i>Box 6: £32,277</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £49,190</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £49,190</i>
<i>Total fixed assets:</i>	<i>Box 9: £91,919</i>
<i>Total borrowings:</i>	<i>Box 10: £3,668</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 21 May 2020. The first item of business was the Election of a Chair, 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 held meetings through the Zoom platform during the year 2020/21.

2.2 Standing Orders are in place and were reviewed and adopted by the Council at its meeting on 20 August 2020 (Minute 14a refers). The Standing Orders reflect the latest model documents published by the National Association of Local Councils (NALC). A copy has been placed on the Council's website.

2.3 Financial Regulations are also in place and were reviewed and approved by the Council at its meeting on 20 August 2020 (Minute 14b refers). The Financial Regulations reflect the latest model documents published by NALC. A copy has been placed on the Council's website.

2.4 The Council continued to apply the General Power of Competence (GPoC) in the year 2020/21. At its meeting on 16 May 2019 the Council declared that it met the relevant criteria regarding elected Councillors 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 21 May 2020 (Minute 8b 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 ZA150248 refers, expiring 16 November 2021).

2.8 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of formal policies including a Data Protection Statement, a Data Protection Impact Assessment, a Data Protection Risk

Assessment, an Information Security Incident Policy, an Information Protection Policy and a Retention of Documents and Records Policy, all of which have been published on the Council's website. Whilst the Council is not required to formally appoint a Data Protection Officer, it has demonstrated good practice by resolving at its meeting on 17 May 2018 that the Clerk/RFO should undertake this role (Minute 12b refers).

2.9 The Council also demonstrates good practice by maintaining a wide range of other formal Policies, Procedures and Protocols, including a Health and Safety Policy, Formal Grants Award Policy, Safeguarding Children and Vulnerable Adults Policy, Equal Opportunities Policy, Reporting Protocol, Public Participation Protocol, Formal Complaints Procedure, Grievance Procedure, Disciplinary Procedure and a Sickness and Absence Policy, all of which have been published on the Council's website.

2.10 At its meeting on 16 January 2020 the Council considered and adopted Cemetery Regulations and an Interment Policy (Minute 11 refers). In addition, a Councillor undertook a comprehensive review of all aspects of the Cemetery and a full report was presented to Council at its meeting on 21 May 2020 (Minute 15 refers). The review included overall policy and governance, procedural and risk management issues, finance and documentation, record management and maintenance. Subsequent to the review, on 18 June 2020, the Council approved the development of the Hollesley Graveyard Database, to be populated by live data. Similarly, Management Plans and Statements relating to overall Cemetery management and governance were considered and approved at the meeting (Minute 11 refers). (See also item 6.2 below).

2.11 Also at its meeting on 21 May 2020 the Council considered and agreed the Community Infrastructure Levy (CIL) Annual Report for 2019/20, for submission to the District Council (Minute 14g refers).

2.12 The Suffolk Local Code of Conduct for Councillors was reviewed by the Council at its meeting on 18 February 2021 (Minute 13a refers). 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.

2.13 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. Supporting invoices, vouchers and receipts were examined on a sample basis and found to be in 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 Re-claims to HMRC for VAT paid were regularly made, as follows:

- a) A re-claim of £3,481.32 for VAT paid in the period 1 February 2020 to 30 April 2020 is recorded in the Cashbook as received on 29 April 2020.
- b) A re-claim to HMRC for £373.89 VAT paid in the period 1 May 2020 to 31 July 2020 is recorded as being received on 5 August 2020.
- c) A re-claim to HMRC for £843.17 VAT paid in the period 1 August 2020 to 31 January 2021 is recorded as being received on 9 February 2021.

3.5 A detailed 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.

3.6 A Community Infrastructure Levy (CIL) Annual Report for 2020/21 has been prepared by the Clerk/RFO. The Report confirmed the CIL balance of £1,506.00 brought forward from 2019/20 and CIL receipts of £2,590.82 and nil expenditure during the year 2020/21. This total amount of £4,096.82 has been earmarked to Play Equipment Renewal (see item 5.7 below). 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 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 Internal Control mechanisms and the effectiveness of Internal Audit were reviewed by the Council at its meeting on 21 January 2021 (Minute 11d refers).

4.2 The Council's Risk Assessment documents were reviewed and adopted by the Council at its meeting on 18 February 2021 (Minutes 13 c and 13d refer). The Risk Assessment (Financial) and Risk Assessment (Non-Financial) documents provide a detailed analysis of risks faced by the Council and the internal control measures in place to mitigate the risks identified.

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 An important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect, at its meeting on 16 July 2020 the Council agreed to establish a weekly play equipment visual inspection and the Clerk/RFO was asked to set up a rota and distribute guidelines to Councillors (Minute 7b refers). Following an additional Councillor having volunteered at the Council's meeting on 17 December 2020 to carry out Play Park inspections, a new rota was constructed by the Clerk/RFO (Minute 8a refers).

4.5 The Council arranged for an Annual Play Park Inspection to be undertaken by Suffolk Coastal Norse during the 2020/21 year as part of the overall risk management arrangements in place.

4.6 Insurance was in place for the year of account. The insurance policy, secured through Came and Company, is with AXA Insurance under a Long-Term Agreement ending 30 September 2022. At the meeting on 20 August 2020 the Council approved the payment of the insurance premium of £795.59 to Came and Company (Minute 13d refers). Employer's Liability cover and Public Liability cover each stand at £10m. Cover for Fraud and Dishonesty is 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 received.

4.7 At its meeting on 15 October 2020 the Council noted that its contractors did not hold public liability insurance in all cases. The Clerk/RFO subsequently obtained confirmation from the Council's insurers that, as long as the contractors were carrying out work on behalf of the Council and the Council agreed to accept responsibility for their duties, the contractors would be insured automatically as 'employees' of the Council under defined sections of the policy. There would need to be a document clearly identifying responsibilities of both the contractor and the Council and the appropriate Risk Assessments would need to be completed.

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

Precept 2020/21: £32,140.00 (agreed by Council on 19 December 2019, Minute 16).

Precept 2019/20: £32,640.00 (agreed by Council on 21 January 2021, Minute 11).

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. Detailed Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

5.2 The Draft 2020/21 Budget figures were presented to the Council at its meeting on 21 November 2019 (Minute 14c refers) and a Final Budget and Precept for 2020/21 were confirmed and approved at the meeting on 19 December 2019.

5.3 Similarly, the Draft 2021/22 Budget figures were presented to the Council at its meeting on 17 December 2020 (Minute 13b refers). A revised, Final Budget and Precept were confirmed and approved at the meeting on 21 January 2021.

5.4 Good budgetary procedures are in place. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The agreed estimates were used effectively for financial control and budgetary control purposes throughout the year.

5.5 The Council regularly considers and agrees the allocation of Earmarked Reserves and Restricted Reserves (CIL Funds).

5.6 At its meeting on 17 September 2020 the Council considered and agreed a Reserves Policy which provided that the Council would hold between 9 and 12 months of Net Revenue Expenditure (NRE), where NRE is the Precept less any Loan Repayment and/or amounts included in Precept for Capital Projects and transfers to Earmarked Reserves. The Policy includes the requirement that amounts held in General and Earmarked Reserves are to be assessed on a quarterly basis by the Clerk/RFO and any diversion from the Policy is to be reported to Council (Minute 7b refers).

5.7 The total Reserves available to the Council as at 31 March 2021 were £49,190.29. Of those, the Allocated (Earmarked) Reserves totalled £23,750.45 and were comprised of the following:

Village Hall Roof Replacement:	£7,000.00
Defibrillator Replacement:	£1,000.00
Old Pavilion (dismantle):	£1,000.00
Pavilion Replacement Project	£6,506.00
Staff Sickness Costs	£4,000.00
Play Equipment renewal	£4,244.45 (includes £4,096.82 CIL Funds)

5.8 General Reserves (Overall Reserves less Earmarked Reserves) as at 31 March 2021 accordingly totalled £25,439.84 (equivalent to approximately 7 months of expenditure incurred in 2020/21). The 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 Cemetery Receipts, Allotment Receipts and Other Receipts recorded in the Cashbook Spreadsheet were cross referenced with bank statements on a test-check basis and were found to be in order.

6.2 A review of Cemetery Management was undertaken in 2020/21 and reports were made to the Council on the progress of the review during the year. At the meeting on 15 October 2020 the Council noted that the core documentation was being put together as a single pack. A Memorial Maintenance Programme document was adopted by the Council at its meeting on 19 November 2020. The Clerk/RFO advised the Internal Auditor that the review also led into an examination of the pricing structure. The agreed charges came into force from 1 March 2021 having been approved by the Council (as part of the overall Cemetery Documentation) on 18 February 2021 (Minute 9c refers).

6.3 The Council last reviewed Allotment charges at its meeting on 21 February 2019 and agreed to increase the square metre charge per allotment as from 1 November 2019 (Minute 9b refers). The Clerk/RFO advised the Internal Auditor that the Council is due to review the level of charges again in February 2022.

## **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 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 Payroll Services are operated on behalf of the Council by the Suffolk Association of Local Councils (SALC). Detailed payslips are produced, PAYE is in operation and contributions are being made to the Local Government Pension Scheme (LGPS). Calculations regarding Pay, PAYE and Pension Contributions are undertaken by SALC in accordance with HMRC requirements.

8.2 The Council agreed at its meeting on 21 February 2019 that the Clerk/RFO's paid hours should increase from 10.5 to 12 hours per week with effect from 1 April 2019 (Minute 7 refers). The Clerk/RFO's Contract of Employment (as amended, to apply from 1 April 2019) was last reviewed and adopted by the Council at its meeting on 21 March 2019 (Minute 15a refers).

8.3 At its meeting on 18 October 2018 the Council agreed that the Clerk/RFO should be enrolled on the Suffolk County Council pension scheme (Minute 7 refers). Payment of pension contributions commenced from April 2019 and have continued throughout 2020/21.

8.4 At its meeting on 17 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 £12.24, back dated to 1 April 2020 (Minute 15c refers). This rate of pay at 12 hours per week was confirmed to the Quarterly Pay for the period ending 31 March 2021.

8.5 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 15 April 2020. (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 A comprehensive Asset and Responsibility Register is in place and was reviewed and adopted by the Council at its meeting on 15 October 2020 (Minute 9a refers). The Register was also reviewed and adopted by the Council at its meeting on 18 February 2021 (Minute 13b 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 £91,919 as at 31 March 2021 displays an increase of £4,627 from the £87,292 value at the end of the previous year. The increase reflects (inter alia) the purchase of a new Village Sign, a Seat and a Litter Bin and the removal from the Register of the Activity Trail from playground equipment.

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

9.4 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.

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

10.1 The bank statements for the Barclays Community (Current) Account, the Business Premium Account and the Business Saver Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation as at 31 March 2021.

**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 effective internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Council's Cashbook Spreadsheet Accounts are agreed at meetings of the Council and a Councillor is designated to check the Council's bank statements.

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

12.3 Cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment. Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made. Cheque Book counterfoils are initialled by Cheque Signatories.

12.4 The Internal Audit Report for the previous year (2019/20) was received and accepted by the Council at its meeting on 21 May 2020 (Minute 14c refers). No matters of concern had been raised in the report.

12.5 The Internal Auditor for the year 2020/21 was appointed by the Council at its meeting on 21 May 2020 (Minute 8a refers).

**13. External Audit (Recommendations put forward or comments made following the Limited Assurance 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 21 May 2020 as being received, considered and accepted.

13.2 Similarly, the Report and Certificate dated 7 August 2020 from the External Auditors, PKF Littlejohn LLP, for the year 2019/20 were reported to the Council at its meeting on 20 August 2020. No issues of concern were raised in the Report (Minute 13c 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://hollesley.suffolk.cloud/council-documentation/accounts/>

#### **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.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**7 April 2021**