

## **Report to Lindsey 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 maintained effective governance arrangements including a robust 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 of 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.

1.3 The Accounts for the year confirm the following:

*Total Receipts for the year: £4,414.00*  
*Total Payments in the year: £3,560.59*  
*Total Reserves at year-end: £1,642.01*

1.4 The Annual Governance and Accountability Return (AGAR) 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: £789</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £4,342</i>
<i>Total Other Receipts:</i>	<i>Box 3: £72</i>
<i>Staff Costs:</i>	<i>Box 4: £2,168</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,393</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £1,642</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £1,642</i>
<i>Total fixed assets:</i>	<i>Box 9: £1,016</i>
<i>Total borrowings:</i>	<i>Box 10: nil</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.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the agreed 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 At the virtual video meeting on 21 May 2020 the Clerk/RFO explained that new Regulations brought into effect as a result of Covid-19 enabled local councils to hold remote meetings (including by video and telephone conferencing) until May 2021 and removed the requirement to hold an Annual Meeting. The Council noted and agreed the action taken by the Clerk/RFO in this respect and resolved (a) to cancel the Annual Meeting for 2020 and (b) that the Chair should remain in place until the next annual meeting (Minute 6 refers).

2.2 Standing Orders are in place. At the meeting held on 10 March 2021 the Council reviewed and approved the Standing Orders, having agreed that they were fit for purpose (Minute 7i refers).

2.3 Similarly, Financial Regulations are in place. At its meeting on 10 March 2021 the Council reviewed and adopted the amended Financial Regulations (taking into account the amendments to the footnotes under Contracts), having agreed that they were also fit for purpose (Minute 7ii refers).

2.4 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council in the year. The pages of the Minutes are consecutively numbered. The Council agreed that during the year the signing of the Minutes would take place at the next meeting at which Councillors would be present in person or whenever was convenient for the Clerk and Chair to so arrange.

2.5 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 Z2744022 refers, expiring 17 July 2021).

2.6 Formal Data Protection Policies and Procedures have been adopted by the Council including a Data and Electronic Information Retention Policy, Data and Information Security Policy, Privacy Policy - General and Subject Access Policy, all of which were reviewed and agreed by the Council on 10 March 2021 (Minute 7i refers). A Privacy Statement, including an explanation of the lawful basis for processing data, is held on the Council's website. Details of the application of the General Data Protection Regulations (GDPR) are also shown on the website.

2.7 Similarly, at the meeting on 10 March 2021 the Council received the updated Freedom of Information (FOI) Act Publication Scheme alongside the updated FOI Policy and Procedures. The Council reviewed the latest document and agreed that it accurately listed the items that the Council held and the manner in which they would be provided if requested (Minute 7iii refers).

2.8 The Council demonstrates good practice by adopting and regularly reviewing a wide range of other formal Policies, Procedures and Protocols. At its meeting on 10 March 2021 the Council carried out the annual review and confirmed that the documents reviewed had been updated, were fit for purpose and agreed to adhere to them as written. The Policies reviewed included the Complaints Procedure, Disciplinary Rules, Dispensation Policy, Grant Awarding Policy, Grievance and Disciplinary Procedure, Reimbursement of Expenses Procedure and Training Policy.

2.9 At its meeting on 4 July 2012, the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. This was subsequently reaffirmed at the Council's meeting on 9 July 2014. A copy of the Code has been published on the Council's website. At the meeting on 8 July 2020 the Council was advised that the Local Government Association (LGA) had launched a consultation on a new Model Councillor Code of Conduct and Councillors were asked to review the document and feed any comments to the Clerk for onward submission.

2.10 The Council made appropriate preparations to ensure that the website accessibility regulations were being complied with no later than 23 September 2020. A Website Accessibility Statement has been published, having been prepared on 3 September 2020 following the website being tested by the Clerk/RFO using a non-technical/basic test.

2.11 With regard to Community Infrastructure Levy (CIL) Funds, no sums were received by the Council in the year 2020/21 or any sums held as at 31 March 2021.

**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 are separately identified in the Cashbook and within the Minutes of the Council meetings. VAT payments are tracked and separately identified within the Cashbook. The legislative powers under which payments are made are clearly identified.

3.2 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. The documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and was found to be in order, with supporting invoices and vouchers in place.

3.3 Relatively small amounts of VAT are paid each year. The most recent VAT reclaim received was for £72.00 for the period 1 April 2019 to January 2020 and was received at bank on 19 June 2020 and reported to Council on 8 July 2020 (Minute 8i refers).

3.4 At its meeting on 20 January 2021 the Council considered and approved the payments to be made under s137 of the LGA1972 for the year 2020/21, noting that this was a cap payment and that the Council, in making such payments, needed to bring direct benefit to their area or any part of it (Minute 9v refers).

3.5 The Council has comprehensive documentation and financial data in place. A Statement of Variances (explaining significant differences in receipts and payments between the years 2019/20 and 2020/21) has been prepared by the Clerk/RFO.

**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 At its meeting on 10 March 2021, the Council reviewed the Statement of Internal Control and undertook a Review of Effectiveness of Internal Control for the year ending 31 March 2021 (Minute 10iii refers). The Council considered the controls in place were effective and appropriate for Lindsey Parish Council in its management of public finances.

4.2 Similarly, at its meeting on 10 March 2021 the Council considered and adopted the Risk Assessment and Financial Management document and the Risk Management Strategy. The documents are comprehensive and provide, inter alia, details of identified risks, the level of risk, the internal control arrangements in place to mitigate the risks, the actions taken by the Council and Clerk/RFO and the frequency of the checks (Minutes 10i and 10ii refer).

4.3 The Council also reviewed at its meeting on 10 March 2021 the effectiveness of the internal audit arrangements and the scope of internal audit and agreed that the audit terms of reference and audit plan were appropriate for a parish the size of Lindsey (Minute 10iv refers).

4.4 The Council accordingly complied with the Accounts and Audit Regulations 2015 and Financial Regulation 14.1 which require a review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, with the review suitably Minuted.

4.5 Insurance was in place during the 2020/21 year. At its meeting on 11 November 2020 the Council agreed to the retrospective approval of the payment of £146.56 to CAS Business Services for the Council's Insurance Premium which fell due at the end of September 2020. The Clerk/RFO confirmed that she had negotiated a fixed rate for the Council's insurance premium for the next three years which would only vary should Council undertake additional liabilities. The Clerk/RFO also confirmed that she had carried out a review of the insurance being proposed and had assessed that it adequately reflected the Council's needs in terms of liabilities and assets held (Minute 9ii refers).

4.6 The Public Liability cover and Employer's Liability cover both stand at £10m. The Fidelity Insurance (Councillor/Employee Dishonesty) cover stands at £25,000, 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.

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

Precept 2020/21: £4,342.00

Precept 2021/22: £4,487.00

5.1 A Draft Budget for 2020/21 was considered by the Council at its meeting on 13 November 2019 (Minute 7v refers). The Final Budget and the Precept for 2020/21 were agreed in Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 15 January 2020, Minute 7vi refers).

5.2 The Council has sound budgetary procedures 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 2020/21 Budget papers were detailed and informative and ensured that Councillors had sufficient information to make informed decisions.

5.3 The Clerk/RFO presented Budget Monitoring Reports to the Council throughout the year and ensured that the estimates for 2020/21 were used effectively for financial control and budgetary control purposes.

5.4 A Draft Budget for 2021/22 was considered by the Council at its meeting on 11 November 2020 (Minute 9 vi refers). The Council noted that this was an indicative budget prior to the release of tax base figures by the District Council. The Council considered and agreed a revised Final Budget 2021/22 at its meeting on 20 January 2021.

5.5 The Precept for 2021/22 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 20 January 2021, Minute 9vii refers).

5.6 The Clerk/RFO ensures that the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves.

5.7 At its meeting on 11 November 2020 the Council noted that current guidance stated that the level of Reserves should be maintained between 3-12 months of budget expenditure. The Council agreed that any anticipated underspend should be added into the Reserve Fund. There was an anticipation that at the end of the year the Reserve Fund would stand at around 32% of annual budget. The Clerk/RFO reminded the Council of the reasoning behind reserves, its agreement to build up the reserves on a gradual basis and its fiscal responsibility for managing public funds and remaining solvent (Minute 9 vi refers).

5.8 The Council noted on 11 November 2020 that a 2021/22 Precept figure of £4,365 would allow an increase to the reserve fund on an annual sliding scale. The

underspend for the 2020/21 year, together with the 2021/22 Precept, would equate to around 35% being held as Reserves. The Council agreed that this was the correct course to pursue and would achieve the Council's commitment of ensuring that it was in a secure position to have sufficient funds to deal with unforeseen events that might arise (Minute 9 vi refers). The Council confirmed this course of action in a formal Reserve Policy which was considered and adopted by the Council at its meeting on 10 March 2021 (Minute 10 vi refers). At that meeting, following its receipt of the budget monitoring statement for the period ending 4 March 2021, the Council noted the variance against budget and approved the anticipated underspend for the year being allocated to General Reserves,

5.9 The Council's Reserves (all General with nil Earmarked/Restricted Reserves) at the year-end 31 March 2021 totalled £1,642.01, a significant increase over the amount of £788.60 at the end of the previous year. The General Reserves are now in line with the generally accepted Best Practice position that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (in effect, the Precept less any loan repayments - the JPAG Proper Practices Guide, Item 5.32 refers).

**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 and were found to be in order.

**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. Publication Requirements and the Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).**

8.1 Under the provisions of the Transparency Code, Lindsey Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://www.lindsey.suffolk.cloud/> The website is maintained to a high standard and is both informative and up to date.

8.3 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:  
[Published on the website](#)
- b) Annual Governance Statement, AGAR, Section One:  
[2019/20 published on website](#)
- c) End of year accounts, AGAR, Section Two:  
[2019/20 published on website](#)

- d) Annual Internal Audit report within AGAR:  
[2019/20 published on website](#)
- e) List of councillor or member responsibilities:  
[Published on the website](#)
- f) Details of public land and building assets (Asset Register):  
[Published on the website](#)
- g) Minutes, agendas and meeting papers of formal meetings:  
[Published on the website](#)

8.4 The Council is complying with the requirements of the Transparency Code.

8.5 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 required the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. The Internal Auditor was able to confirm that the document for the year 2019/20 was readily accessible on the Council's website and displayed the Date of Announcement, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.6 The remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis of variances) were confirmed as easily accessible on the Council's website.

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

9.1 Payroll Services are operated in accordance with HMRC requirements, detailed payslips are produced and PAYE is in operation. A sample of salary and PAYE items was examined and found to be in order.

9.2 At its meeting on 9 September 2020 the Council formally approved the increase in the Clerk's salary for 2020/21 (from 1 April 2020) in accordance with the NJC agreement on pay for local government employees. The Council also agreed to approve the incremental increase of one Scale Point to the Clerk/RFO, taking the Clerk's SCP to SCP10 @ £11.05 per hour for 3.5 hours per week with effect from 9 July 2020 (Minute 8v refers).

9.3 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to the Council on 8 July 2020 that a re-declaration of compliance under the Pensions Act 2008 had been submitted to the Pensions Regulator, effective from 23 May 2020 (Minute 8 vii refers).

**10. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).**

10.1 An Asset Register is in place and was reviewed and agreed by the Council at the meeting held on 10 March 2021 (Minute 10vii refers).

10.2 As at 31 March 2021, the Asset Register displays a total valuation of £1,016, unchanged from the end of the previous year. The assets are valued at cost or at a nominal (community) value of £1 to ensure that the Council's ownership and responsibility are recognised and not lost or forgotten.

10.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

11.1 Bank Reconciliations are regularly completed during the year and presented to Council. The authorised Councillor Signatories review the bank reconciliation and sign the documentation submitted to secure a full audit trail.

11.2 The Barclays Community Current Account statement as at 31 March 2021 reconciled to the End-of-Year accounts and agreed with the overall Bank Reconciliation.

**12. 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*).**

12.1 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.

**13. 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*).**

13.1 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.

13.2 The Council demonstrates good financial practice by receiving at each meeting a Schedule of Receipts and a Schedule of Verified Invoices awaiting authorisation and payment. The Council also receives at each meeting details of the financial

position of the Council, including details of funds held, a completed Bank Reconciliation and a schedule of invoices awaiting payment.

13.3 At its meeting on 11 November 2020 the Council considered the merits of online banking and it was agreed that the Clerk/RFO would investigate the possibility of taking this forward whilst ensuring Financial Regulations were adhered to (Minute 9 iii refers). The Council's consideration of the use of on-line banking remains on-going.

13.4 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. The legislative basis on which payment is made is notated against the items of expenditure. Invoices/vouchers for payment are initialled by cheque signatories. Cheques raised and the Cheque counterfoils are signed/initialled by relevant signatories in accordance with the Council's Financial Regulations 6.4 and 6.5.

13.5 The Internal Audit Report for the previous year, 2019/20, was received and approved by the Council at its meeting on 21 May 2020 (Minute 8i refers). The Report had drawn attention to the increased reserves at the end of the year and that the Council was working towards a level of sustainable reserves. The Report had raised no matters of concern.

13.6 At the meeting held on 10 March 2021 the Council reviewed the effectiveness and scope of Internal Audit, including the proposed terms of reference and the audit plan, and formally appointed the Internal Auditor for the year 2020/21 (Minute 10v refers). Having reviewed internal audit in terms of independence, competence, proportionality and effectiveness, the Council complied with its duty under the 2015 Regulations and met the standards of audit provision. Similarly, by reviewing the terms of reference, the Council followed good practice in accordance with the Governance and Accountability Guide and recognised internal audit's function to test and report on the Council's internal control arrangements.

**14. External Audit (*Exemption declared or any Recommendations put forward/ comments made following the Limited Assurance Review*).**

14.1 An External Audit was not required in the year 2019/20. At its meeting on 21 May 2020 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 8 vi refers).

14.2 For the year 2020/21 the Council may similarly apply for Exemption from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account.

**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**

**26 April 2021**