

Report to Drayton Parish Council

The End of Year Internal Audit Review 2020/21

1. Introduction and Summary.

1.1 This End of year Internal Audit builds upon the Interim Internal Audit undertaken in November 2020 which reviewed the Council's operations between April 2020 and November 2020. The Interim Internal Audit Report (dated 27 November 2020) put forward 11 Recommendations to enhance the overall financial management and control within the Council.

1.2 The Council faced significant administrative challenges in the first half of the 2020/21 year due to the absence of Mr Jonathan Hall, the Clerk and Responsible Financial Officer (RFO) following ill-health. On 7 May 2020 the Council approved the appointment of Mrs Sarah Hunt as the Locum Clerk/RFO. Mrs Hunt provided the necessary support to the Council in meeting its governance and administrative requirements until Mr Hall was able to resume his duties from September 2020. Mrs Hunt continued to support the Council and its Staffing Committee on an ad hoc basis, as necessary.

1.3 Mr Hall wrote to the Internal Auditor on 4 May 2021 advising that he had left the Council but had completed some documentation in support of the End of Year Accounts 2020/21 and the End of Year Audit.

1.4 The Internal Auditor visited the Council offices on 25 May 2021 to complete the End-of-Year Internal Audit, which focussed primarily upon the adequacy of systems of internal controls operating during the period December 2020 to March 2021 and the examination of the End of Year Accounts for 2020/21.

1.5 During the challenging times of the current pandemic, the Council's financial and internal control framework has been maintained satisfactorily and includes the operation of adequate and effective internal financial controls. Councillors and Officers are committed in their efforts to address the challenges of the Covid-19 pandemic in their support to the local community and in maintaining effective governance arrangements. The Council continued to meet after March 2020 through video-conferencing meetings using the Zoom platform.

1.6 The Council demonstrates effective management and financial control through the adoption and maintenance of a wide range of formal Policies, Procedures and Protocols. The Council is working under the planning 'umbrella' of the Drayton Neighbourhood Plan, which covers the years 2016 to 2026. The Council is looking to support this process by setting medium-term Strategic Priorities and detailed Action Plans to realise the overall objectives.

1.7 The Accounts for the year confirm the following:

Total Income for the year: £278,378.33
Total Expenditure in the year: £293,344.19
Total Reserves at year-end: £259,070.10 (of which £200,390 is earmarked)

1.8 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: £274,036</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £163,200</i>
<i>Total Other Receipts:</i>	<i>Box 3: £115,178</i>
<i>Staff Costs:</i>	<i>Box 4: £76,732</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £55,426</i>
<i>All Other payments:</i>	<i>Box 6: £161,186</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £259,070</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £259,070</i>
<i>Total fixed assets:</i>	<i>Box 9: £721,500</i>
<i>Total borrowings:</i>	<i>Box 10: £8.774</i>

1.9 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.

1.10 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan. The Interim Internal Audit Review undertaken in November 2020 supports and informs this End-of-Year Review, which overall is aimed to provide all necessary evidence to support the completion of the Annual Internal Audit Report within the 2020/21 AGAR.

1.11 Comments and any recommendations arising from the End-of-Year 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 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 and not hold an Annual Parish Council meeting in 2020. At its meeting on 7 May 2020 the Council agreed that the next Annual Parish Council meeting would be in May 2021 and that all Committee appointments resolved at the May 2019 Annual Parish Council meeting would continue except for Staffing, which henceforth would be a stand-alone Committee. Membership of that Committee was agreed by the Council (Minutes 9.2 and 9.3 refer).

2.2 The Council agreed the Terms of Reference (T of R) for the Staffing Committee at its meeting on 4 June 2020 and the T of R for the Governance Committee and the Environment and Highways Committee at the meeting on 2 July 2020.

2.3 The Governance and Staffing Committee reviewed the governance documentation at its meeting on 18 March 2021 and put forward recommendations to amend Standing Orders. At its meeting on 8 April 2021 the Council accepted the recommendations from the Committee and adopted the Standing Orders (which are in accordance with the Model Standing Orders issued by the National Association of Local Councils (NALC), tailored to meet the particular requirements of the Council). The latest adopted copy of the Standing Orders has yet to be published on the Council's website.

2.4 NALC has since published revised Model Standing Orders (entitled 2018 revised 2020) with amendments at Section 18 (items f and g) to reflect the changes in the thresholds for public service or supply and public works contracts. This amendment can be included at the Council's next review of Standing Orders.

2.5 Financial Regulations are also in place. The Governance and Staffing Committee reviewed and updated Financial Regulations at its meeting on 18 March 2021. At its meeting on 8 April 2021 the Council accepted the recommendations from the Committee and adopted the Financial Regulations. The latest adopted version of Financial Regulations has yet to be published on the Council's website.

2.6 NALC has since advised that its Model Financial Regulations have been revised to reflect the changes in the thresholds for public service or supply and public works contracts. The amendment to item 11.1 (c) can be included at the Council's next review of Financial Regulations.

2.7 As part of its governance responsibilities and as a result of the Covid-19 situation, at the meeting on 7 May 2020 the Council agreed to delegate temporary authority to the Clerk/RFO to comply with the Government's instructions and to arrange all necessary official and working group meetings relating to Covid-19 issues and to deal with urgent and necessary business (Minute 13 refers). The temporary delegated authority that was given to the Clerk/RFO was removed by the Council at its meeting on 4 March 2021 (Minute 10.8 refers).

2.8 The Council continued to meet after March 2020 through video-conferencing meetings using the Zoom platform. The Council maintained a rolling agenda item of 'Exchange of Information' which provided the opportunity for Councillors to put forward and consider any Covid-19 issues within the Council's area and to monitor progress in taking these issues forward.

2.9 Councillors and Officers were committed in addressing the challenges of the Covid-19 pandemic in their support to the local community and in maintaining effective governance arrangements. The Council established a Covid-19 Working Party to liaise with local groups and to bring recommendations back to the Council.

2.10 At the meeting on 7 May 2020, following the illness of the permanent Clerk, Mr Jonathan Hall, the Council approved the appointment of Mrs Sarah Hunt as the Locum Clerk/RFO (Minute 15 refers). Mrs Hunt continued in the role of Locum Clerk/RFO until Mr Hall resumed his duties on a phased return from September 2020. Mrs Hunt continued to support the Staffing Committee on an ad hoc basis, as required by the Council. In fulfilling its duties as a responsible employer, at its meeting on 6 August 2020 the Council convened a Panel to manage the return to work of staff and delegated two members of the Staffing Committee to progress this matter as necessary (Minute 57.2.4 refers).

2.11 Mr Hall was in post as at the end of the financial year, 31 March 2021. Mr Hall wrote to the Internal Auditor on 4 May 2021 to explain that he had left the Council but had completed some documents to support the 2020/21 End of Year process. At the Extra-Ordinary meeting of the Council on 4 May 2021, the Council noted the resignation of the Clerk/RFO and resolved to delegate authority to the Staffing Committee to manage the recruitment and appointment of interim staff and a replacement Clerk and RFO. The appointed interim staff would have access to all documents and financial matters including bank accounts, corporate card and Scribe. Miss Lolly Dawson attended the meeting as Interim Clerk.

2.12 The Council was subsequently informed on 6 May 2021 that the Staffing Committee had appointed Mrs Sarah Hunt and Miss Lolly Dawson on a job share basis, to be reviewed at the end of August 2021, to act as Clerk to the Council. In addition, Mrs Hunt was formally appointed as Responsible Financial Officer (Minute 13.2 refers).

2.13 At its meeting on 16 May 2019 the Council formally resolved to adopt the General Power of Competence (GPoC) until the next relevant Annual Meeting of the Council. The Council declared that it was an eligible Council to use GPoC, as it met the criteria of at least two-thirds elected Councillors and has a suitably qualified Clerk who has completed the relevant training and holds the Certificate in Local Council Administration (Minute 17.2 refers). If the conditions cease to be met at any time, the Council will continue to be eligible until the next relevant annual meeting (normally following the election of the Council).

2.14 The Minutes of the Council and the Committees are well presented and provide clear evidence of the decisions taken by the Council and its Committees.

2.15 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 Z9181224 refers, expiring 14 November 2021).

2.16 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through its adoption of a Data Protection Policy and Privacy Notices relating to Councillors, Employees, Hirers and Email Contact, all of which are published on the Council's website. The Council also maintains a Records Management and Retention Policy (approved at the Council's meeting on 6 August 2020) and an Inventory of Personal Data Captured and Stored and Processed in response to the requirements of the GDPR.

2.17 The Council demonstrates good practice by maintaining a wide range of formal policies and procedures in addition to those relating to data protection and these include a CCTV Policy, a Tree Management and Risk Policy, a Virtual Meeting Policy and a Grants and Donations Policy.

2.18 The Council has adopted appropriate Staffing Policies. A Pension Policy is in place and at the meeting on 2 July 2020 the Council adopted the Unplanned or Long-Term Sickness Absence Policy, which had been recommended by the Staffing Committee. Similarly, at the meeting on 6 August 2020 the Council, following further recommendations from the Staffing Committee, adopted the Return-to-Work Policy, the Grievance Policy and the Disciplinary Policy (Minute 57 refers).

2.19 A Code of Conduct has been adopted by the Council and its compliance is listed in the Council's website as a duty each Councillor must meet.

2.20 With regard to the new website accessibility regulations which came into force on 23 September 2020, at its meeting on 1 October 2020 the Council resolved to approve the Website Accessibility Statement for inclusion on the Council's website (Minute 89.2 refers). The Statement lists any areas of non-compliance with the Accessibility Regulations and confirms that from 2020 the Council plans to gradually replace the relevant documents with the appropriate accessible pages.

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 Council's Accounts are maintained on the Scribe Accounting System and for the year 2020/21 were prepared on a Receipts and Payments basis. Scribe is a cloud-based operating system, accessed by personal log-in and password, and can be accessed through any internet platform and connection. The Scribe Accounting System is providing appropriate and sufficiently detailed information to Councillors to enable them to make informed decisions.

3.2 The Council demonstrated good practice by resolving at its meeting on 7 January 2021 that all Councillors should have read-only access to the Scribe system in order that they may view/confirm information independently and to be offered training in this respect (Minute 10.4 refers). The Clerk/RFO confirmed to the Council on 4 February 2021 that access had been granted to those Councillors who had requested read-only access and training had taken place on 27 January 2021.

3.3 The Scribe Accounting System is well referenced and overall provides a good audit trail to the supporting documentation. There is a clear audit trail from the underlying financial records to the Accounts, with supporting invoices and vouchers in place. VAT payments are tracked and identified within the system. Very few cheques are now being prepared for payment.

3.4 Whilst the Scribe Accounting System currently maintains the Council's accounts on a Receipts and Payments basis, the Locum Clerk/RFO reported to Council on 2 July 2020 that if the value of £200,000 on either income or expenditure is exceeded

in the 2020/21 year of account, the accounting basis will need to change from Receipts and Payments to an Income and Expenditure basis from the year 2021/22, with all accruals being identified and a Balance Sheet constructed. The position was noted by the Governance Committee on 10 September 2020, when it was agreed that additional staffing support should be secured, if necessary, to work through the changes in accounting arrangements.

3.5 As the value of income and expenditure exceeded £200,000 in 2020/21 the Council will need to apply Income and Expenditure accounting from 1 April 2021. Similarly, the Council will need to pay all necessary regard to the requirements of the Transparency Code for Councils exceeding the £200,000 threshold.

3.6 During the year 2020/21 there was discussion within the Council about the accounting treatment of the Community Infrastructure Loan (CIL) monies in the 2020/21 year. The Clerk/RFO advised the Internal Auditor that in 2019 the Council had received a loan from the Broadland District Council (BDC) under a scheme whereby the District Council lends sums for a local council to pursue projects within the parish ahead of CIL sums due. The monies are then re-paid by forgoing the right to receive CIL monies. The Clerk/RFO confirmed that a legal document had been drawn up between the two parties and signed and that the loan outstanding as at 31 March 2020 stood at £64,200 (and displayed in the 2019/20 AGAR Annual Return).

3.7 In the 2020/21 year the Scribe accounts displayed an amount of £55,425.76 being received from BDC on 30 April 2020 as a 'CIL Receipt' and £55,425.76 being expended as 'Loan repayment (CIL Drawdown)' to BDC on the same day to evidence the 'book-keeping transaction' with the District Council as the amount of these transactions did not pass through the two Councils' bank accounts. For the purposes of the AGAR 2020/21, the CIL Receipt has been included in Box 3 (Other Receipts) and the Loan Repaid has been included in Box 5 (Capital Repayments).

3.8 In addition, the Scribe accounts display the Account for the CIL initial loan of £64,200 in the Schedule of All Borrowings Report and the CIL income of £55,425.76 against the Account to arrive at an outstanding balance of a loan outstanding of £8,774.24 as at 31 March 2021 (rounded to £8,774 for purposes of Box 10 in the AGAR 2020/21).

3.9 During the Interim Internal Audit in November 2020 it was verified that the Scribe operating system is effective in facilitating digital VAT returns to HMRC. In November 2020 sample tests were undertaken by Internal Audit to ensure that the VAT element within payments is being clearly identified and appropriately accounted for within the Scribe system.

3.10 VAT Returns were submitted to HMRC on a Quarterly basis as follows:

- a) £1,341.77 reclaim to HMRC for the period 1 March 2020 to 31 May 2020 (received at bank on 18 June 2020).
- b) £3,488.43 reclaim for the period 1 June 2020 to 31 August 2020 (received at bank on 1 October 2020).
- c) £7,880.84 reclaim for the period 1 September 2020 to 30 November 2020 (received at bank on 24 December 2020).

- d) £2,313.13 reclaim for the period 1 December 2020 to 28 February 2021 (received at bank on 23 March 2021).

4. 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).

4.1 The End-of-Year Accounts for the year 2020/21 were prepared on a Receipts and Payments accounting basis based on the data held within the Scribe accounting system. Test checks were made on the documents presented to the Internal Auditor and the read-only access within the Scribe accounting system. Supporting information was being held within the Scribe system to support the entries. Sample audit trails were examined and were found to be in order.

4.2 As an Income and Expenditure accounting system was not used in 2020/21 a Balance Sheet and Listed Creditors/Debtors were not constructed by the Council.

4.3 A Statement of Variances (explaining significant differences in receipts and payments between the years 2019/20 and 2020/21) has been produced. The Statement supports the submission of Section 2 (the Statement of Accounts) in the AGAR to the External Auditors and has to be published on the Council's website.

4.4 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2021 has yet to be prepared.

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

5.1 Bank Reconciliations and supporting details are regularly presented to meetings of the Council by the Clerk/RFO and formally noted by the Council.

5.2 At its meeting on 25 June 2020 the Governance Committee considered the Overall Reserves position and agreed there was a need to spread risk and ensure security of Reserves and put forward recommendations to Council regarding new bank accounts and the appointment of signatories.

5.3 At its meeting on 2 July 2020 the Council agreed to the recommendations and authorised the opening of three new bank accounts, each to be opened with a minimum deposit with balances to be raised to £50,000 in each account once opened satisfactorily. The Council noted at its meeting on 5 November 2020 that the opening of these accounts was still outstanding. The Internal Auditor has been advised that new accounts for Cambridge Building Society and Nationwide are in the process of being opened and once open £50,000 will be transferred to each account. It is important that the Council completes the opening of separate accounts as soon as practicably possible in the interests of spreading its financial risks and securing maximum protection under the Financial Services Compensation Scheme as a smaller local council.

5.4 The Internal Auditor examined in detail the Bank Reconciliation as at 31 March 2021.

5.5 The bank statements (printed by the previous Clerk/RFO from the on-line bank accounts) as at 31 March 2021 displayed the Council's Unity Current Account (£5,408.59) and the Unity Instant Access Account (£167,498.15) and agreed with the entries in the Bank Reconciliation. An Investment Statement held by the Council displayed an investment with Broadland District Council of £86,163.36.

5.6 The Council currently receives only an email and a copy Spreadsheet from an accountant at Broadland District Council to confirm the balance of the investment.

5.7 The Bank Reconciliation listed no 'unpresented payments' or 'unpresented receipts' as at 31 March 2021.

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

Precept 2020/21: £163,200

Precept 2021/22: £163,200

6.1 The Budget for the year 2020/21 was considered in detail by the Governance and Staffing Committee on 12 December 2019 and was reviewed and formally approved by the Council at its meeting on 9 January 2020, when a Precept of £163,200 was set for the year 2020/21 (Minute 171 refers).

6.2 A Draft Budget for 2021/22 was presented to the Governance Committee at its meeting on 10 December 2020. The Committee resolved to accept the committee budgets presented and to recommend to Full Council that the precept for 2021/22 should be set at £163,200. Full Council considered the recommendations regarding budget and precept requirement at its meeting on 18 January 2021 and agreed that the Precept should remain at £163,200 for 2021/22 (Minute 3 refers).

6.3 The Precept decision and amount were agreed in Full Council and have been clearly Minuted.

6.4 The Council demonstrates good financial practice by Councillors receiving regular reports of the income and expenditure in the year compared against the budget. In this way, Councillors have the opportunity to receive sufficient information and data to make informed decisions and, specifically, will be in a position to identify any significant variations from budget and recommend any remedial action to the Council as necessary. The Budget for 2021/22 is both detailed and informative and can act as a sound basis on which the Council can operate effective budgetary control and scrutiny during the 2021/22 year.

6.5 The Overall Reserves available to the Council as at 31 March 2021 stood at £259,070. The Council's General Reserves (Overall Reserves of £259,070 less

Earmarked Reserves of £200,390) accordingly amounted to £58,680 which is considered to be appropriate for the financial size of the Council.

6.6 The Council is maintaining sufficient Overall Reserves/Contingency Sums to meet, within reason, any unforeseen items of expense that may occur.

7. 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. Identifying VAT payments and re-claims. Any previous audit recommendations implemented).

7.1 Satisfactory documentation is being held within the Council to evidence the operation of adequate and effective internal financial controls. The read-only access to the Scribe accounting system used by the Chairman and Councillors assists in maintaining adequate and effective internal financial control. The recently appointed RFO is delivering efficient financial administration on behalf of the Council.

7.2 Councillors are being provided with financial information and advice to enable them to make informed decisions. The Council has a standing agenda item under which the RFO presents Financial Matters including Bank Reconciliations and the Approval of Accounts.

7.3 The Minutes of Council meetings refer to the payments and receipts and confirm that the Councillor Signatories have been completed the authorisation process. A List of Payments and Receipts was displayed in the Council's Minutes of the meeting on 4 March 2021 in accordance with the recommendation put forward in the previous Internal Audit Report. The current RFO will be looking to advise Council of forthcoming payments that are due as well as those that have already been made.

7.4 At its meeting on 7 January 2021 the Council noted that Unity Bank adopts the practice of telephoning to confirm the accuracy of details for all new payees being set up by the Council. Subsequent payments are not verified in this way and Councillors noted the importance of checking the bank details for payments. The nominated Councillor would re-commence Quarterly Internal Control checks with the Finance Assistant when conditions allowed (Minute 8.2 refers).

7.5 There is a clear audit trail from the underlying financial records to the Accounts, with supporting documentation in place. The financial system in place provides that the RFO and the Finance Assistant receive the invoice and any associated paperwork, enter the data onto the Scribe Accounting System and construct a 'Unity Bank On-line Pending Transactions List' (Payments Awaiting Authorisation), suitably notated for ease of reference. This List is submitted electronically to four authorised Councillor Signatories, any two of whom can complete the payment authorisation process through online Unity Banking. The careful review and confirmation/approval by the Councillor Signatories at this stage in the process is an important final element in protecting the Council's position in terms of control over payments.

7.6 The Internal Auditor was advised that the normal procedure prior to the Covid-19 pandemic was for Councillor Signatories to attend the office to check the associated paperwork/invoices against the Payments Awaiting Authorisation List. Once satisfied the Councillor would sign the paperwork and release the payment online. Subsequent to the Covid-19 pandemic the procedure has been the same other than the associated paperwork/invoices are scanned and emailed to the Councillor Signatories, who then email back confirming that the required checks have been completed and the payment released, having accessed the bank online away from the office.

7.7 The Governance Committee formally appointed the Internal Auditor for the 2020/21 year at its meeting on 10 September 2020 (Minute 7 refers). The Internal Auditor was directed to undertake two internal audit reviews in the financial year, an Interim Audit Review (completed in November 2020) and an End-of-Year Internal Audit Review following the completion of the accounts for the year (in May 2021). The Committee's decision was noted by Full Council on 1 October 2020 (Minute 85.6 refers).

7.8 The Interim Internal Audit Report dated 27 November 2020 was considered and approved by the Governance Committee on 10 December 2020. At its meeting on 7 January 2021 (Minute 11.2) the Council agreed to accept the 11 recommendations that had been put forward. At the meeting of the Council on 8 April 2021 the Clerk/RFO presented a progress report on the implementation of the recommendations (Minute 7.6 refers).

7.9 The progress being achieved on the recommendation was reviewed by the Internal Auditor with the RFO, Mrs Sarah Hunt, and the findings are detailed at Appendix A at the end of this report.

7.10 The Governance Committee considered and agreed that an IT Audit should be undertaken during the 2020/21 year (the meetings on 10 September and 2 November 2020 refers). The Locum Clerk has itemised the areas for audit review by Anglian Internet Ltd. However, the Committee noted at its meeting on 11 February 2021 that the IT issues had been resolved in-house without the need for involvement from Anglian Internet (Minute 6 refers).

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

8.1 The Council's Payroll Services are operated in-house using HMRC's PAYE software platform.

8.2 During the Interim Internal Audit in November 2020 the Internal Auditor reviewed the procedure for calculating Salaries and Wages. The officers complete all necessary calculations for Salary, Wages, PAYE, NI contributions and pension contributions using the HMRC on-line Real Time Information system. An electronic copy of payslips and details of payments to be made is produced (displaying net salary/wage payments and the amounts due to HMRC) from which the Payments List (the Unity On-line Pending Transaction List) is prepared for authorisation by the

Councillor Signatories. Electronic payments to staff are then made, in accordance with the approved procedure for accounts payable. The payments to staff by bank transfer are ratified at each meeting of the Council.

8.3 In November 2020 the Internal Auditor undertook test checks on the salary payments being made. The September payroll for each member of staff (which included the award payable with effect from 1 April 2020) was provided to the Internal Auditor and the calculations confirmed.

8.4 During this end of year audit, it came to the attention of the Internal Auditor that the Council had applied an incorrect pension contribution to Mrs Hunt which has yet to be resolved. The documents inspected revealed that Mrs Hunt's pension contribution was charged at 6.5% over the year, the rate which applies to an officer earning between £22,801 and £37,100. Mrs Hunt should have been charged 5.5% as her earnings did not exceed £14,600. The Internal Auditor was advised that the Council has arrangements in place to make a refund to Mrs Hunt.

8.5 At its meeting on 1 December 2020 the Staffing Committee accepted the quotation from Deborah McNeill Consultancy for £500.00 to undertake a review of the roles required within the Council Office. The consultancy was recommended by Norfolk ALC to deliver the review to guide the Council moving forwards in their staffing needs and was not to be person specific but looking at roles and time necessary to deliver the services of the Council. The Consultancy was to be given access to Council documents and staff as necessary to complete the report with no deadline being set.

8.6 Following the resignation of Mr Hall from his post as Clerk/RFO, at its meeting on 6 May 2021 the Staffing Committee considered the appointment of Temporary Staff to cover Clerk/RFO role and agree terms of appointment along with initial responsibilities. The Committee resolved to appoint Miss Laura (Lolly) Dawson and Mrs Sarah Hunt in a job share to cover the role of Clerk as an interim appointment. Whilst it was expected that Miss Dawson would work 20 hours per week and Mrs Hunt 12 hours to make up the necessary 32, flexibility would need to be applied. Mrs Hunt was designated sole Responsible Financial Officer alongside the Clerk role. The arrangement was to be reviewed as at 31 August 2021. Contracted on the same Terms as the outgoing post holder, Mrs Hunt's current employment with the Council was to be adjusted. Miss Dawson was to be appointed as from 1st May 2021. The Committee agreed to pay 50% of Miss Dawson's CiLCA training costs (Minute 5.2 refers).

9. Use of Credit Cards and Petty Cash (*Associated books and formally agreed systems in place*).

9.1 A Unity Trust Bank Commercial Multipay Credit Card was in use in the year of account. At its meeting on 7 May 2020 the Council agreed to the recommendation put forward by the Governance Committee that the credit limit for the Card be increased from £1,000 to £3,000 (Minute 11.2 refers). Settlement of the outstanding amount is made in full by monthly direct debit.

9.2 Two cards were being used during 2020/21, one held by the Clerk/RFO (with two authorised users, the Clerk/RFO and the Finance Assistant) and the other is held by the Maintenance Operative. Both cards were under the overall control of the Clerk/RFO and are managed online within one account. No one item can exceed £1,000 without the prior permission of the Clerk/RFO.

9.3 The Council does not operate a Petty Cash Account.

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

10.1 The Receipts system is operated within the Scribe Accounting System. There is a clear audit trail from the income recorded in the accounting system to bank account statements.

10.2 A sample of transactions in the year was examined during the End-of-Year Audit to confirm that adequate records and documentary evidence in the Scribe accounting system are being retained to support the income received and to enable the Internal Auditor to provide the appropriate confirmations in the Annual Governance and Accountability Return 2020/21.

10.3 The Council's routine sources of income (other than the Precept, CIL monies and VAT recovery from HMRC) relate to occasional Pavilion lettings, football and cricket pitch hire fees and some bank interest. Covid-19 restrictions impacted heavily upon the Fees and Charges that could be applied by the Council in the 2020/21 year. At its meeting on 7 May 2020 the Council considered and agreed the charges applied to Absolute Leisure, the football teams and the Cricket and Bowls Clubs (Minute 10.2 refers).

10.4 At its meeting on 9 July 2020, the Open Spaces and Property Committee received an up-to-date schedule of users utilising outdoor recreational facilities and reviewed and agreed hire charges (training sessions to be charged at £15 per session from 11 August 2020 and all hire charges to be increased by 2% for 2020/21 as previously agreed on 21 November 2019).

10.5 The Council continues to encourage debtors to pay directly into the Council's bank account in order to reduce the administration and costs associated with the handling of cheques and cash.

11. Internal Control and the Management of Risk (Review by the Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly).

11.1 An Internal Control Document is in place and lists the Internal Controls, the risks identified, the current procedure, any potential for improvements and any action required to be taken.

11.2 Similarly, a Financial Risk Assessment document is also in place and itemises the risks identified, a risk status of high, medium or low and the action being taken to manage and mitigate the risks.

11.3 During the Interim Internal Audit in 2020 the Clerk/RFO advised the Internal Auditor that the next overall review of the Internal Control and Risk Assessment documentation by the Council was programmed to take place before the end-of-year date of 31 March 2021. This would ensure compliance with the Accounts and Audit Regulations 2015 which require a review by the Full Council at least once each financial year of the effectiveness of the Council's system of internal control and management of risks.

11.4 However, on 4 May 2021, on his departure from the Council, Mr Hall advised the Internal Auditor that *'the Council did not carry out the necessary checks and review of internal control within the timeframe permitted. Although the checks were conducted only part of these were completed within the financial year. The final checks of internal controls were carried out on 29 April 2021 at a meeting of the Governance Committee. The Governance Committee did meet on 18 March 2021 and reviewed and agreed new standing orders and financial regulations but all other governance documents did not get reviewed because the Committee ran out of time'*.

11.5 Accordingly, the Council did not comply with the Accounts and Audit Regulations 2015 which require a review by the Full Council at least once each financial 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.

Recommendation 1: The Council should ensure that during the year 2021/22 it complies with the Accounts and Audit Regulations 2015 and undertakes a review of its system of internal control, including the arrangements for the management of risk, with the review suitably Minuted.

11.6 In June 2018 the Council entered into a five-year long-term agreement with Zurich Municipal Insurance for insurance cover. At its meeting on 7 May 2020 the Council noted that the Parish Council insurance had been renewed at a cost of £3,012.99 (Minute 6 refers). The Locum Clerk/RFO confirmed to the Council on 4 June 2020 that the new play equipment had been added to the policy and that annual inspections were due to take place on all play equipment that month (Minute 26.5 refers).

11.7 The insurance cover held with Zurich Municipal covers the period 1 June 2020 to 31 May 2021 and includes Employer's Liability cover of £10m and Public Liability cover of £15m.

11.8 The Fidelity Guarantee (Employee and Councillor Dishonesty) cover currently stands at £400,000. The Council increased the cover from £250,000 in accordance with the recommendation in the previous Internal Audit Report. The cover meets the recommended guidelines for the level of Fidelity Guarantee which are that cover should be the total of year-end balances plus 50% of the precept/grants received

(viz. that the insurance is adequate to cover the maximum level of cash resources held by the Council at any one time).

11.9 As part of meeting its risk management responsibilities for the play equipment, the Open Spaces Committee noted at its meeting on 23 September 2020 that the Annual RoSPA Playground Inspection had been completed. The Committee agreed the remedial that should take place (Minute 7 refers).

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

12.1 Since the Interim Internal Audit Report in November 2020 the Asset Register has been updated to include items acquired in 2020/21 and has been integrated into the Scribe accounting system.

12.2 The Register records the value of assets at purchase cost or at a suitable proxy value where the purchase cost is not known. Community Assets are valued at a nominal value of £1. The Register complies with current requirements which provide that each asset should be recorded on a consistent basis, year-on-year.

12.3 The Register displayed the value of assets as £721,500 as at the end of year, 31 March 2021, a net increase of £8,901 over the value of £712,599 as at 31 March 2020. The acquisitions in the year 2020/21 are listed in the Asset Register amounting to £21,649 (primarily consisting of the Wooden Boundary Fence at £16,988, HP Laptop at £642 and a Round Bench at £585).

12.4 The Internal Auditor was unable to verify from the disposals listed in the Scribe accounting system the disposals in the year which would have resulted in a net increase of £8,901 in the year.

Recommendation 2: The Asset Register should be reviewed by the Council during 2021/22 to verify the new entries and disposals listed in the Register and compare with Insurance Schedules in order to ensure that all assets, including new acquisitions, receive adequate and appropriate cover.

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

13.1 The External Audit Report and Certificate for the year 2019/20 was completed by PKF Littlejohn LLP on 21 October 2020. The External Auditor raised no matters of concern but advised that the Council had failed to make proper provision during the year 2020/21 for the exercise of public rights because the date of the approval of the Council's accounts was after the start of the period for the exercise of public rights. The External Auditor stated that the Council would be required to answer 'No' to Assertion 4 of the Annual Governance Statement for 2020/21 and to ensure that it makes proper provision for the exercise of public rights during 2021/22.

13.2 The RFO has advised the Internal Auditor that the correct paperwork was uploaded to the Council's website within the necessary deadline in 2020 but, as a new website had been commissioned, she believes that the External Auditor viewed the out-of-date website and not the new website where the correct documentation had been uploaded. The External Auditor's comment was not challenged by the Clerk/RFO in post at the time the External Audit Certificate and Report were received in October 2020.

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 documents were readily accessible on the Council's webpage:

<https://www.draytonpc.info/finances>

15. Additional Comments.

15.1 I would like to record my appreciation to Mrs Sarah Hunt (RFO) and Mr Ken Owen (Finance Assistant) for their assistance and support during the course of the Internal Audit Review work undertaken during 2020/21.

Trevor Brown

Trevor Brown, FCPFA

Internal Auditor

27 May 2021

Appendix A

Update on actions taken following the recommendations in the Interim Internal Audit Report dated 27 November 2020

The Interim Internal Audit Report dated 27 November 2020 was considered and approved by the Governance Committee on 10 December 2020. At its meeting on 7 January 2021 (Minute 11.2) the Council agreed to accept the 11 recommendations that had been put forward, as follows:

R1: *In order to provide a framework to assist in fulfilling the Council's future vision for Drayton, a 3-Year Strategic Plan should be constructed which mirrors the objectives set out in the Neighbourhood Plan and includes other strategic objectives or priorities for achievement over that 3-year period. This Strategic Plan can inform the direction of a detailed Action Plan, which would sit beneath this higher-level document and would be a fluid, dynamic document, subject to regular review in order to facilitate the meeting of the agreed overall strategic objectives.*

Progress: A Working Group has been established to take this matter forward.

R2: *The Council can enhance its overall governance arrangements by formally approving and maintaining a listing/schedule of current policies, procedures and protocols which will include the frequency of review and the date of the next planned review. This will facilitate a structured, programmed review of policies to ensure that they continue to be kept up-to-date and fit for purpose.*

Progress: It was noted by the Governance Committee on 10 December 2020 that Mrs Sarah Hunt, when Locum Clerk/RFO, had produced a schedule for review. Prior to his departure, Mr Jonathan Hall advised the Internal Auditor that the Schedule now forms part of the internal controls document.

R3: *The Council should review the overall responsibilities and duties placed upon each officer regarding the role of 'service administrator' and, if necessary, revise/update Financial Regulations to reflect the arrangements currently being operated in practice.*

Progress: On 4 January 2021 the Governance Committee agreed to identify the post of Clerk/RFO as the 'principal service user'. This now applies to the separate post RFO, who has agreed with the Internal Auditor to review the changes to ensure that they correctly reflect current requirements.

R4: *In view of (a) the Clerk/RFO's stated uncertainty concerning the lawful status of the sums borrowed from the District Council and (b) the conflicting advice received by the Clerk/RFO regarding the accounting treatment for the £55,425.76 received from BDC on 30 April 2020 as a 'CIL Receipt' and £55,425.76 being expended as 'Loan repaid' to BDC on the same day, full details of the circumstances of the loan and the method being employed to account for the transactions on 30 April 2020 should be submitted to the External Auditors, PKF Littlejohn LLP. Any issues of concern the External Auditors may have arising from these transactions can then be considered and addressed prior to the year-end, 31 March 2021.*

Progress: Mr Hall has stated that he had received no response from the External Auditors. The matter has since been overtaken by events as the End of Year Accounts for 2020/21 reflect the £55,425.76 received from BDC on 30 April 2020 as a 'CIL Receipt' and £55,425.76 being expended as 'Loan repaid' to BDC

R5: *It is considered important that the Council completes the opening of separate accounts as soon as practicably possible in the interests of spreading its financial risks and securing maximum protection under the Financial Services Compensation Scheme as a smaller local council.*

Progress: Mr Hall advised the Internal Auditor on his departure that 'the Council has in the system new accounts for Cambridge Building Society and Nationwide. These are in the process of being opened and once open £50,000 will be transferred to each account'.

R6: *The Council should request that a formal statement or confirmatory letter is received from the Broadland District Council (BDC) at the year-end 31 March 2021 to confirm/evidence the balance of the investment for End-of-Year Accounting and Audit purposes.*

Progress: Mr Hall advised that BDC had declined to provide the Clerk/RFO with a formal statement on the basis that they do not provide formal documentation for the Parish Deposit Scheme.

R7: *The Lists of Payments and Receipts should be included in the Minutes of the Council to evidence the Payments reported to and ratified by the Council and the Receipts reported to and noted by the Council.*

Progress: This has since been actioned.

R8: *The Council may wish to examine, prior to the end of the 2020/21 year, the options available and the relative costs/benefits of outsourcing the Council's Payroll Services from the year 2021/22.*

Progress: The Governance Committee agreed on 10 December 2020 that this issue should be reviewed by the Staffing Committee. The new RFO will provide the Committee with guidance on this matter following the change in staffing arrangements.

R9: (a) *Whilst the Council's Financial Regulations make reference to the use of the Credit Card, formal written instructions for the operation of the credit card should be constructed, approved by the Council and issued to the relevant staff in order to protect both the interests of the Council and the staff members using the cards.*

Progress: Financial Regulations have been updated by the Council but the RFO has agreed with the Internal Auditor to review the changes made to ensure that they correctly reflect current requirements.

R9: (b) *Financial Regulations item 6.17 should be expanded to clearly reflect the current arrangements in place for the operation of the Credit Card.*

Progress: Financial Regulations have been updated by the Council but the RFO has agreed with the Internal Auditor to review the changes made to ensure that they correctly reflect current requirements.

R10: (a) *The Council should review the level of Fidelity Guarantee Cover during 2020/21 as part of the overall risk assessment process with the view of bringing the cover into line with the recommended guidelines of year-end balances plus 50% of the precept/grants.*

Progress: Completed. Mr Hall confirmed that Zurich Insurance had increased the cover to £400,000 at no extra charge.

R10: (b) *Prior to the insurance renewal date, the Council should examine and review its overall insurance policy requirements (including comparing cover with the Asset Register), in order to ensure appropriate cover is affected and fully and correctly reflect the Council's requirements.*

Progress: Mr Hall advised the Internal Auditor that the incoming Clerk will need to 'check the rebuild cost for the pavilions which look a bit light. Zurich suggest getting a RCIS surveyor to provide valuation and rebuild cost. Once these changes have been considered/approved the new Clerk can then sanction additional premiums and new documentation will be issued by Zurich reflecting these changes'.

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R11: (a) *The Asset Register needs to be updated as soon as practicably possible to ensure that all additions (e.g. laptop computer) in the 2020/21 year of account have been included.*

Progress: Mr Hall advised the Internal Auditor that the Register had been updated.

R11: (b) *The Council should consider integrating the Asset Register into the Scribe Accounting System as an efficient way to maintain the records and to make all necessary updates.*

Progress: Mr Hall advised the Internal Auditor that the Register has been integrated into the Scribe accounting system.

R11: (c) *The Council should compare (at least on an annual basis) the items listed in the Register with the Insurance Schedules in order to ensure that all assets continue to receive adequate and appropriate cover.*

Progress: This action will need to be taken during 2021/22.