

Report to Drayton Parish Council

The Interim Internal Audit Review as at November 2020

1. Introduction and Summary.

1.1 The Interim (Half-year) Internal Audit for the year 2020/21 was undertaken during the period of the second national 'lockdown' when restrictions were being applied to reduce the rate of infection arising from the Covid-19 pandemic. Social distancing was in place, public gatherings were restricted and many Council offices remained closed.

1.2 An Audit Plan was agreed for this Interim Review, which will lead into and inform the End-of-Year Internal Audit which is planned to take place in April/May 2021.

1.3 In view of the restrictions in place, the essential information required for the completion of the Internal Audit was e-mailed by Mr Jonathan Hall, the Clerk/Responsible Financial Officer (RFO) and Mr Ken Owen, the Finance Assistant, to the Internal Auditor, who undertook the work remotely/electronically. The Zoom platform was used to provide contact with the Council, including attendance at the Council's meeting held on 5 November 2020. All relevant published data held on the Council's website was accessed. Any areas within the Audit Plan which could not be covered as a result of the remote-working arrangements have been recorded in the Audit Report in order that they can be addressed at a later date, either at the next scheduled internal audit or when circumstances permit.

1.4 The Council faced significant administrative challenges in the first half of the 2020/21 year due to the absence of Mr Hall, the permanent Clerk/RFO, due to 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 is continuing to support the Council and its Staffing Committee on an ad hoc basis, as necessary.

1.5 This Interim Review has confirmed that the Council successfully delivered efficient and effective financial administration and control, including the use of the Scribe Accounting System, with the support of the Locum Clerk and the Finance Assistant, Mr Ken Owen, during the first six months of the year. The Locum Clerk/RFO satisfactorily undertook the administration of the Council's financial affairs and produced appropriate financial management information to enable the Council to overall make well-informed decisions.

1.6 During the challenging times of the current pandemic, the Council's 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 has continued to meet after March 2020 through 'virtual' meetings using the Zoom platform.

1.7 The Council demonstrates many examples of good management and financial control. These include the agreement, the adoption and maintenance of a wide range of formal Policies, Procedures and Protocols. The Council is working under the umbrella of the Drayton Neighbourhood Plan, which covers the years 2016 to 2026 although this currently needs to be supported by the Council setting medium-term Strategic Priorities and detailed Action Plans to realise the overall objectives.

1.8 The following Internal Audit work was carried out on the adequacy of the systems of internal control in accordance with the Audit Plan. Detailed 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 Standing Orders are in place. The Governance and Staffing Committee reviewed the governance documentation at its meeting on 12 March 2020 and put forward recommendations to amend Standing Orders. At its meeting on 7 May 2020 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) in April 2018, tailored to meet the particular requirements of the Council. A copy of the Standing Orders has been published on the Council's website.

2.2 Financial Regulations are also in place. The Governance and Staffing Committee noted at its meeting on 12 March 2020 that the new model Financial Regulations issued by NALC in August 2019 had been tailored to the Council's requirements and reflected the online banking arrangements adopted by the Council. At its meeting on 7 May 2020 (Minute 11.1), the Council accepted the recommendations from the Committee and adopted the Financial Regulations, a copy of which has been published on the Council's website.

2.3 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).

2.4 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.

2.5 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 is continuing 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).

2.6 The Council has a Neighbourhood Plan for Drayton in place. The Plan was adopted in July 2016 with an intended lifespan to 2026, which matched the lifespan of the Joint Core Strategy produced by the Greater Norwich Development Partnership (of which Broadland District Council is a member) and sets out the overarching strategy for growth across Norwich, Broadland and South Norfolk.

2.7 The Drayton Neighbourhood Plan has 6 core objectives designed to address the issues identified as specific to Drayton and issues raised by the local community and which provide a basis for the policies set out in Plan. The Council is using the Neighbourhood Plan as an overarching strategic document but to date has not put in place closely focussed, shorter-term 'Strategic Plans' or specific 'Action Plans' to sit beneath the high-level Neighbourhood Plan document.

Recommendation 1: In order to provide a framework to assist in fulfilling the Council's future vision for Drayton, it is recommended that a 3-Year Strategic Plan is 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.

2.8 It is clear that Councillors and Officers are committed in addressing the challenges of the Covid-19 pandemic in their support to the local community and in maintaining effective governance arrangements. At the meeting on 7 May 2020 the Council established a Covid-19 Working Party to liaise with local groups and bring recommendations back to the Council. At the meeting, the Council also agreed to use part of the grant from the Norfolk Community Foundation to purchase PPE for the Covid-19 group supporting residents in the Drayton, Taverham and Thorpe Marriot areas.

2.9 Similarly, 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 Locum Clerk/RFO to comply with the Government's instructions and to arrange all necessary official and working group meetings relating to Covid-19 issues to deal with urgent and necessary business. (Minute 13 refers).

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

2.11 The Locum Clerk was given delegated authority to make any necessary decisions regarding Open Spaces and Property to ensure compliance with national guidelines and to agree the use of Council building or facilities to enable support to residents during the Covid-19 period.

2.12 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).

2.13 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.

2.14 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, renewal being on payment of the direct debit to the ICO). The Clerk/RFO confirmed that he undertakes the role and responsibilities of the Council's Data Protection Officer (DPO). Whilst there is no legal requirement for a local council to appoint a DPO, the Council has demonstrated good practice by making such an appointment.

2.15 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 listed 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.

2.16 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 and a Tree Management and Risk Policy, both of have been published on the Council's website.

2.17 Similarly, following a recommendation by the Governance Committee, the Council adopted the Virtual Meeting Policy and the Grants and Donations Policy at the meeting on 2 July 2020 (Minute 38.8 refers). Copies have been published on the Council's website. The Locum Clerk has drafted a Policy and Procedure Review Table which can be considered and formally adopted by the Council.

Recommendation 2: 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.

2.18 The Council demonstrated good practice in the year by adopting 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 The Council recognises the importance of the training of Councillors and Staff. The Council has supported Councillors attending courses relating to Engaging with Your Community and Managing Performance and places a high priority upon Staff attending relevant training sessions. The Staffing Committee agreed at its meeting on 18 June 2020 that all staff are to be offered relevant training and that a Training Register should be maintained to record the Councillor and Staff Training undertaken. As a part of this process, the Staffing Committee agreed at its meeting on 2 November 2020 that all staff members were to be approached by the Chair of the Committee to discuss future training, which would again be assessed as a matter of routine at future annual appraisals. Any Continuing Professional Development (CPD) opportunities that may bring benefit to both the Council and Staff can also be considered at the time of the annual appraisals.

2.20 A Code of Conduct has been adopted by the Council and its compliance is listed in the Council's website as a duty of each Councillor. A new model Code of Conduct is currently being consulted upon nationally and the Council agreed at its meeting on 6 August 2020 that each Councillor would respond individually (Minute 59 refers).

2.21 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.

2.22 As part of the development of the governance functions relating to Asset Management, at its meeting on 4 June 2020 the Council agreed that the Locum Clerk/RFO should investigate the registration of Parish Council owned land (Minute 29 refers). The Council noted at its meeting on 6 August 2020 that Spire Solicitors LLP hold two conveyances and the Locum Clerk/RFO would apply for first registration of both areas and commence investigations to facilitate the registration of Florence Carter Memorial Park and Longdale (Minute 61.3 refers). The Council noted at its meetings on 1 October 2020 and on 5 November 2020 that the work on the land registration was on-going.

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 are being 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 Council's Chairman confirmed to the Internal Auditor (on 28 September 2020) that the Scribe Accounting System is providing appropriate and sufficiently detailed information to Councillors to enable them to make informed decisions.

3.2 The accounting system was confirmed as being up to date as at the meeting of the Council on 5 November 2020 in so far as the documentation was produced a week ahead of the meeting. The Council formally ratified the payments that had previously been approved by the Councillor Signatories, who confirmed that the agreed approval process has been followed when releasing payments.

3.3 The Scribe Accounting System is well referenced and overall provides a good audit trail to the supporting documentation. The Clerk/RFO and the Finance Assistant demonstrated to the Internal Auditor, by means of a sample of transactions, the 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 (the cheque relating to the RBL Poppy Appeal was an exception in the current year).

3.4 Under remote working arrangements it is difficult to fully assess the efficiency of Scribe operations being undertaken by officers. The Clerk/RFO and the Finance Assistant currently deal with the basic/essential elements of the system but many aspects of the software have yet to be fully utilised and in some areas the officers are likely to require additional training and support, particularly in terms of completing the 2020/21 End-of-Year Accounts under Scribe which can be challenging for many officers without the necessary level of training.

3.5 Financial Regulations Item 6.14 provides that '*Where internet banking arrangements are made with any bank, the Clerk [RFO] shall be appointed as the Service Administrator*'. However, the Clerk/RFO and the Finance Assistant are both, in practice, 'system administrators', having the same functionality and access. Whilst some local councils with similar requirements within Financial Regulations address this issue by securing a separation and designate the Clerk/RFO as having 'super-user' access to all functions and the Assistant having 'administrative access', the Internal Auditor has been advised that the current arrangements are working well.

Recommendation 3: The Council should review the overall responsibilities and duties placed upon each officer regarding the role of 'service administrator' and, if necessary, revise/up-date Financial Regulations to reflect the arrangements currently being operated in practice.

3.6 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.

3.7 The current regulations require local councils, where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an Income and Expenditure basis from the third year onwards. Councils operating below the £200,000 threshold have the option to report either on an Income and Expenditure or on a Receipts and Payments basis. In this respect, the relevant Annual Return figures for the Council are as follows:

2019/20: Income £271,541. Expenditure £237,195
2018/19: Income £190,331. Expenditure £111,718
2017/18: Income £167,040. Expenditure £145,067

3.8 The £200,000 threshold was only exceeded in the year 2019/20 and accordingly the earliest the Council will be required to move to Income and Expenditure Accounting (assuming both 2020/21 and 2021/22 exceed the threshold) will be at the year end of 31 March 2022. It should be noted by the Council that a move from a Receipts and Payments accounting system to an Income and Expenditure accounting system within Scribe results in change only during the year-end process (an Income and Expenditure Account and Balance Sheet is produced) and there is no change to data capture during the year. In this respect, the Clerk/RFO and the Finance Assistant may find it beneficial to consult some other local councils in our region (e.g. Eye Town Council in Suffolk) which are using Scribe and have recently made this change in accounting.

3.9 The Internal Auditor understands that there is currently some discussion within the Council about the accounting treatment of 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 £64,464 (and displayed in the 2019/20 AGAR Annual Return).

3.10 However, the Clerk/RFO has advised the Internal Auditor that the Parish Council's borrowing from the District Council did not receive approval from the Ministry of Housing, Communities & Local Government (MHCLG) and, as such, could possibly be considered unlawful.

3.11 The Scribe accounts currently display £55,423.76 being received from BDC on 30 April 2020 as a 'CIL Receipt' and £55,423.76 being expended as 'Loan repaid' 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.

3.12 The Clerk/RFO advised the Internal Auditor that he had received some conflicting advice regarding the most appropriate accounting treatment for these two transactions and this issue could impact upon the Council exceeding the £200,000 threshold referred to in items 3.6 and 3.7 above. It is important that the Council promptly resolves this issue in order that the Clerk/RFO moves towards the 2020/21 End-of-Year process with confidence and with no ambiguity whatsoever regarding the accounting for these transactions.

Recommendation 4:

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 £55,423.76 received from BDC on 30 April 2020 as a 'CIL Receipt' and £55,423.76 being expended as 'Loan repaid' to BDC on the same day:

it is recommended that full details of the circumstances of the loan and the method being employed to account for the transactions on 30 April 2020 are submitted to the External Auditors, PKF Littlejohn LLP, in order that any issues of concern the External Auditors may have arising from these transactions can be considered and addressed prior to the year-end, 31 March 2021.

3.13 The Clerk/RFO confirmed that the Scribe operating system is effective in facilitating digital VAT returns to HMRC and that the VAT re-claims to HMRC are completed on a quarterly basis, the most recent submission covering the period June, July and August 2020 submitted in September 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.

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

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

4.2 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.

4.3 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, as follows:

- Nationwide Instant Access
- Cambridge Building Society Saver Account
- Hampshire Trust 45-day account.

The Council noted at its meeting on 5 November 2020 that the opening of these accounts was still outstanding.

Recommendation 5: 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.

4.4 The Governance Committee appointed a Councillor to complete the independent Quarterly inspection and confirmation of Bank Reconciliations in accordance with item 2.2 of the Council's Financial Regulations (the meeting on 10 September 2020, Minute 12 refers). The Clerk/RFO has advised the Internal Auditor that this item in Financial Regulations has since been overtaken by events in as much as documentation to verify bank reconciliations is now available to nominated Councillors on-line and is no longer limited to paperwork. Accordingly, item 2.2 of the Council's Financial Regulations may now require amendment and updating to reflect current practices.

4.5 The Internal Auditor examined in detail the Bank Reconciliation as at 26 October 2020 presented to the Council at its meeting on 5 November 2020. The Reconciliation was confirmed to be correct in terms of the entries taken from the Bank Statements and Investment documentation. The difference of £56.09 between the Payments figure listed in the Reconciliation (£206,963.14) and the List of Payments from Scribe as at 26 October 2020 (£206,907.05) can be accounted for by the Direct Debit of £56.09 that was cleared through the bank on 22 October 2020 but had yet to be entered into the Scribe accounts system.

4.6 The bank statements (printed by the Clerk/RFO from the on-line bank accounts) as at 26 October 2020 displayed the Council's Unity Current Account (£9,628.84) and the Unity Instant Access Account (£222,398.68) and agreed with the entries in the Bank Reconciliation. An Investment Statement constructed by the Clerk/RFO displayed an investment with Broadland District Council of £86,163.36, a value unchanged from that included in the End of Year Accounts as at 31 March 2020.

4.7 The Clerk/RFO has advised the Internal Auditor that 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. This is considered inadequate evidence and a more formal response should be received.

Recommendation 6: The Council should request that a formal statement or confirmatory letter is received from the Broadland District Council at the year-end 31 March 2021 to confirm/evidence the balance of the investment for End-of-Year Accounting and Audit purposes.

4.8 The Reconciliation included eight payments totalling £4,360.82 as at 26 October 2020 (listed under the heading of 'unpresented payments') which were detailed in a statement obtained from Scribe by the Clerk/RFO and presented for the Internal Auditor's examination.

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

5.1 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).

5.2 At its meeting on 25 June 2020 the Governance Committee received details of 2020/21 expenditure to date compared with the budget and an explanation of the overall reserves as at 31 March 2020. Similarly, the Committee considered the budget and expenditure to date at its meeting on 10 September 2020 and agreed that the Chairmen of all Committees should meet on 15 October to discuss budgets for each Committee and then take those discussions back to the Governance Committee for further consideration in the budget setting for 2021/22 (Minute 10 refers)

5.3 It is good financial practice for Councillors to receive regular reports of the income and expenditure in the year compared against the budget. In this way, Councillors will 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.

5.4 The Clerk/RFO confirmed to the Internal Auditor that the First Draft Budget for 2021/22 is due to be presented to the Governance Committee at its meeting on 10 December 2020 and then to the Full Council at its meeting in January 2021. It is important that the First Draft Budget is both detailed and informative and ensures that the Council is well placed to consider and agree the financial requirements for the 2021/22 year. The Budget document can then act as a sound basis on which the Council can operate effective budgetary control and scrutiny during the 2021/22 year.

5.5 At its meeting on 1 October 2020 the Council received a report itemising the Council's Balances and Earmarked Reserves and agreed to accept the funds/balances as presented (Minute 87.4 refers). Earmarked Reserves totalling £219,180 were itemised in the Report.

5.6 The Overall Reserves available to the Council as at 26 October 2020 stood at £313,830. The Council's General Reserves (Overall Reserves of £313,830 less Earmarked Reserves of £219,180) accordingly amounted to £94,650 and are in line with the generally accepted best practice that provides that General (non-earmarked revenue) Reserves should be equal to three to six months of contractual expenditure in the year.

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

6. 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).

6.1 During the first half of the 2020/21 year the Locum Clerk/RFO demonstrated commitment in maintaining adequate and effective internal financial controls and delivering efficient financial administration on behalf of the Council. The Scribe Accounting System was used effectively with satisfactory documentation being maintained to evidence the operation of adequate and effective internal financial controls.

6.2 Similarly, the Locum Clerk/RFO ensured that Councillors were provided with comprehensive financial information and advice to enable them to make informed decisions. The Council has a standing agenda item under which the Clerk/RFO presents Financial Matters including Bank Reconciliations and the Verification of Voucher Process and Approval of Accounts. The Bank Balances were listed in the Minutes of the Council meeting held on 2 July 2020 and the total in-hand balance was listed in the Minutes of the meeting on 6 August 2020.

6.3 The Minutes of Council meetings refer to the vouchers and payments and receipts and confirm that the authorised Councillor Signatories had completed the verification process in accordance with Financial Regulation item 6.5. However, it is also good financial practice and in the interests of transparency that the Lists of Payments and Receipts are displayed in the Council's Minutes.

Recommendation 7: 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.

6.4 The Clerk/RFO and Finance Assistant demonstrated to the Internal Auditor, from a sample of payments made on 13 October 2020 and 23 November 2020, the clear audit trail from the underlying financial records to the Accounts, with supporting documentation in place. The financial system in place provides that the Clerk/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 currently 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.

6.5 The Clerk/RFO confirmed 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.

6.6 The End-of-Year Internal Audit Report by Auditing Solutions Ltd. for the 2019/20 year (dated 18 June 2020) was received by the Governance Committee on 25 June 2020 and by Full Council at its meeting on 2 July 2020 (Minute 38.4 refers). The Internal Auditors raised no matters of concern and put forward no recommendations for the Council's consideration.

6.7 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 in November 2020 and an End-of-Year Internal Audit Review in April/May 2021. The Committee's decision was noted by Full Council on 1 October 2020 (Minute 85.6 refers).

6.8 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.

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

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

7.2 At its meeting on 19 May 2020 the Council's Staffing Committee reviewed the Terms of Employment of each employee, including the Locum Clerk/RFO, and agreed that staff appraisals would take place during February of each year. The Committee also agreed that Personnel Advice and Solutions Ltd. should undertake a review of the salary of the Maintenance Operative with any recommendations to go to Full Council.

7.3 The Staffing Committee noted at its meeting on 13 July 2020 that an historical holiday pay error had been identified and that the Finance Assistant had not been advised of his full holiday entitlement. The Committee resolved that the owed holiday be paid at the current rate for 20 hours a year for the last 4 years.

7.4 Following a recommendation by the Staffing Committee following external post assessment, the Council approved, at its meeting on 2 July 2020, the findings of the pay review (Minute 48 refers).

7.5 The Staffing Committee meeting on 29 September 2020 received the quarterly appraisals of the Finance Assistant and the Maintenance Operative. The Committee noted that:

- a) The Clerk/RFO and Locum Clerk/RFO had received the salary increase and back dated salary in accordance with the NJC Agreement, back dated to 1 April 2020.
- b) The Maintenance Operative had received the appropriate increase and back-dated pay in line with the NALC/SLCC scale of payments

The Committee also put forward recommendations to Full Council, including the following:

- a) The Finance Assistant be given a 2.75% pay increase in line with the NJC Agreement, to be backdated to 1 April 2020.
- b) An external job evaluation be undertaken prior to appointing the Finance Assistant to a point on the salary scale.

The Council agreed the Committee's recommendations at its meeting on 1 October 2020.

7.6 The Staffing Committee noted at its meeting on 2 November 2020 (and confirmed at the Council meeting on 5 November 2020) that the Finance Assistant's back pay from 1 April 2020 had been calculated and paid and that the Assistant's external job evaluation was in hand and due to be completed by the end of November 2020.

7.7 The review and assessment by the Staffing Committee of the Council's overall staffing resources is continuing.

7.8 The Clerk/RFO and the Finance Assistant confirmed to the Internal Auditor the details of 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 pay-slips 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.

7.9 The undertaking of the Council's Payroll function in-house clearly takes a considerable amount of the Council's staffing resources and some local councils, when dealing with payroll functions for a number of staff, find it efficient to out-source the Payroll function in order to release staff time for other duties.

Recommendation 8: 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.

7.10 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.

7.11 All was found to be in order other than one minor error within the calculations for Mrs Sarah Hunt. The 5 days Holiday Pay had been paid at £520.32 (32 hours x £16.26 per hour). The payment should have been made at the new rate of £16.71 per hour (i.e. 32 hours x £16.71 = £534.72). The Clerk/RFO confirmed that the adjustment of £14.40 will be made in a future salary payment to Mrs Hunt.

7.12 The Clerk/RFO confirmed to the Internal Auditor that the Council is compliant with the workplace pensions legislation, confirmation having been received from the Pensions Regulator on 13 June 2019 that the required re-declaration had successfully been submitted.

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

8.1 A Unity Trust Bank Commercial Multipay Credit Card is in use. 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.

8.2 Two cards are being used, one is held by the RFO/Clerk (with two authorised users, the Clerk/RFO and the Finance Assistant) and the other is held by the Maintenance Operative. Both cards are under the overall control of the Clerk/RFO and are managed online within one account. The Clerk/RFO confirmed that no one item can exceed £1,000 without his prior permission.

8.3 Financial Regulations item 6.17 state that '*Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk and authorised staff and shall be subject to automatic payment in full at each month-end. Personal credit or debit cards of members or staff shall not be used under any circumstances*'.

Recommendation 9:

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

8.4 A sample of credit card payments will be examined during the End-of-Year Audit in April/May 2021 to ensure that the transactions are in accordance with the instructions given to staff and are supported in each case by an invoice/voucher.

8.5 The Council does not operate a Petty Cash Account.

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

9.1 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.

9.2 In view of this Interim Internal Audit being conducted remotely/electronically, the supporting documentation was not examined for the first six months of the financial year. A sample of transactions in that period will be examined during the End-of-Year Audit scheduled for April/May 2021. At that time the testing will look to confirm that adequate records and documentary evidence are being retained to support the income received and to enable the Internal Auditor to provide the appropriate confirmation in the Annual Governance and Accountability Return 2020/21.

9.3 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).

9.4 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).

9.5 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.

9.6 A List of Outstanding Sales (Debtors) dated 6 November 2020 from the Scribe system was provided to the Internal Auditor. This revealed that only one invoice (dated 8 September 2020) was outstanding, an amount of £242 relating to Grass Pitch Hire.

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

10.1 An Internal Control Document is in place and was reviewed and agreed by the Governance and Staffing Committee on 12 March 2020. The document is comprehensive and lists the Internal Controls, the risks identified, the current procedure, any potential for improvements and any action required to be taken.

10.2 Similarly, a Financial Risk Assessment document is in place having been reviewed and agreed by the Committee on 12 March 2020. The document is comprehensive and itemises the risks identified, a risk status of high, medium or low and the action being taken to manage and mitigate the risks.

10.3 Many local councils have found it essential to construct specific risk assessments relating to the impact of Covid-19, particularly with regard to the assets (such as play equipment and office buildings) under their control. In this respect, at its meeting on 7 May 2020, the Council agreed that the Locum Clerk/RFO and a Parish Councillor would undertake all necessary risk assessments and safety checks to enable facilities to re-open when directed by national policy. This was to include safety inspections of all equipment and buildings with risk assessments to be drawn up for all buildings/equipment (Minute 10.2 refers). The National Association of Local Councils' Publication 'Risk Assessment for Covid-19' can assist in this respect as it contains practical advice and specimen risk assessments for dealing with Covid-19 in the workplace.

10.4 At its meeting on 23 September 2020 the Open Spaces Committee noted that the Annual RoSPA Playground Inspection had been completed and the Committee agreed the remedial that should take place (Minute 7 refers).

10.5 The Clerk/RFO advised the Internal Auditor that the next overall review of the Internal Control and Risk Assessment documentation by the Council is programmed to take place before the end-of-year date of 31 March 2021. This will 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, including the arrangements for the management of risk, with the review suitably Minuted.

10.6 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).

10.7 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.

10.8 The Fidelity Guarantee (Employee and Councillor Dishonesty) cover stands at £250,000. The recommended guidelines for the level of Fidelity Guarantee are that cover should be the total of year-end balances plus 50% of the precept/grants received (which relates to £274,036 plus 50% of precept of £163,200 which provides for a recommended level of cover of £355,636). It was noted that the Cash Balances held by the Council as at 26 October 2020 stood at £313,830. The aim should be that the insurance is adequate to cover the maximum level of cash resources held by the Council at any one time. Accordingly, the Council's Fidelity Guarantee cover is significantly below the recommended level and, in certain circumstances, could leave the Council in a highly vulnerable position.

Recommendation 10:

- 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.**
- 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 effected and fully and correctly reflect the Council's requirements.**

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

11.1 A stand-alone Asset Register is in place, being maintained on a spreadsheet. The Register is not supported by the Scribe Accounting System. The Governance Committee noted at its meeting on 25 June 2020 that the Register would be circulated to all Councillors. The Committee similarly noted on 10 September 2020 that the Register was to be updated by each of the Council's Committees and agreed at the next meeting of the Governance Committee on 10 December 2020.

11.2 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.

11.3 The Register presented to the Internal Auditor displayed the value of assets as £712,599, unchanged from the value as at 31 March 2020 and as listed in the 2019/20 Annual Governance and Accountability Return (AGAR). The Register has yet to be updated for additions in the 2020/21 year. The Register displays an 'insurance value' column which has not yet been completed.

Recommendation 11:

- 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.**
- 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.**

- 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.**

11.4 The Clerk/RFO confirmed that the Asset Register is due to be presented to the Council for consideration and approval prior to the year end, 31 March 2021. The Register will be reviewed in detail by the Internal Auditor at the End-of-Year Audit in April/May 2021 to confirm that it complies with current requirements (which provide that each asset should be recorded on a consistent basis, year-on-year) and in order that appropriate certification can be made in the Annual Internal Audit Report within the AGAR for the year 2020/21.

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

12.1 The External Audit Report and Certificate for the year 2019/20 was completed by PKF Littlejohn LLP on 21 October 2020. The Auditors raised no matters of concern but drew attention to the issue 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. As a result, the Council is required to answer 'No' to Assertion 4 of the Annual Governance Statement for 2020/21 and ensure that it makes proper provision for the exercise of public rights during 2021/22.

12.2 Mrs Hunt explained to the Internal Auditor that an incorrect copy of the document detailing the dates of the exercise of public rights was initially submitted to the External Auditors, who queried the dates with her. Corrections were subsequently made and the corrected Exercise of Public Rights Notice was published on the Council's website

12.3 The Clerk/RFO confirmed that the External Audit Report and Certificate (Part 3 of the Annual Governance and Accountability Return) will be published on the Council's website in accordance with current Regulations.

13. Additional Comments.

13.1 I would like to record my appreciation to Mr Jonathan Hall (Clerk/RFO), Mr Ken Owen (Finance Assistant) and Mrs Sarah Hunt (Locum Clerk/RFO) for their assistance and support during the course of this Interim Internal Audit Review work.

13.2 The 2020/21 End-of-Year Internal Audit Review has been provisionally arranged with the Clerk/RFO to commence in April/May 2021.

Trevor Brown

**Trevor Brown, FCPFA
Internal Auditor**

27 November 2020

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