

## **COPYTHORNE PARISH COUNCIL MEETING – TUESDAY FEBRUARY 9TH 2021**

### **ITEM 11. To receive and approve the Council's Internal Risk Assessment for 2020/21**

Our Financial Regulations state the following:-

1.2 The council is responsible in law for ensuring that its financial management is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions, including arrangements for the management of risk.

1.5 At least once a year, prior to approving the Annual Governance Statement, the council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.

2.4 The council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the council shall make available such documents and records as appear to the council to be necessary for the purpose of the audit and shall, as directed by the council, supply the RFO, internal auditor, or external auditor with such information and explanation as the council considers necessary for that purpose.

2.5 The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the council in accordance with proper practices.

In June 2019, our Internal Auditor (Tim Light, FMAAT, of Lightatouch) completed a Final audit report & Risk assessment of financial systems' internal controls for Copythorne Parish Council 2019/2020 which I presented as Agenda Item 15 at our July 9th 2019 Council meeting and again for formal approval at our March 10<sup>th</sup> 2020 (Minute 53/20).

The template for this report (first adopted for the 2016/17 Financial Year) has been used by me as the basis for the Council's Internal Risk Assessment for 2020/21 which is attached for approval.

Once approved, the document will be checked and confirmed by the Council's appointed Internal Auditor (Tim Light, FMAAT) as part of an internal audit due to take place on Wednesday February 10<sup>th</sup> 2021.

I will present the outcome of this internal audit to Council at our March 9<sup>th</sup> 2021 meeting. A final internal audit for the 2020/21 Financial Year will subsequently be undertaken by Tim Light as part of the Annual Governance and Accountability Return ("AGAR") process for 2020/21 in April/May 2021

### **RECOMMENDATION**

That Council formally approves the Final Audit Report & Risk Assessment of financial systems' internal controls for Copythorne Parish Council 2020/21 dated January 31<sup>st</sup> 2021.

**DAVID RIGBY**

**Clerk & Responsible Financial Officer**

**January 31<sup>st</sup> 2021**

**Risk assessment of financial systems' internal controls for Copythorne Parish Council 2020/21**  
**prepared by the Parish Clerk/RFO on January 31<sup>st</sup> 2020 2021**

| No.       | Internal Control Tests                                                                        | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b>  | <b>Proper Bookkeeping</b>                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 1.1       | Is the Cash Book maintained and up to date?<br>Format used?                                   | The Cash Book is maintained on an Excel Spreadsheet format and includes budget information incorporating all accounts held which is up to date and accurate. It updated by the RFO at the end of every month.                                                                                                                                                                                                                                                                                                                                                                           |
| 1.2       | Is the Cash Book arithmetically correct?                                                      | The Cash Book is analysed into Budget head codes for both receipts and payments and these were arithmetically correct.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 1.3       | Is the Cash Book regularly balanced?                                                          | The Cash Book continues to be balanced monthly by Parish Clerk/RFO and confirmed by full Bank Reconciliations. These are presented to and approved by Council on a monthly basis to confirm they are accurate, and a monitoring role is undertaken.                                                                                                                                                                                                                                                                                                                                     |
| <b>2a</b> | <b>Standing Orders and Financial Regulations</b>                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 2.1       | Has the Council formally adopted Standing Orders and Financial Regulations, & dates approved? | The Parish Clerk has reviewed the Financial Regulations used by the Parish Council and they now follow the model Financial Regulations set out in August 2019 guidance produced by National Association of Local Councils (NALC). These were readopted by the Parish Council at their meeting on January 14 <sup>th</sup> 2020 (Minute Ref: 16/20). Standing Orders have been reviewed and adopted at the Parish Council meeting on January 14 <sup>th</sup> 2020 (Minute Ref: 17/20). A minor change to Standing Orders was adopted on July 14 <sup>th</sup> 2020 (Minute ref: 127/20) |
| 2.2       | Has an RFO been appointed with specific duties noted in both contract & Fin./Regs?            | The Parish Clerk is the Responsible Finance Officer (RFO) and the duties are detailed in both <del>her</del> <i>his</i> Contract of Employment and our Financial Regulations.                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2.3       | Have items or services above a de minimis amount been competitively purchased?                | The Parish Clerk has a £500 power for emergency needs. Where possible the Parish Clerk will obtain three quotes from Suppliers/Contractors for items over £500 and below £5000. Where the value is below £500 the Parish Clerk will strive to obtain three value for money estimates. A £25,000 level applies for obtaining three tenders for project work as set out in the Regulations (Public Contracts Directive 2014/24/EU).                                                                                                                                                       |

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| 2b  | Payments Controls                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| 2.4 | Are payments in the Cash Book supported by invoices, authorised and minuted?                                                                | Proper invoices support all payments, and will be processed by either Electronic Payment, BACS payment or by cheque showing the processing details or cheque number and date paid. Monthly payment schedules are prepared by the Parish Clerk for approval at the Parish Council meeting. Once approved details are noted or appended to the minutes for the meeting and updated on the Parish Council website. All 7 Councillors are mandated to sign cheques and approve on-line payments. |
| 2.5 | Has VAT on payments been checked, recorded and reclaimed? Frequency, & refunds into which A/c?                                              | Proper VAT invoices are provided, when relevant, with VAT checked and entered in VAT column in Cash Book.<br>VAT Claims are submitted to HMRC twice yearly. The last reimbursement of £787.98 for the period April 1st 2020 to September 30 <sup>th</sup> 2020 was received on October 6 <sup>th</sup> 2020.                                                                                                                                                                                 |
| 2.6 | Is S.137 expenditure separately recorded & in limit?                                                                                        | The total sum of £750.00 for Section 137 payments were made in 2019/2020. So far in 2020/21 payments of £750 have been made and this remains within the permitted limits for the Parish Council. The amount allowed per parishioner for 2020/21 is £8.32.                                                                                                                                                                                                                                    |
| 3   | Risk Management Arrangements                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3.1 | Does a scan of the minutes identify any unusual financial activity, projects, events etc.?                                                  | Although there are no major Assets held by the Parish Council, a Financial Risk Register is completed by the Responsible Financial Officer to record any inspections carried out by the Parish Council. Financial Risk Assessment information is recorded in the Minutes of the Parish Council.                                                                                                                                                                                              |
| 3.2 | Do the Minutes record the Council carrying out any annual risk assessments? Play areas/BMX/skateparks regularity of checks & documentation? | <del>The Parish Council are currently responsible for a Play Area.</del> Yes, the latest annual risk assessment for the Playground was conducted by Nick Adams (external RPII inspector), on Aug 4 <sup>th</sup> 2020 and discussed at the October 13 <sup>th</sup> 2020 meeting (165/20).                                                                                                                                                                                                   |

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| 3.3      | Is insurance cover appropriate and adequate? Policy nos. & broker/company? Fidelity Guarantee cover level correct?                                                                                                                                                            | Standard local council policy held with AXA/Inspire policy no RGBDX6962034 from June 8 <sup>th</sup> 2020 to June 9 <sup>th</sup> 2021. Employers and Public Liability both £10m and Fidelity Guarantee cover showing £150,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 3.4      | Are internal financial controls documented and reviewed regularly?                                                                                                                                                                                                            | This initial risk assessment for financial systems' internal controls was prepared by the Internal Auditor in 2016/17 and is updated annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3.5      | Have Risk Assessments and action plans been completed to ensure that the Business of Council is continued during the COVID-19 pandemic?<br><br>Has a business continuity plan been produced to ensure that the Council can operate during unexpected or tragic circumstances? | <p>On March 24<sup>th</sup> 2020 in accordance with restrictions issued by HM Government ("HMG") the gate to the Parish Playground was padlocked and closure notices fixed to the fence.</p> <p>In early July 2020 HMG advised that playgrounds could reopen. A Risk Assessment was completed (a copy was added to the Council's website) and the playground was re-opened on July 6<sup>th</sup> 2020, revised posters were fixed to the fence and various items of equipment.</p> <p>Following the passing of enabling legislation on April 4<sup>th</sup> 2020, Zoom (virtual meeting software) was acquired to allow Parish Council meetings to be held electronically, the first meeting via this method took place on May 12<sup>th</sup> 2020.</p> <p>A Business Continuity Plan was drawn up by the Clerk and approved by all council members on March 24<sup>th</sup> 2020. This plan was updated on April 2<sup>nd</sup> 2020 to allow the use of Internet Banking for payments. A copy of the Business Continuity Plan has been added to the Council's website (in the Transparency section)</p> |
| <b>4</b> | <b>Governance</b>                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 4.1      | Has the Parish Council taken steps to ensure the implementation of the General Data Protection Regulation (GDPR)                                                                                                                                                              | The Parish Council have taken steps to ensure that the implementation of GDPR has been embedded in the practice of the Parish Council. A transparency drop down tab is held on the website to clearly shown that the Parish Council are compliant with the requirements of the regulations. The Clerk/RFO and all <i>councillors</i> have dedicated individual e-mail addresses ( <a href="mailto:xx@copythorne.org.uk">xx@copythorne.org.uk</a> )                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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| 4a  | Budgetary Controls                                                                          |                                                                                                                                                                                                                                                                                                                                                              |
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| 4.2 | Has the Council prepared an annual budget in support of its precept? Council Minute & date? | The Parish Clerk/RFO prepares the draft budget for the Parish Council each November/December which is ratified and minuted. New Forest District Council is then notified of precept requirements by end of January. The Council approved the 2020/21 precept as £23,016.00 at their meeting on January 14 <sup>th</sup> 2019 2020 (Minute reference 15d/20). |
| 4.3 | Is actual expenditure against the budget regularly reported to the Council & minuted?       | The Parish Clerk/RFO provides Council with a quarterly report for information and appropriate action is taken by the Parish Council if required. Any action taken will be minuted by the Parish Council.                                                                                                                                                     |
| 4.4 | Are there any significant and unexplained variances on budget?                              | The Parish Clerk will report significant variations to the Parish Council of large variations. Any action required will be approved by the Parish Council.                                                                                                                                                                                                   |

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| <b>5 Income Controls</b>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.1                       | Is income properly recorded and promptly banked?<br><br>Income sources received from Grants payments, Lengthsman scheme, VAT refunds and Precept payments. The Parish Clerk will bank any cheques received at Lloyds bank to pay into the bank income received by the Parish Council. A receipt of the deposit slip is held by the Parish Clerk.                                                                                                                                                                                                                                                    |
| 5.2                       | Does the precept recorded in the Cash Book agree to the DC's notification?<br><br>Yes.<br>Precept received in April 2020 and September 2020 (two instalments) and paid direct into Lloyds Current Account No 4xxxxx60.                                                                                                                                                                                                                                                                                                                                                                              |
| 5.3                       | Are security controls over cash adequate and effective?<br><br>Very infrequent cash received.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>6 Payroll Controls</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 6.1                       | Do staff salaries/wages paid agree with those approved by the Council & what is review frequency?<br><br>The payroll provision is outsourced to Easy Accountants where sufficient payroll information or documentation to ensure PAYE & National Insurance and Pension Contributions are calculated correctly and submitted to HMRC on a regular basis. The Parish Clerk has been employed by the Parish Council since 1 April 2019 and is employed for 15 hours per week. The Parish Clerk is currently paid pro rata on a set pay point.                                                          |
| 6.2                       | Are other expenses to the Clerk/staff reasonable and approved by the Council?<br><br>The claiming for the car mileage rate is set at £0.45p per mile as per HMRC rates.<br><br>Car mileage is paid to Parish Clerk when appropriate and administrative expenses are paid for Parish Council administration whilst working from home. Expenses are listed on payment schedule for approval for the Parish Council meetings.<br><br>Payment of PAYE and National Insurance Contributions are to be paid on a monthly basis. Currently the Parish Clerk is not a member of a dedicated Pension Scheme. |
| 6.3                       | Have PAYE/NIC/ Pensions been properly operated by Council as an employer? Payment frequencies/method?<br><br>Payment of PAYE and National Insurance Contributions are to be paid on a monthly basis. Currently the Parish Clerk is not a member of a dedicated Pension Scheme.                                                                                                                                                                                                                                                                                                                      |
| <b>7 Assets Controls</b>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 7.1                       | Does Council keep an Asset Register of all assets owned incl. serial nos.? Annual physical check noted?<br><br>A list of the Assets for the Parish Council is recorded on an Excel Spreadsheet. This shows the location, serial number and date purchased should be added to                                                                                                                                                                                                                                                                                                                        |

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|          |                                                                                                                                                            | the assets register where appropriate. The insured value of assets is now recorded in a separate column to enable proper reconsideration during the annual Insurance cover, renewal process.                                                                                                                                        |
| 7.2      | Are the Asset/Investments registers up to date, incl. disposals? Note all Investments held with a/c nos.                                                   | Yes, the Asset Register shows all the current asset items and was up to date as at January 31 <sup>st</sup> 2021.                                                                                                                                                                                                                   |
| 7.3      | Do asset insurance valuations agree with those in the asset register?                                                                                      | Yes.                                                                                                                                                                                                                                                                                                                                |
| <b>8</b> | <b>Bank Reconciliation</b>                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                     |
| 8.1      | Is there a Bank reconciliation for each account held? Note each A/c with bank/branch & a/c no. If relevant, review Money Market transfers & documentation. | Yes, Lloyds Bank Current Account No 4xxxxx60 and Lloyds Bank Saving Account No 5xxxxx68.                                                                                                                                                                                                                                            |
| 8.2      | Are Bank reconciliations carried out on receipt of statements & with what frequency?                                                                       | All bank accounts are reconciled monthly. A member of the Council (on a rotational basis) will sign off the bank reconciliations on a monthly basis.                                                                                                                                                                                |
| 8.3      | Are there any unexplained balancing entries in any reconciliation?                                                                                         | No, all entries were recorded correctly in the Cash Book.                                                                                                                                                                                                                                                                           |
| <b>9</b> | <b>Year-end Procedures</b>                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                     |
| 9.1      | Are Year-end, final accounts prepared on a Receipts and Payments or Income and Expenditure basis?                                                          | Receipts and Payments basis.<br>The Cash Book is extracted and circulated quarterly to Parish Councillors as part of the budget reporting and published on the website to conform to the Transparency Code Regulations 2015.                                                                                                        |
| 9.2      | Do the accounts agree with the Cash Book codings?                                                                                                          | Yes, <del>end of year 2018/19</del> 2020/21 balances as at January 31 <sup>st</sup> 2021 confirm that entries made in the cash book are accurate and agree to all bank accounts held by the Parish Council.                                                                                                                         |
| 9.3      | Is there an audit trail from underlying financial records to the accounts, for both receipts & payments?                                                   | Yes, the Parish Clerk is using a system where cross-referencing by cheque number or online payment number is used.                                                                                                                                                                                                                  |
| 9.4      | Where appropriate, have debtors and creditors been properly recorded? Are the year-end, General and Earmarked reserves held at reasonable levels?          | No Debtors and Creditors information shown for the financial year 2020/21, as done on a receipt and payments accounts basis. General Reserves (contingency) total £8191.33 and there are £16265.80 Earmarked Reserves as at March 31 <sup>st</sup> 2020 (all Reserves are held in the Lloyds Bank Savings Account detailed at 8.1). |

Risk assessment of financial systems' internal controls for Copythorne Parish Council 2020/21  
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Signed DAVID RIGBY

David Rigby, Clerk/RFO

Date FEBRUARY 9<sup>th</sup> 2021

Signed .....

Tim Light, FMAAT, Internal Auditor

Date.....