

## **Report to Saxtead Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2023**

#### **1. Introduction and Summary.**

1.1 The Internal Audit work undertaken confirmed that during the 2022/23 year the Council maintained effective governance arrangements including a robust framework of internal control and risk management. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed that the Council maintains an effective framework of financial administration and internal financial control.

1.2 By examination of the 2022/23 accounts and supporting documentation it was confirmed that the Clerk, in the role of the Council's Responsible Financial Officer, satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

1.3 The Accounts for the year confirm the following:

*Total Receipts for the year: £5,532.89*

*Total Payments in the year: £6,594.39*

*Total Reserves at year-end: £5,371.50*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures were agreed with the Clerk/RFO for display in Section 2 Accounting Statements 2022/23 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2022):</i>	<i>Box 1: £6,433</i>
<i>Annual Precept 2022/23:</i>	<i>Box 2: £5,147</i>
<i>Total Other Receipts:</i>	<i>Box 3: £386</i>
<i>Staff Costs:</i>	<i>Box 4: £3,250</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,344</i>
<i>Balances carried forward (31 March 2023):</i>	<i>Box 7: £5,372</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £5,372</i>
<i>Total fixed assets:</i>	<i>Box 9: £4,965</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2022/23 within the AGAR.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan. Comments and any recommendations arising from the review are made below.

**2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation).**

2.1 The Annual Parish Council meeting took place on 12 May 2022. The first item of Parish Council business was the Election of a Chair, as required by the Local Government Act 1972.

2.2 The Council formally re-appointed Mrs Lydia Kirk as the Council's RFO at its meeting on 12 May 2022 and nominated Councillors to act as the Council's Representatives (Minute 9 refers).

2.3 The Council's Standing Orders reflect the model Standing Orders published by the National Association of Local Councils (NALC). The Standing Orders were reviewed and approved by the Council at its meeting on 12 May 2022 (Minute 13a refers). A copy has been published on the Council's website. NALC has published amendments at Section 18 (item f) of the model Standing Orders 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.

2.4 Financial Regulations are in place and reflect the model Financial Regulations and guidance published by NALC. The Regulations were reviewed and approved by the Council at its meeting on 12 May 2022 (Minute 13c refers). A copy has been published on the Council's website. NALC has 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 the footnote to item 11.1 (c) can be included at the Council's next review of Financial Regulations.

2.5 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council.

2.6 The Council maintains a range of formal policies and procedures which are published on the Council's website. These include a Freedom of Information Policy, a Publication Scheme, Disciplinary Procedure and a Protocol for Recording Meetings.

2.7 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under Data Protection legislation (Registration ZA319355, expiring 18 March 2024 refers). The Council has adopted and maintains a Data Protection Policy and a Privacy Notice to assist compliance with the General Data Protection Regulations (GDPR).

2.8 At the meeting on 10 May 2022 the Council received the new Local Government Association (LGA) Model Councillor Code of Conduct. The Council agreed to adopt the Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. A copy of the Code has been published on the Council's website.

2.9 A Website Accessibility Statement has been published by the website host Suffolk Cloud on the Council's website to assist with compliance with the Website Accessibility Regulations.

2.10 NALC has recently recommended local councils to consider registering their website with an official .gov.uk domain name with councillor email addresses linked to that domain name. The Council decided at its meeting on 8 March 2023 that the matter would be considered after the election in May 2023.

**3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting*).**

3.1 The Cashbook Spreadsheet was found to be well referenced and facilitates an audit trail to the Bank Statements, on-line payments and the financial information prepared by the Clerk/RFO. A sample of invoices and vouchers supporting Payments was examined and found to be in order.

3.2 No payments were recorded as having been made under the Local Government Act 1972 (Section 137).

3.3 VAT payments are tracked and separately identified in the Spreadsheet. Re-claims are regularly made to HMRC for the VAT paid. A re-claim to HMRC for £374.33 VAT paid during the period 1 February 2022 to 31 January 2023 was submitted to HMRC on 8 February 2023, received at bank on 13 February 2023 and reported to Council at its meeting on 8 March 2023.

3.4 An Analysis of Variances (explaining significant differences in receipts and payments between the years 2021/22 and 2022/23) has been prepared by the Clerk/RFO for publication on the Council's website.

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

4.1 Bank Reconciliations were presented to the Council by the Clerk/RFO during the 2022/23 year of account.

4.2 The bank statements for the Barclays Community (Current) Account and the Barclays Business Premium (Deposit) Account (both as at 31 March 2023) reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

**5. 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*).**

5.1 End-of-Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.

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

6.1 At its meeting on 12 May 2022 the Council reviewed the Statement of Internal Control and considered the Statement to be fit for purpose and effective (Minute 13d refers).

6.2 The Council's Assets Risk Assessment and the Financial Risk Assessment documents were reviewed and adopted by the Council at the meeting held on 12 May 2022 (Minutes 13e and 13f refer). A minor amendment was made to the Financial Risk Assessment to include provision for online bank payments when authorised by two mandates. Both Risk Assessment documents have been published on the Council's website.

6.3 The Council accordingly complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires a review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, with the review suitably Minuted.

6.4 Insurance was in place for the year of audit. At its meeting on 12 May 2022 the Council reviewed the insurance policy in place at that time and considered it fit for the Council's needs. The insurance policy for 2022/23 was discussed at the meeting on 7 September 2022 in the light of the letter from Community Action Suffolk (CAS) Insurance advising that the current scheme provider had pulled out of the Council's long-term undertaking. The Clerk/RFO had obtained two comparable insurance quotations which cover the Council's fixed assets and provide Public Liability, Employers Liability and Fidelity Guarantee insurance cover. The Council accepted the quotation of £329.67 from CAS (Minute 9 refers).

6.5 The insurance cover is provided by Ansvar Insurance over the period 1 October 2022 to 30 September 2023. Employers Liability cover and Public Liability cover each stand at £10m. The Councillor/Employee Dishonesty (Fidelity Guarantee) cover stands at £25,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

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

Precept 2022/23: £5,147 (13 January 2022, Minute 8ii refers).

Precept 2023/24: £5,000 (11 January 2023, Minute 10 refers).

7.1 The Budget and Precept for the year 2022/23 was considered and agreed by the Council at its meeting on 13 January 2022. The Precept decision and amount have been clearly Minuted.

7.2 Similarly, the Budget for the year 2023/24 was considered in detail and agreed by the Council at its meeting on 11 January 2023. The Precept decision and amount have been clearly Minuted.

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

7.4 Examination of the accounts and supporting documentation confirmed that the Council prepares detailed estimates of the annual budget and of receipts and payments. The estimates were used effectively for financial control and budgetary control purposes during 2022/23. The Clerk/RFO presented to Council year-to-date reports on payments and receipts, detailing spending compared to budget.

7.5 The Overall Reserves at the year-end totalled £5,371.50 of which £1,168.61 is earmarked as follows:

Amenity Fund:	£53.61
Election Fund:	£500.00
Asset Maintenance:	£440.00
Jubilee/Coronation Fund:	£175.00

7.6 The General Reserves (Overall Reserves less Earmarked Reserves) accordingly totalled £4,202.89 as at 31 March 2023 and is in line with the generally accepted position that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (the JPAG Proper Practices Guide, Item 5.33 refers).

7.7 As at 31 March 2023 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

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

8.1 Receipts are reported to the Council and recorded in the Minutes of the Council's meetings. Receipts recorded in the Cashbook Spreadsheet consisted of the Precept (£5,147.00), VAT Refund from HMRC (£374.33) and Bank Interest Received (£11.56).

## **9. Petty Cash (*Associated books and established system in place*).**

9.1 A Petty Cash system is not in use. An expenses system is in place, with on-line payments being made out for expenses incurred.

## **10. Transparency Code (*Compliance for smaller councils with income/expenditure under £25,000*).**

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

10.2 The Council's website is: <http://saxtead.suffolk.cloud/parish-council/>

10.3 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Payments included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2021/22 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2021/22 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report within 2021/22 AGAR Annual Return. Published on website.*
- e) *List of councillor or member responsibilities. Published on website.*
- f) *The details of public land and building assets (Asset Register). Published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

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

10.5 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. The Internal Auditor was able to confirm that the document for the year 2021/22 was readily accessible on the Council's website and displayed the Date of Announcement, Details of Person to contact to view the accounts, Dates of Inspection Period and the Details of the person making the announcement.

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

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

11.1 Payroll Services are operated by the Suffolk Association of Local Councils (SALC) on behalf of the Council in accordance with HMRC requirements. Detailed payslips are produced. A copy of the End-of-Year form P60 for the Clerk/RFO was presented to the Internal Auditor. The Council displays good practice in using the services of a third party to calculate Pay and PAYE amounts. SALC performs this service for a reasonable cost.

11.2 At its meeting on 9 November 2022 the Council was advised by the Clerk/RFO of the national salary award to local government officers and noted that the new rates of pay under the NJC/NALC agreement are to be backdated to 1 April 2022. The award was at the rate of £1 per hour within each scale point plus 1 day permanent additional annual leave entitlement (Minute 6 refers).

11.3 With regard to the legislation attached to workplace pensions, the Internal Auditor's records show that the Council offered the present Clerk/RFO a workplace pension on 16 January 2018. The Clerk/RFO informed the Council on 16 February 2018 that she did not wish to enter into an optional scheme at that time.

11.4 The Clerk/RFO advised the Council on 12 May 2022 that a re-declaration of compliance has to be submitted no later than January 2023 to the Pensions Regulator to comply with the Pensions Act 2008. At the meeting on 9 November 2022 the Clerk/RFO reported to the Council that she had completed the Council's re-enrolment obligations and received written confirmation of this from the Pensions Regulator (Minute 17i refers). (The re-declaration of compliance confirms to the Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

**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 An Asset Register is in place. The Council reviewed the Register at its meeting on 12 May 2022 (Minute 13b refers).

12.2 The Council noted at its meeting on 9 November 2022 that whilst the Council owns few physical assets, these are reviewed and noted at each Annual General Meeting of the Council and that the Chair carries out monthly risk assessments of assets such as the noticeboards, benches and goal posts. Similarly, a nominated Councillor carries out weekly checks on the defibrillator and a Councillor agreed at the meeting on 9 November 2022 to carry out the monthly risk assessments for the Council's assets at Little Green (Minute 16 refers).

12.3 The Asset Register as at 31 March 2023 displays a value of £4,965.02, unchanged from the value at the end of the previous year. A copy of the Register has been published on the Council's website. The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

**13. Internal Financial Controls, Payments Controls and Audit Procedures (*Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented*).**

13.1 The Council has satisfactory internal financial controls in place. Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provides financial reports to Council meetings, including details of bank statements and bank reconciliations.

13.2 The Council demonstrates good financial practice through the appointment of an Examining Councillor who undertakes routine examination of bank statements and confirmation of the bank reconciliations prepared by the Clerk/RFO.

13.3 Receipts and Payments are listed in the Council's Minutes as part of the overall financial control framework. The Clerk/RFO presents to the Council the Year-to-Date Receipts and Payments Account details.

13.4 The Council operates on-line banking. The Clerk/RFO confirmed that the Council operates payments in accordance with the procedure agreed by the Council at its meeting on 9 September 2021, with nominated Councillors having access to online banking and all payments being authorised by two mandates. At the meeting in September 2021 the Council agreed changes to the Financial Regulations with regards to online bank payments and confirmed that the Clerk/RFO would have 'view only' online access to the bank accounts. The Clerk/RFO sends the approved invoices to the Councillor mandates, one of whom would initiate the online payments to be authorised by the second Councillor mandate.

13.5 In addition, the audit confirmed that (a) Cashbook reference numbers are noted on the paid invoices/vouchers to assist the verification of the payment and (b) Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made.

13.6 The Council reviewed the Internal Audit report for the previous year (2021/22) at the meeting held on 12 May 2022 (Minute 12 refers). No issues of concern had been raised in the Report.

**14. External Audit (*Recommendations put forward/comments made following the annual review*).**

14.1 An External Audit was not required in the year 2021/22. At its meeting on 12 May 2022 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year (Minute 11d refers). The Clerk/RFO reported to Council on 6 July 2022 that the External Auditors had confirmed their receipt of the Certificate of Exemption for the year ending 31st March 2022, which accordingly concluded the 2021/22 audit requirements.

14.2 Similarly, as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2023, the Council is able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Council can accordingly prepare a Certificate of Exemption from a Limited Assurance Review for the year 2022/23, for submission within the due date to PKF Littlejohn LLP.

**15. Additional Comments.**

15.1 I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**19 April 2023**