

## **Report to Earl Stonham Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2022**

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

1.1 The Internal Audit work undertaken confirmed that during the 2021/22 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 2021/22 accounts and supporting documentation it was confirmed that the Clerk, in the role of the Council's Responsible Financial Officer (RFO), undertook the administration of the Council's financial affairs to a high standard and produced all necessary 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: £11,685.55*

*Total Payments in the year: £11,575.62*

*Total Reserves at year-end: £7,007.17*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2021/22 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £6,897</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £6,557</i>
<i>Total Other Receipts:</i>	<i>Box 3: £5,128</i>
<i>Staff Costs:</i>	<i>Box 4: £2,721</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £8,854</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £7,007</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £7,007</i>
<i>Total fixed assets:</i>	<i>Box 9: £8,271</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 2021/22 within the AGAR.

1.6 All documents were very well presented for the Internal Audit.

1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control. 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 5 May 2021. The first item of business was the Election of a Chair, as required by the Local Government Act 1972. The meeting was held online via Zoom Video Conferencing as permitted in the Local Authorities and Police Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England and Wales) Regulations 2020.

2.2 Standing Orders and Financial Regulations are in place. The Council reviewed, approved and adopted both Standing Orders and Financial Regulations at the meeting on 7 March 2022 (Minute ES129/21/22a refers). The documents are in line with the latest model Standing Orders and Financial Regulations and guidance published by the National Association of Local Councils (NALC).

2.3 The Council continued to apply the General Power of Competence (GPOC). At its meeting on 16 May 2019 the Council declared that it was an eligible Council to use the GPOC, having at least two-thirds elected Councillors and a suitably qualified Clerk, and adoption of the Power was agreed (Minute ES14/19/20 refers).

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

2.5 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA291180, expiring 9 November 2022). A Data Protection and Information Security Policy and a Publication Scheme document are in place. Both documents have been published on the Council's website.

2.6 At its meeting on 1 July 2019 the Council adopted the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area (Minute ES48/19/20 refers).

2.7 In response to the website accessibility regulations which came into effect in September 2020, the Council has published a Website Accessibility Statement which details what the Council has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible and contact details to report accessibility problems

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

3.1 The Cashbook Spreadsheet was found to be in good order and well presented.

3.2 The Spreadsheet is well referenced and provides an audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. A sample of transactions was closely examined and was found to be in order with supporting invoices/vouchers in place.

3.3 Re-claims for VAT paid are regularly submitted to HMRC. A re-claim to HMRC of £1,066.54 for the VAT paid during the year 2020/21 was received at bank on 19 May 2021 and reported to Council on 29 June 2021. Similarly, a re-claim of £513.36 VAT paid in the year 2021/22 was submitted to HMRC on 6 April 2022.

3.4 A Statement of Variances (explaining significant differences in receipts and payments between the years 2020/21 and 2021/22) has been prepared by the Clerk/RFO for publication on the Council's website.

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

4.1 The Council's Internal Control Measures and Risk Management arrangements were reviewed and approved by the Council at its meeting on 7 March 2022 (Minute ES129/21/22a refers). The documents provide detailed analysis of the financial and other risks faced by the Council and the control measures in place to mitigate the risks identified.

4.2 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.

4.3 Insurance was in place for the year of account. The Council approved the insurance premium payment of £257.60 to Zurich Municipal Insurance at the meeting on 1 November 2021. The cover runs from 1 October 2021 to 30 September 2022. Employer's Liability cover and Public Liability cover each stand at £10m. The Fidelity Guarantee cover (Councillors and Employees) stands at £25,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

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

Precept 2021/22: £6,557.00

Precept 2022/23: £6.808.00

5.1 The Draft Budget for 2021/22 was considered and approved by the Council at its meeting on 2 November 2020 (Minute ES037/20/21iv refers). The Final Budget and a Precept of £6,557 was formally approved by the Council at its meeting on 19 January 2021. The precept decision and amount have been clearly Minuted (Minutes ES061/20/21v refers).

5.2 Similarly, the Draft Budget for 2022/23 was considered and approved by the Council at its meeting on 1 November 2021 (Minute ES77/21/22d refers). The Final Budget was agreed by the Council at its meeting on 12 January 2022 and a Precept of £6,808 was approved. The precept decision and amount have been clearly Minuted (ES100/21/22e refers).

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. The Council has sound budgetary procedures in place. The Clerk/RFO prepared detailed estimates of the annual budget and of receipts and payments for the year 2020/21.

5.4 The Clerk/RFO presented a Budget Monitoring Report to the meeting of the Council on 6 September 2021 as part of the overall budgetary control operating within the Council. The Council agreed that a Budget Monitoring report should be received at every Parish Council meeting in order for the Budget to be monitored on a regular basis.

5.5 As at the 31 March 2022 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Reserves at the year-end totalled £7,007.17, all of which are held as General Reserves (the Clerk/RFO confirmed there were no reserves earmarked for special projects). The General Reserves are 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 5.32 refers).

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

6.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced on a sample basis with the Council's Bank Statements and were found to be in order.

6.2 The Council recognises that it has a duty to apply appropriate fees and charges for its facilities. The Council agreed at its meeting on 1 March 2021 that an increase in Allotment Rents should be applied each year in line with the Consumer Price Index

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(CPI) with effect from September 2021 and each year thereafter (Minute ES087/20/21 refers). The Clerk confirmed at the meeting on 29 June 2021 that she had sent letters to all tenants informing them of an increase in rent as from October 2021 in line with the Consumer Price Index (Minute ES41/21/22 refers).

6.3 At the Council's meeting on 1 November 2021 the Clerk/RFO reported that all allotments had received their annual inspections and all were being well maintained. Invoices had been sent out to all tenants.

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

7.1 A Petty Cash system is not in use; an expenses system is in place with electronic payments being made for expenses incurred.

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

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

8.2 The Council's website is: <http://www.earlstonham.org.uk/>

8.3 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Payments published.*
- b) *Annual Governance Statement: 2020/21 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2020/21 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report: 2020/21 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.*

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

8.5 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 required the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. The Internal Auditor was able to confirm that the document for the year 2020/21 was readily accessible on the Council's website and displayed the Date of Announcement, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.6 The remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis

of variances) were confirmed at the date of the audit as being easily accessible on the Council's website.

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

9.1 The Council is registered with HMRC and the Payroll is being operated in-house in accordance with HMRC requirements. PAYE is in operation.

9.2 A Contract of Employment dated 1 January 2017 is in place between the Council and the Clerk/RFO and confirms the starting salary and hours of work under the employment, which commenced on 1 January 2017.

9.3 In March 2019 the Council considered the grading of the Clerk/RFO's post with reference to the national pay scales. It was noted that the Clerk/RFO had gained a Certificate in Local Council Administration (CILCA) and it was agreed that the post be confirmed at SCP 25 (SCP 17 under the revised salary scales) (Minute ES153/18/19 refers).

9.4 At its meeting on 7 March 2022 the Council considered the grading of the Clerk/RFO's post with reference to the national pay scales. It was noted that it was appropriate to reflect the experience and expertise of the Clerk, her CILCA qualification and recognise that she was also the Responsible Financial Officer. The Council agreed that the position of the Clerk/RFO should be at LC1 Point 22 with effect from 1 April 2022 (at 19.5 paid hours per month).

9.5 An Office Allowance is payable to the Clerk/RFO. The Council noted at its meeting on 5 May 2021 that the amount of office allowance recommended by SALC to be paid to a Clerk/RFO had been increased to £26 per month. The Council agreed that the Office Allowance should be raised to £26 per month (Minute ES20/21/22a refers).

9.6 With regard to the workplace pensions legislation, the Council wrote to the Clerk/RFO on 2 May 2017 outlining the scheme and the criteria and confirmed that Mrs Blackburn did not become a member of the scheme automatically but had the option to join the scheme. Mrs Blackburn decided not to join the scheme at that time.

9.7 The Pensions Regulator has confirmed that the Council submitted on 25 March 2020 a re-declaration in compliance with the requirements of the Pensions Act 2008. (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).

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

10.1 An Asset Register is in place. The total value of £8,271.38 as at 31 March 2022 displays a net decrease of £151.95 from the value of £8,423.33 as at 31 March 2021 and reflects the addition of a Lockable Cupboard (£55.20), Printer (£91.85) and the Multi-Court (at a nominal/community value of £1) and the disposal of an old Printer (£300).

10.2 The Multi-Court had not previously been included in the Asset Register. The Clerk/RFO confirmed that the asset was transferred to the Council at no charge several years ago and has now been brought into the Register at a nominal/community value to record the Council's ownership of the asset.

10.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at purchase cost (where known) or a proxy value or nominal value in appropriate cases. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

11.1 The Clerk/RFO presents completed Bank Reconciliations to Council meetings. The Council demonstrates good financial practice by receiving and verifying a completed Reconciliation at each meeting of the Council.

11.2 The Bank Statements for the TSB Current Account (£2,497.50) and the TSB Savings Account (£4,509,67) as at 31 March 2022 reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

**12. Year End procedures (*Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate*).**

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

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

13.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings. Councillors are provided with

information to enable them to make informed decisions. The Council receives details of the financial position of the Council, including the balance of the accounts, payments for authorisation and receipts since the last meeting.

13.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. Payments have largely been made through internet banking. The Clerk/RFO is the Service Administrator, who initiates payments which are then authorised by two Parish Councillors before payment is released. The procedure is documented in the Council's Financial Regulations.

13.3 The Internal Audit Report for the previous year, 2020/21. was received and noted by the Council at its meeting on 29 June 2021 (Minute ES38/21/22d refers). The Report put forward the recommendation that the Council should clarify the status of the Multi-Court and determine whether it should be included in the Asset Register, possibly at a nominal community value, and confirm that it is included in the Council's current insurance cover. The issue was discussed by the Council at its meeting on 6 September 2021. The Clerk/RFO explained that whilst the Parish Council had public liability insurance cover, the Multicourt itself was not on the Asset Register and not covered for any damage. The Council agreed that the court itself did not need insurance and it should be listed in the Asset Register as gifted to the Council in April 2016 with a nominal/community value displayed in the Register (Minute ES64/21/22 refers).

13.4 The Internal Auditor for the 2021/22 year was appointed by the Council at the meeting held on 7 March 2022 (Minute ES128/21/22f refers).

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

14.1 An External Audit was not required in the year 2020/21. At its meeting on 29 June 2021 the Council approved the Certificate of Exemption from a Limited Assurance Review and agreed that it should be signed by the Chair and the Clerk/RFO (Minute ES38/21/22c refers).

14.2 For the year 2021/22 the Council may similarly apply for Exemption from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account. At its meeting on 7 March 2022 the Council noted that these arrangements would apply for the 2021/22 year (Minute ES128/21/22g refers).



**15. Additional Comments.**

15.1 I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work. I would particularly like to commend the Clerk/RFO for presenting the Council's documents for audit in a careful and orderly manner.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**24 May 2022**