

## **Report to Earl Stonham 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 (RFO), satisfactorily undertook the administration of the Council's financial affairs 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: £13,392.07*

*Total Payments in the year: £13,011.14*

*Total Reserves at year-end: £7,388.10*

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 2022/23 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2022):</i>	<i>Box 1: £7,007</i>
<i>Annual Precept 2022/23:</i>	<i>Box 2: £6,808</i>
<i>Total Other Receipts:</i>	<i>Box 3: £6,584</i>
<i>Staff Costs:</i>	<i>Box 4: £3,893</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £9,118</i>
<i>Balances carried forward (31 March 2023):</i>	<i>Box 7: £7,388</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £7,388</i>
<i>Total fixed assets:</i>	<i>Box 9: £7,761</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 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 9 May 2022. The first item of business was the Election of a Chair, as required by the Local Government Act 1972. The Council also appointed representatives to outside bodies at the meeting.

2.2 Standing Orders are in place and were reviewed, approved and adopted by the Council on 6 March 2023 (Minute ES148/22/23b refers). The National Association of Local Councils (NALC) has published amendments at Section 18 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.

2.3 Financial Regulations are in place and were also reviewed, approved and adopted by the Council at the meeting on 6 March 2023 (Minute ES148/22/23b refers). 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.

2.4 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).

2.5 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council. Each page of the Minutes is signed/initialled by the Chair of the meeting at which the Minutes are approved.

2.6 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 2023). 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.

2.7 At the meeting on 9 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.

2.8 The Council demonstrates good practice by publishing a Website Accessibility Statement in accordance with the website accessibility regulations. The Statement includes technical information about this website's accessibility.

**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 being submitted to HMRC. A re-claim to HMRC of £513.36 for the VAT paid during the year 2021/22 was received at bank on 4 May 2022 and reported to Council on 27 June 2022. Similarly, a re-claim of £664.44 VAT paid in the year 2022/23 was submitted by the Clerk/RFO to HMRC on 11 April 2023.

3.4 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2023 has been prepared by the Clerk/RFO. The Report displays the balance of £0.00 brought forward from previous years, the CIL Receipts of £13.36 in the year and CIL Payments of £0.00. A balance of £13.36 was accordingly retained at the end of the year as a Restricted Reserve.

3.5 A Statement 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 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.

4.2 The Bank Statements for the TSB Current Account (£2,351.43) and the TSB Savings Account (£5,036.67) 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 Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*).**

6.1 The Council's Internal Control Measures and Risk Management arrangements were reviewed and approved by the Council at its meeting on 6 March 2023 (Minute ES148/22/23a 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.

6.2 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.

6.3 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 5 September 2022. The cover runs from 1 October 2022 to 30 September 2023. 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.

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

Precept 2022/23: £6,808.00

Precept 2023/24: £7,330.00

7.1 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).

7.2 At the meeting on 7 November 2022 the Council noted that the tax base had yet to be received from the District Council and agreed that the Draft Budget be agreed once the tax base was available and calculations made. The Final Budget for 2023/24 was considered and approved by the Council at its meeting on 9 January 2023 (Minute ES122/22/23d refers). The Precept of £7,330 was also formally approved by the Council at the meeting on 9 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. 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 2022/23.

7.4 The Clerk/RFO presents Budget Monitoring Reports to meetings of the Council as part of the overall budgetary control operating within the Council.

7.5 As at the 31 March 2023 the Overall Reserves totalled £7,388.10, of which £13.36 is the Restricted Reserve of CIL Funds.

7.6 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) as at 31 March 2023 accordingly totalled £7,374.74 and 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 5.33 refers).

7.7 As at the 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 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.

**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 electronic payments being made 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, Earl Stonham can be designated as a 'Smaller Council'.

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

10.3 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.

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 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 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 and the Details of the person making the announcement. However, the Heading of the Notice refers to the year ended 31 March 2021 (and not the year ended 31 March 2022) and Item 2 of the Notice similarly states documents are available for the year ended 31 March 2021 (and not 31 March 2022).

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 at the date of the audit as being 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 The Council is registered with HMRC and the Payroll is being operated in-house in accordance with HMRC requirements. PAYE is in operation.

11.2 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.

11.3 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) and was in force as at 31 March 2023.

11.4 An Office Allowance is payable to the Clerk/RFO at the amount recommended by SALC.

11.5 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.

11.6 The Pensions Regulator confirmed that the Council submitted on 25 March 2020 a re-declaration in compliance with the requirements of the Pensions Act 2008. A further re-declaration by the Council may now be required. (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 and was last reviewed by the Council at the meeting on 9 May 2022. The Clerk/RFO advised the Internal Auditor that the Register is to be presented to Council for approval at its meeting in May 2023.

12.2 The total value of £7,760.56 as at 31 March 2023 displays a net decrease of £510.82 from the value of £8,271.38 as at 31 March 2022 and reflects the addition of a Dog Bin at Larters Lane (£128.18) and the disposal of a Street Light (Unit 13 – VH) (£639).

12.3 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.

**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 were made in the year of account 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 (item 6.15 et seq.)

13.3 The Internal Audit Report for the previous year, 2021/22, was received and noted by the Council at its meeting on 27 June 2022 (Minute ES45/22/23i refers).

13.4 The Internal Auditor for the 2022/23 year was appointed by the Council at the meeting held on 6 March 2023 (Minute ES147/22/23d refers).

**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 27 June 2022 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 ES45/22/23h refers).

14.2 For the year 2022/23 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 6 March 2023 the Council noted that these arrangements would apply for the 2022/23 year (Minute ES147/22/23e 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**

**28 April 2023**