

## **Report to The Saxhams 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 satisfactory framework of financial administration and internal control. This Internal Audit review has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.2 By examination of the 2021/22 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), satisfactorily undertook the administration of the Council's financial affairs and produced adequate 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: £7,268.81*  
*Total Payments in the year: £7,867.58*  
*Total Reserves at year-end: £9,384.19*

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 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £9,983</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £6,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,269</i>
<i>Staff Costs:</i>	<i>Box 4: £1,927</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £5,941</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £9,384</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £9,384</i>
<i>Total fixed assets:</i>	<i>Box 9: £20,652</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.5 Sections 1 and 2 of the AGAR for the year ending 31 March 2022 are due to be approved at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2021/22 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 20 May 2021. The first item of Parish Council business was the Election of a Chairman, as required by the Local Government Act 1972.

2.2 Standing Orders are in place and were reviewed and approved by the Council at the meeting held on 23 September 2021. The Standing Orders reflect the model document published by the National Association of Local Councils (NALC) in July 2018. A copy has been published on the Council's website. NALC has since published revised Model Standing Orders (entitled 2018 revised 2020) with amendments at Section 18 (items f and g) to reflect the changes in the thresholds for public service/supply and public works contracts. These amendments should be included at the Council's next review of Standing Orders.

2.3 Financial Regulations are in place and were reviewed and approved by the Council at the meeting held on 23 September 2021. The Financial Regulations are in need of updating in line with the latest model Financial Regulations published by NALC.

**Recommendation 1: The Council should review its Financial Regulations during the year 2022/23 to ensure that they reflect the latest model documents and legislative guidance issued by the National Association of Local Councils.**

2.4 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved.

2.5 The Council was aware during the year 2021/22 of some of the issues relating to its website. At its meeting on 24 November 2021 the Council discussed The Saxhams Website and noted that it needed to be updated regularly to ensure the Council complies with its statutory obligations and to keep residents informed about what is happening within the Parish (Minute 12 refers).

2.6 The Council is not registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services. Previous Internal Audit Reports have recommended that in view of the application of the General Data Protection Regulations from May 2018, the Council should consider registration with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under current Data Protection legislation. The cost of



Registration is currently £40 per year by cheque or £35 by direct debit. At its meeting on 14 June 2018 the Council decided that as it handled small amounts of confidential data this issue would be reviewed at a later date. The Council considered the matter again at its meeting on 29 October 2020 and remains unregistered.

2.7 The Council formally reviewed and re-adopted the Suffolk Local Code of Conduct at the meeting held on 23 September 2021. The Council demonstrates good practice by the annual review of the Code of Conduct in order that Councillors are reminded of their duties and responsibilities under the Code.

2.8 The Council has not published a Website Accessibility Statement to demonstrate compliance with the website accessibility regulations which came into force in September 2020. It is good practice for a local council to publish such a 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 or where there would be a disproportionate burden to secure full accessibility, with contact details to report accessibility problems.

**Recommendation 2: The Council should consider constructing and publishing a Website Accessibility Statement (or request the website host to publish a Statement) which will include website navigation and accessing information and disclose any areas which are exempt from the Regulations or may involve a disproportionate financial burden to achieve full 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 is maintained on a Spreadsheet and is well referenced and provides a good audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. A sample of transactions within the Cashbook was closely examined and all was found to be in order with supporting invoices/vouchers in place. **A copy of the Payslips to evidence the salary payments to the Clerk/RFO should be included in the supporting documents.**

3.2 VAT payments are separately identified and tracked within the accounts to assist future reclaims to HMRC.

3.3 Re-claims for VAT paid are regularly submitted to HMRC. A re-claim for the £412.11 VAT paid in the period to 1 April 2020 to 31 March 2021 is recorded as received on 20 August 2021 and was reported to Council on 23 September 2021.

3.4 There were no payments separately identified as being made under the Local Government Act 1972 Section 137.

3.5. A Statement of Analysis 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 At its meeting on 23 September 2021 the Council considered and approved the Risk Assessment/Financial Risk documents, which provide a comprehensive analysis of the risks faced by the Council and the internal control measures in place to mitigate the risks identified (Minute 11 refers).

4.2 The Council accordingly complied with the Accounts and Audit Regulations 2015 which require 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 the management of risk, with the review suitably Minuted.

4.3 The Council agreed at the meeting on 20 June 2019 that the Risk Assessment should include an item identifying the risks associated with non-compliance with the General Data Protection Regulations and the actions in place to mitigate the risks involved and the Chairman and Clerk agreed to make the necessary additions to the document (Minute 8 refers). This matter was identified by the Internal Auditor as still being outstanding.

4.4 The Council demonstrates good practice by regularly receiving and reviewing Play Area Reports which identify any damage incurred or other risk management issues to be addressed. At its meeting on 25 February 2021 the Council agreed to continue the arrangement with West Suffolk Council for monthly inspections at the Play Area for a further year (Minute 11 refers). The up-to-date Play Area Reports are presented to the Council and any remedial action agreed.

4.5 Insurance was in place for the year of account. At the meeting held on 23 September 2021 the Council approved the payment of £346.34 to Came and Company for the insurance cover by AXA (Minute 10 refers) for the period 1 October 2021 to 30 September 2022.

4.6 Employer's Liability cover and Public Liability cover each stand at £10m. and Fraud and Dishonesty cover stands at £150,000, 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 received.

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

5.1 The Saxhams Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://thesaxhams.onesuffolk.net/>

5.2 Smaller Councils should publish on their website:



- a) *All items of expenditure above £100. Published on website.*
- 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 within 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). Asset Register published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Minutes of the Council meetings in 2021/22 have been published but not in all cases.*

5.3 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 appropriate form was published on the Council's website. The period listed on the published form was from 1 July 2021 to 11 July 2021 (the latter clearly being a typing error and meant to be 11 August 2021). The Clerk/RFO confirmed that the Inspection Period was in force up to and including 11 August 2021.

5.4 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 being easily accessible on the Council's website.

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

Precept 2021/22: £6,000 (26 November 2020, Minute 10 refers).

Precept 2022/23: £6,000 (24 November 2021, Minute 10 refers).

6.1 The precepts were agreed in Full Council and the precept decision and amount have been Minuted. The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

6.2 Good budgetary procedures are in place. Examination of the accounts and supporting documentation confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments for the years 2021/22 and 2021/22.

6.3 The level of Reserves as at 31 March 2022 amounted to £9,384.19 and were sufficient to meet, within reason, any unforeseen items of expense that may occur.



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

7.1 Receipts recorded in the Cashbook were cross referenced with the bank statements on a sample basis and were found to be in order.

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

8.1 No Petty Cash is held; an expenses system is in place.

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

9.1 Payroll Services are being operated in accordance with HMRC regulations. The P60 End of Year Certificate for the Clerk/RFO was presented to the Internal Auditor.

9.2 A Contract of Employment dated 11 October 2017 is in place for the Clerk/RFO, who was paid at NJC Scale Point 8 for 3 hours work per week in the year 2021/22.

9.3 At the meeting on 25 February 2021 the Council discussed the Pension arrangements for the Clerk/RFO, who was asked to proceed with entry into the Local Government Pension Scheme commencing 2021/22 (Minute 3 refers).

9.4 With regard to the legislative requirements relating to workplace pension schemes, the Council is registered with the Pensions Regulator. A re-declaration of compliance was submitted by the Council to the Pensions Regulator on 25 February 2020 under 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 and displays a total value of £20,652 as at 31 March 2022 (unchanged from the value as at the end of the previous year, 31 March 2021).

10.2 The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. The Register displays assets at purchase cost or, where the original purchase price is unknown, a proxy value is recorded which will remain unchanged until disposal.

10.3 The value of the assets as at 31 March 2022 has been correctly recorded in Box 9 of the AGAR Annual Return 2021/22.



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

11.1 The Council demonstrates good financial practice by considering and agreeing a Bank Reconciliation at meetings of the Council.

11.2 The bank statements as at 31 March 2022 for the HSBC Community (Current) Account (£3,671.44) and the HSBC Business Money Manager Account (£5,824.35) reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation, taking into account the unrepresented cheque 100409 for £111.60 at the year end.

**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, including bank reconciliations. Details of payments made, and to be made, are presented to Council for ratification/approval and included in the Council's Minutes as part of the overall financial control framework. Income received is also reported to the Council.

13.2 Cheque book counterfoils are being initialled in most, but not all, cases. It is a requirement under the Council's Financial Regulations that Cheque Signatories sign or initial the cheque counterfoils in verification of the payment made.

**Recommendation 3: The Council should ensure that when cheques are signed by Signatories, the counterfoils of each cheque are also signed or initialled by cheque signatories to meet the financial control requirements listed within the Council's Financial Regulations (item 5.5).**

13.3 The Council formally appoints Cheque Signatories, including additional Signatories appointed during the year, and the action taken is Minuted. The Council noted at its meeting on 24 November 2021 that enquiries were under way regarding the setting up of internet banking for the Council.



13.4 The Internal Audit report for the previous year (2020/21) was received by the Council at its meeting on 24 June 2021 (Minute 10 refers).

13.5 The Council formally appointed the Internal Auditor for the 2021/22 year at its meeting on 16 February 2022 (Minute 10 refers).

**14. External Audit (*Exemption Certificate completed. Any recommendations put forward/comments made by External Auditors following the annual review*).**

14.1 An External Audit was not required in the year 2020/21. As the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2021, at the meeting on 24 June 2021 the Council was able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Annual Governance and Accountability Return (AGAR) 2020/21 was also approved at the meeting held on 24 June 2021.

14.2 Similarly, an External Audit will not be required in respect of the year 2021/22 and the Council will be able to complete a Certificate of Exemption from a Limited Assurance Review for the year 2021/22 for submission 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**

**27 June 2022**