

Report to Somersham Parish Council

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

1. Introduction and Summary.

1.1 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 currently 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 post, in the role of the Council's Responsible Financial Officer (RFO), is satisfactorily undertaking the administration of the Council's financial affairs and is producing 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: £62,356.74
Total Payments in the year: £25,683.62
Total Reserves at year-end: £54,132.56

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: £17,459 * Note 1</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £17,308</i>
<i>Total Other Receipts:</i>	<i>Box 3: £45,049</i>
<i>Staff Costs:</i>	<i>Box 4: £3,256</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £6,517</i>
<i>All Other payments:</i>	<i>Box 6: £15,910</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £54,133</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £54,133</i>
<i>Total fixed assets:</i>	<i>Box 9: £14,664</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

** Note 1: The Carried forward balance as at 31 March 2021 has been re-stated because the 2020/21 accounts included an amount of £8.50 which relates to income due to another organisation. Accordingly, the comparative year 2020/21 has re-stated figures for Box 3 (£1,148) and Boxes 7 and 8 (£17,459).*

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 Mr Rod Caird was in post as the Council's Clerk/RFO at the beginning of the year 2021/22. Mr Caird sadly passed away in October 2021. The Council met on 3 November 2021 and a Councillor acted as Clerk during the first part of the meeting. Mrs Jennie Blackburn was later formally appointed in the meeting as the Council's Clerk/RFO (Minute SPC6/031121 refers).

2.3 Standing Orders are in place and were considered and approved by the Council at its meeting on 2 March 2022 (Minute SPC9/020322b refers).

2.4 Financial Regulations are also in place The Council reviewed, approved and adopted the Financial Regulations at the meetings on 1 September 2021 (Minute 12/010921 refers) and on 2 March 2022 (Minute SPC9/020322b refers)

2.5 Both the Standing Orders and Financial Regulations are in line with the latest model Standing Orders and Financial Regulations and guidance published by the National Association of Local Councils (NALC).

2.6 The Council resolved to adopt the General Power of Competence (GPoC) at its meeting on 5 January 2022. Having declared that it was an eligible Council to use the GPoC, having at least two-thirds elected Councillors and a suitably qualified Clerk, the adoption of the Power was agreed (Minute SPC9/050122 refers).

2.7 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council. It was noted that there were no Minutes available for the meeting on 6 October 2021 due to the passing of Mr Caird.

2.8 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA226040, expiring 11 January 2023). The Council's contact details are up to date within the registration. The Council approved the registration fee for the forthcoming year at the meeting on 1 December 2021. The Council's compliance with the General

Data Protection Regulations (GDPR) is supported by a Data Protection Policy and a Document Retention Policy, both of which were considered and adopted by the Council at its meeting on 2 March 2022. A copy of the documents has been published on the Council's website.

2.9 To support the Council's compliance with the Freedom of Information legislation, at its meeting on 2 March 2022 the Council considered and adopted a Publication Scheme which details the information being made available to the public. The Council's website displays a Freedom of Information Policy adopted on 1 March 2017.

2.10 A number of other Policies and Procedures have been adopted by the Council and may also require review and updating. A Training Policy, an Equal Opportunities Policy and a Complaints Procedure were adopted on 8 November 2017 and are published on the Council's website.

2.11 The Council has 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 and highlights the requirements and responsibilities placed upon each individual Councillor. A copy of the Code has yet to be published on the Council's website.

2.12 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.

2.13 The Council achieved a step-change improvement in its website during 2021/22. The Council noted at the meeting on 1 December 2021 that the website was difficult to use, not easy to navigate around and there were some areas which were not compliant with the Transparency Code. The Council gave the Clerk/RFO approval to transfer the website hosting to Suffolk Cloud to ensure the website was compliant with the regulations Parish Councils need to adhere to (Minute SPC8/011221 refers). The Suffolk Cloud hosted website is now in place.

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 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 submitted to HMRC. A re-claim to HMRC for £479.67 VAT paid during the period 1 April 2020 to 31 May 2021 was received at bank on 29 June 2021.

3.4 There was a further re-claim for the refund of £253.75 VAT paid in the year 2021/22 submitted to HMRC on 28 April 2022. This may have resulted in some duplicate re-claims to HMRC (e.g. the £25.00 VAT paid on invoice dated 14 April 2021). The Clerk/RFO has agreed to examine the re-claims to confirm if any duplicate VAT payments have been submitted to HMRC.

3.5 The Council noted at its meeting on 3 November 2021 that the final payment of £3,258.50 for the PWLB loan had been made.

3.6 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2022 has been prepared by the Clerk/RFO. The Report displays the balance of £0 brought forward from previous years, the CIL Receipts of £44,355.39 in the year, the use of £0 on projects in the year with the balance of £44,355.39 retained at the end of the year as a Restricted Reserve.

3.7 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 submission to the External Auditors and for publication on the Council's website. The Statement requires a minor amendment at Box 3 to reflect the re-stated figure for the year 2020/21.

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 2 March 2022 (Minute SPC9/020322a refers). The document provides 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 £247.49 to CAS Business Services at the meeting on 1 December 2021 (Minute SPC8/011221c refers). Both the Employer's Liability cover and the Public Liability cover stand at £10m.

4.4 The Fidelity Guarantee cover stands at £50,000 which is marginally lower than 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 (approximately £62,000 in the Council's case as at 31 March 2022).

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

Precept 2021/22: £17,308.00

Precept 2022/23: £18,187.00

5.1 The Final Budget and a Precept of £17,308 was formally approved by the Council at its meeting on 6 January 2021. The precept decision and amount have been clearly Minuted (Minutes 12/060121refers).

5.2 Similarly, the Draft Budget for 2022/23 was considered and approved by the Council at its meeting on 1 December 2021 (Minute SPC8/011221d refers). The Final Budget was agreed by the Council at its meeting on 5 January 2022 and a Precept of £18,187 was approved. The precept decision and amount have been clearly Minuted (SPC8/050122f 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 2022/23.

5.4 As at the 31 March 2022 the Overall Reserves totalled £54,132.56, of which £44,355.39 is the CIL Funds Restricted Reserve.

5.5 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) as at 31 March 2022 accordingly total £9,777.17 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 5.32 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 consisted of Precept (£17,308), Bank Interest (£0.68), CIL receipts (£44,355.39), VAT reclaim (£479.67) and Grant from MSDC Council Tax Support (£213).

6.2 The Receipts were cross referenced on a sample basis with the Council's Bank Statements and were found to be in order.

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.

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

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

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

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 for the 2020/21 year of account, as listed in the AGAR Page 1 Guidance Notes, were confirmed as 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's Payroll Services are being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. PAYE is in operation.

9.2 A Contract of Employment dated 3 November 2021 is in place between the Council and the Clerk/RFO and confirms that the employment commenced on 3 November 2021 with a starting salary at SCP 22 £14.05 per hour (£14.30 per hour following the National Salary Award) for (normally) 21 hours per month. A monthly Office Allowance of £26 is payable to the Clerk/RFO in accordance with the amount recommended by the SALC.

9.3 The previous Internal Audit undertaken confirmed that the Council submitted a re-declaration in compliance on 18 August 2020 in accordance 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 £14,664 as at 31 March 2022 displays an increase of £100 from the value at the end of the previous year (£14,564) and reflects the acquisition of a dog bin in the year of account.

10.2 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 the Council's current financial position to meetings of the Council including the balance on the accounts.

11.2 The bank statements for the Barclays Business Current Account (£47,698.38) and the Barclays Savings Account (£6,785.67) as at 31 March 2021 reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation taking into account unpresented cheques 200163 and 200164 (totalling £351.49) at that date.

11.3 Following the Clerk/RFO's appointment in November 2021 the Council applied to Barclays Bank to amend the bank mandate from the previous Clerk's details to the current Clerk/RFO. As at 31 March 2022 the account had still not been updated. However, the Clerk/RFO confirmed to the Internal Auditor that since that time the bank accounts' mandate details have been brought up to date by Barclays Bank and a separate bank account holding the CIL Funds has been opened.

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, bank reconciliations, 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. On-line banking was in operation whilst Mr Caird was in post as Clerk/RFO. Due to the delay in Barclays Bank changing the bank details to the current Clerk/RFO, online banking has not been undertaken and cheques have been prepared to settle invoices and other payments since November 2021.

13.3 The Internal Auditor confirmed that where payment has been made by cheque:

- a) A voucher number is entered on the Cashbook and each paid invoice/voucher to assist the verification of the payment.
- b) The cheque number is normally entered on the paid invoice to facilitate confirmation of the payment being correctly made
- c) Cheque Book counterfoils are initialled by Cheque Signatories in accordance with the Council's Financial Regulations.

13.4 The Internal Audit Report for the previous year, 2020/21 was provided by SALC and was received by the Council at its meeting on 1 September 2021. The Clerk/RFO in post at that time presented a list of the recommendations put forward by SALC and the Action Points to meet the recommendations (Minute 12/010921 refers).

13.5 At the meeting on 1 December 2021 the Clerk/RFO reported that the Internal Auditor's report for 2020/21 had been examined and there were outstanding issues that needed to be rectified which she would do over the coming weeks. The main item which needed immediate attention were the figures on the 2020/21 Annual Governance and Accountability Return (AGAR) which needed to be restated as per the report from the Internal Auditor. The Clerk produced the Certificate of Exemption and the Accounting Statements for 2020/21 with the restated figures. The Council approved the restated figures and the documents were signed by the Chairman and the Clerk/RFO (Minute SPC8/011221e refers).

13.6 The Internal Auditor for the 2021/22 year was appointed by the Council at the meeting held on 2 March 2022 (Minute SPC8/020322e 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 5 May 2021 the Council approved the Certificate of Exemption from a Limited Assurance Review and the Certificate was signed by the Chair and the Clerk/RFO.

14.2 For the year 2021/22 the Council requires an External Audit examination (a Limited Assurance Review) under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure exceeded £25,000 in the year of account. At its meeting on 2 March 2022 the Council noted that the external audit arrangements would be different due to the receipt of a large amount of CIL funds which had taken the Parish Council over the £25,000 threshold, thus meaning that an External Audit would be required (Minute SPC8/020322f 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.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

24 May 2022