

Report to Somersham Parish Council

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

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 2022/23 accounts and supporting documentation it was confirmed that the Clerk, 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: £48,250.81
Total Payments in the year: £13,158.89
Total Reserves at year-end: £89,224.38

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: £54,133</i>
<i>Annual Precept 2022/23:</i>	<i>Box 2: £18,187</i>
<i>Total Other Receipts:</i>	<i>Box 3: £30,064</i>
<i>Staff Costs:</i>	<i>Box 4: £3,797</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £9,362</i>
<i>Balances carried forward (31 March 2023):</i>	<i>Box 7: £89,225</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £89,225</i>
<i>Total fixed assets:</i>	<i>Box 9: £14,664</i>
<i>Total borrowings:</i>	<i>Box 10: £0</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 4 May 2022. The first item of business was the Election of a Chair, as required by the Local Government Act 1972.

2.2 Mrs Jennie Blackburn was formally appointed at the meeting held on 3 November 2021 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 1 March 2023 (Minute SPC201/22/23b 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.

2.4 Financial Regulations are also in place The Council reviewed and approved Financial Regulations at the meeting on 1 March 2023 (Minute SPC201/22/23b 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.

2.5 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). The GPoC continues until the full Council election in May 2023.

2.6 Other than the omission to include the amount of the Precept levied for the year 2023/24, the Council's Minutes provide clear evidence of the decisions taken by the Council and are well presented.

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 (Registration ZA226040, expiring 11 January 2024). The Council approved the registration fee for the forthcoming year at the meeting on 7 December 2022. The Council's compliance with the General Data Protection Regulations (GDPR) is supported by a Data Protection and Information Security Policy (published on the Council's website) and a Document Retention Policy, both of which were considered and adopted by the Council at its meeting on 2 March 2022.

2.8 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 which is now out of date and displays incorrect contact details.

2.9 A number of other Policies and Procedures have been adopted by the Council and 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.

Recommendation 1: The Council's Policies and Procedures should be reviewed and updated as soon as practicably possible to ensure they are still fit for purpose and display up-to-date contact details.

2.10 At the meeting on 4 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.

2.11 The Council demonstrates good practice by publishing a Website Accessibility Statement in accordance with the website accessibility regulations. The Website Accessibility Statement 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 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. The Clerk/RFO agreed to make a correction to the Cashbook and the supporting vouchers regarding the record of a payment to the Duke of Marlborough Public House on 4 May 2022 as a donation towards the Jubilee Celebrations.

3.2 Re-claims for VAT paid are submitted to HMRC. A re-claim to HMRC for £253.75 VAT paid during 2021/22 was received at bank on 15 June 2022.

3.3 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 £44,355.39 brought forward from previous years, CIL Receipts of £29,570.26 in the year and the use of £nil on projects in the year. A balance of £73,925.65 is recorded as retained at the end of the year as a Restricted Reserve.

3.4 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 submission to the External Auditors and 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 the Council's current financial position to meetings of the Council including the balance on the accounts and a bank reconciliation.

4.2 The Account Balance b/f as at 1 April 2022 is £54,132.46 (and not £54,132.56 as displayed as at 31 March 2022 in the 2021/22 End of Year Accounts) because unrepresented cheques 200163 and 200164 were originally accounted for at a total of £351.49. The actual total of those two cheques amounted to £351.59 and the Account Balance b/f figure was reduced by 10p to secure a precise reconciliation.

4.3 As at 31 March 2023 the Barclays Bank statements for the Business Current Account (£8,348.86), the Business Premium Savings Account (£6,800.48) the Business Premium (CIL) Savings Account (£74,075.04) 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 1 March 2023 (Minute SPC201/22/23a 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.

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 Chairman explained to the Council at its meeting on 5 October 2022 about the insurance renewal and confirmed that the Fidelity Guarantee cover had been increased to £100,000. The insurance premium payment of £467.94 to CAS Business Services was approved on 5 October 2022. Both the Employer's Liability cover and the Public Liability cover stand at £10m. The Fidelity Guarantee cover of £100,000 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: £18,187.00 (Minute SPC8/050122f refers).

Precept 2023/24: £18,442 (Not displayed in the Council's Minutes)

7.1 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).

7.2 A Draft Budget was considered by the Council at its meeting on 7 December 2022. The Council resolved that the Budget be revised to reflect the larger amount for donations in 2023/24 and the updated draft would be emailed to Councillors for approval. The Minutes of the Council's meeting on 5 January 2021 state that the Final Budget was approved and that the Council agreed the Precept for 2023/24 (Minute SPC/160/22/23 refers). However, the amount of the Precept was not Minuted.

Recommendation 2: In the interests of overall transparency and for disclosure to local residents and local council taxpayers, the amount of the Precept determined by the Council each year should be clearly recorded in the Council's Minutes.

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. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments.

7.4 Budget Monitoring Reports are presented by the Clerk/RFO to meetings of the Council in order to meet the Council's budgetary control responsibilities.

7.5 As at the 31 March 2023 the Overall Reserves totalled £89,224.38, of which £73,925.65 is the CIL Funds Restricted Reserve.

7.6 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) as at 31 March 2023 accordingly total £15,298.73 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).

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 consisted of Precept (£18,187), CIL receipts (£29,570.26), VAT reclaim (£253.75), Bank Interest (£253.75) and Miscellaneous Income (£75.60).

8.2 The Receipts 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 on-line payments being made for expenses incurred.

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

10.1 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.

10.2 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 for (normally) 21 hours per month. A monthly Office Allowance is payable to the Clerk/RFO in accordance with the amount recommended by the SALC. These terms and conditions remained in place as at 31 March 2023.

10.3 The previous Internal Audit undertaken confirmed that the Council submitted a re-declaration in compliance to the Pensions Regulator 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).

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

11.1 An Asset Register is in place and was reviewed and approved by the Council on 4 May 2022. The total value of £14,664 as at 31 March 2023 remained unchanged from the value at the end of the previous year, 31 March 2022.

11.2 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.

12. 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).

12.1 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.

12.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

12.3 On-line banking was in operation whilst the late Mr Caird was in post as Clerk/RFO but due to the delay in Barclays Bank changing the bank details to the current Clerk/RFO, online banking could not be undertaken until June 2022 and cheques were prepared to settle invoices and other payments from November 2021 through to May 2022.

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

- a) A voucher number was entered on the Cashbook and each paid invoice/voucher to assist the verification of the payment.
- b) The cheque number was 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.

12.5 The Clerk/RFO confirmed to the Internal Auditor the procedure in place where payments are made through electronic means/internet banking. The Clerk/RFO is the Service Administrator who initiates payments and is one of the two signatories that Barclays Bank require. Nominated Councillors act as the second authoriser.

12.6 The Internal Audit Report for the previous year, 2021/22 was received and approved by the Council at its meeting on 1 June 2022. There were no issues of concern raised in the report.

12.7 The Internal Auditor for the 2022/23 year was appointed by the Council at the meeting held on 1 March 2023 (Minute SPC200/22/23d refers).

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

13.1 The External Audit Report and Certificate for the year 2021/22 was completed by PKF Littlejohn LLP on 21 September 2022. The Report was received and noted by the Council at its meeting on 5 October 2022 (Minute SPC106/22/23f refers). The External Auditors raised no significant matters of concern.

13.2 At the meeting on 1 March 2023 the Council noted that an External Audit examination (a Limited Assurance Review) would be required for the year 2022/23 as

the higher of gross income or gross expenditure exceeded £25,000 in the year of account (Minute SPC200/22/23e refers).

14. Publication Requirements.

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website by 1 July:

*Notice of the period for the exercise of Public Rights
AGAR - Sections 1 and 2.*

14.2 The 2021/22 AGAR Sections 1 and 2 had been published on the Council's website. The 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' document for the year 2021/22 had also been published but appeared to be an over-write of the 2020/21 form as it related to a council that had certified itself exempt from an External Audit Review (for the year 2021/22 the Council was subject to an External Audit Review).

14.3 Following the completion of the External Audit, the items below are required to be published by 30 September each year:

*Notice of Conclusion of Audit
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).*

14.4 AGAR Section 3 had been published but the Internal Auditor was unable to confirm that the Notice of Conclusion of Audit was accessible on the Council's website:

<https://somersham.suffolk.cloud/parish-council/parish-council-finance/>

Recommendation 3: In respect of documentation for the year 2022/23 the Council should ensure that all documents required to be published by the Accounts and Audit Regulations 2015 are published on the Council's website.

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 and for the careful presentation of the documents for the audit.

Trevor Brown

**Trevor Brown, CPFA
Internal Auditor**

24 April 2023