

## **Report to Creeting St Mary 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), satisfactorily undertook the administration of the Council's financial affairs and produced 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: £41,681.16*  
*Total Payments in the year: £52,356.09*  
*Total Reserves at year-end: £21,816.15*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk 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: £32,492</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £10,028</i>
<i>Total Other Receipts:</i>	<i>Box 3: £31,653</i>
<i>Staff Costs:</i>	<i>Box 4: £3,313</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £49,043</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £21,817</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £21,817</i>
<i>Total fixed assets:</i>	<i>Box 9: £53,920</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 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 was held on 18 May 2021. The first item of business was the Election of Chair, in accordance with the requirements of the Local Government Act 1972.

2.2 Standing Orders and Financial Regulations are in place. The Council reviewed, approved and adopted the Standing Orders and Financial Regulations at its meeting on 3 March 2022 (Minute CSM157/21/22b 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 correctly apply the General Power of Competence (GPOC). At its meeting on 14 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 CSM17/19/20 refers).

2.4 The Council's Minutes are 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 ZA057299, expiring 30 July 2022). At the time of the audit the Registration on the ICO's website displayed an out-of-date contact address for the Council. The Clerk/RFO advised the ICO of the Council's current contact address in order that any enquiries regarding data protection matters will be routed correctly to the Council.

2.6 To assist in meeting the requirements of the General Data Protection Regulations (GDPR) the Council maintains a Data Protection and Information Security Policy, a copy of which has been published on the Council's website.

2.7 The Council has also adopted a Publication Scheme which details the information available from the Council under the model publication scheme.

2.8 At its meeting on 11 January 2021 the Council re-affirmed the adoption of the Suffolk Local Code of Conduct for Councillors. The Council demonstrates good practice by periodically reviewing and re-adopting the Code for the purposes of discharging its duty to promote and maintain high standards of conduct within its area (Minute CSM123/20/21 refers). A copy of the Code has been published on the Council's website.

2.9 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. The payment made under the Local Government Act 1972 (Section 137) has been separately recorded. VAT payments are tracked and separately identified within the Cashbook to assist future re-claims to HMRC.

3.2 The Cashbook 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 Reclaims were made to HMRC for VAT paid, as follows:

- a) The re-claim for £6,828.60 VAT paid in the year 2020/21 was received at bank on 2 June 2021 and was reported to Council at its meeting on 28 June 2021
- b) The re-claim for £4,722.05 VAT paid in the period March 2021 to July 2021 was received at bank on 28 July 2021.
- c) The re-claim for £931.96 for the period ending 31 March 2022 was submitted to HMRC on 29 April 2022.

3.4 The Community Infrastructure Levy (CIL) Report has been constructed by the Clerk/RFO for the year 2021/22 and displays an opening balance of £28,492.40 as at 31 March 2021 with £17,782.42 CIL receipts in the year. The Report details the elements of the £34,200.37 spent in the year. The CIL Fund balance as at 31 March 2022 stands at £12,074.45. The Report has to be published on the Council's website and a copy submitted to the District Council no later than 31 December 2022.

3.5 A Statement of Explanation 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.

**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 Audit Control and Risk Management arrangements were reviewed and approved by the Council at its video meeting on 3 March 2022 (Minute CSM157/21/22a refers). The documents provide detailed analysis of the financial

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 The Council receives regular reports of inspections taking place at the Blacksmiths Field including the current condition of equipment and any action proposed/taken. An Annual Play Inspection was undertaken by Mid Suffolk District Council (payment of £121.30 approved by the Council at its meeting on 30 November 2021).

4.4 Insurance was in place for the year of account. At the Council's meeting on 18 October 2021 the Council approved the payment of £853.12 for insurance renewal to Zurich Municipal. The policy runs from 1 October 2021 to 30 September 2022. Employer's Liability cover stands at £10m and Public Liability cover at £12m.

4.5 The Fidelity Guarantee (Councillor/Employee Dishonesty) insurance cover stands at £250,000 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: £10,028.00

Precept 2022/23: £11,130.00

5.1 The Draft Budget for 2021/22 was approved by the Council at its meeting on 30 November 2020 (Minute CSM/104/20/21iv). The Final Budget and Precept for 2021/22 were approved by the Council at its meeting on 11 January 2021. The Precept decision and the amount have been clearly Minuted (Minute CSM122/20/21 iv refers).

5.2 Similarly, the Draft Budget for 2022/23 was considered and agreed by the Council on 30 November 2021 (Minute CSM114/20/21d refers). The Final Budget was approved by the Council at the meeting held on 20 January 2022, when the Precept of £11,130 was approved. The precept decision and amount have been clearly Minuted (CSM137/21/22f 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. 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.

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

5.5 The Overall Reserves at the year-end totalled £21,816.15 of which £14,077.90 are Earmarked/Restricted Reserves as follows:

CIL Receipts: £12,074.45

Blacksmith Field: £2,003.45

5.6 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) were accordingly £7,738.25 as at 31 March 2022 which is significantly less than 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 were cross referenced with the Council's Bank Statements on a sample basis 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. Payroll Controls (*PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment*).**

8.1 Payroll Services are currently being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. Detailed pay slips are produced.

8.2 A Contract of Employment dated 16 January 2017 is in place between the Council and the Clerk/RFO and confirms that the employment commenced on 16 January 2017 with a starting salary at SCP 19.

8.3 At the meeting on 30 November 2021 the Clerk/RFO asked for Council's approval to signing up to the Payroll Services offered by SALC at a cost of £7.50 per month (net). Payroll functions were currently operated in house and the Clerk/RFO considered that it would be preferable for them to be carried out by SALC. The Council subsequently agreed for Payroll Services to be operated by SALC (Minute CSM114/21/22a refers).

8.4 An Office Allowance is payable to the Clerk/RFO. The Council noted at its meeting on 18 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 with immediate effect (Minute CSM17/21/22a refers).

8.5 As at 31 March 2022 the Clerk/RFO was paid at SCP 22, as confirmed following her Annual Appraisal on 10 February 2022, for 26 hours per month.

8.6 With regard to the workplace pensions legislation, the Council wrote to the Clerk/RFO on 2 July 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.

8.7 The Pensions Regulator has confirmed that the Council submitted on 6 April 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).

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

9.1 An Asset Register is in place. The total value of £53,919.74 as at 31 March 2022 is a net increase of £2,804.58 over the value of £51,115.16 as at the end of the previous year (31 March 2021) and reflects the following acquisitions and disposals:

Acquisitions (added to Register):

Picnic Benches x2: £1,140.00

Printer: £91.85

Petrol Mower: £133.32

Recycled Bench: £485

Key Safe: £59.94

Car Park Signage: £26.50

Goal Posts: £1,447.20

Disposals (values removed from Register):

Goal Posts: £422.23

Seat: £157

9.2 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 community value of £1 in appropriate cases. The value has been entered correctly into Box 9 of Section 2 of the AGAR.

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

10.1 Bank Reconciliations are presented to meetings of the Council and the Council's approval is Minuted.

10.2 The bank statements as at 31 March 2022 for the TSB Business Current Account (£4,160.70), the Blacksmiths Field Savings Account (£2,003.45), the CIL Fund Account (£12,477.65) and the Reserves Account (£3,174.35) reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

**11. 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).**

11.1 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.

**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 and Councillors are provided with information to enable them to make informed decisions. The Council receives details of the financial position of the Council, including accounts balance, payments and receipts.

12.2 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. Payments were made through on-line banking during 2021/22. The Clerk/RFO is the Service Administrator, who initiates payments which are then authorised by nominated Parish Councillors before payment is released. The procedure is documented in the Council's Financial Regulations (item 6.15 et seq.)

12.3 The Internal Audit Report for the previous year, 2020/21 was reported to the Council at its meeting on 18 May 2021 (Minute CSM17/21/22d refers). The report had put forward the following recommendations:

*R1: The Information Commissioner's Office should be advised of the Council's current contact address in order that any enquiries regarding data protection matters would be routed correctly to the Clerk/RFO. (The recommendation remains outstanding as the Registration on the ICO's website still displays a contact address for the Council of 18 St Mary's Road, Creeting St Mary which no longer applies).*

*R2: It is recommended that the Fidelity Guarantee insurance cover is again examined in the light of the increased balances held by the Council. The Council should ascertain whether there is any significant additional cost of increased insurance cover and then make a judgement bearing in mind the potential financial and reputational risks arising from the current level of cover. (This issue has been addressed; the insurance cover now stands at £250,000).*

12.4 The Internal Auditor for the 2021/22 year was appointed by the Council at the meeting held on 3 March 2022 (Minute CSM156/21/22e refers).

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

13.1 The External Audit Report and Certificate for the year 2020/21 was completed by PKF Littlejohn LLP on 30 August 2021. The Report was received and noted by the Council at its meeting on 7 September 2021 (Minute CSM76/21/22d refers). The External Auditors raised no matters of concern,

13.2 At its meeting on 3 March 2022 the Council noted that an External Audit review is required for the year 2021/22 because the total of income is over £25,000 in the year of account.

**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:

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

14.2 Following the completion of the External Audit:

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

14.3 The Internal Auditor was able to confirm that the documents relating to the year 2020/21 were readily accessible on the Council's website:

<https://www.creating-st-mary.suffolk.gov.uk/parish-council/parish-council-documents/>

**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**