

## **Report to Stanton 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. 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. There is, however, a key area of internal control the Council needs to address relating to the authorisation of online payments.

1.2 The Council displays good governance practice by maintaining a strategic 3-year Business Plan (currently in place for the period May 2021 to May 2024) with measurable objectives.

1.3 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 satisfactory financial management information to enable the Council to make well-informed decisions.

1.4 The Accounts for the year confirm the following:

*Total Receipts for the year: £88,676.50*  
*Total Payments in the year: £93,100.88*  
*Total Reserves at year-end: £55,081.46*

1.5 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined. The following figures were 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: £59,506</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £68,320</i>
<i>Total Other Receipts:</i>	<i>Box 3: £20,356</i>
<i>Staff Costs:</i>	<i>Box 4: £15,944</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £20,130</i>
<i>All Other payments:</i>	<i>Box 6: £57,027</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £55,081</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £55,081</i>
<i>Total fixed assets:</i>	<i>Box 9: £290,701</i>
<i>Total borrowings:</i>	<i>Box 10: £141,236</i>

1.6 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.

1.7 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 6 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 virtually via 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 The Council formally re-appointed Mrs Joy Hart as the Council's RFO at its meeting on 6 May 2021 and Councillors' areas of responsibility were discussed and approved. The list of Councillor responsibilities was reviewed and updated by the Council on 9 September 2021.

2.3 Standing Orders are in place. At its meeting on 6 May 2021 the Council reviewed and adopted the Standing Orders (Minute 12a refers). The Standing Orders reflect the latest model standing orders and guidance issued by the National Association of Local Councils (NALC). A copy of the Standing Orders has been published on the Council's website.

2.4 Similarly, at the meeting on 6 May 2021 the Council reviewed and adopted the Financial Regulations (Minute 12b refers). An update to Financial Regulations was agreed by the Council on 8 July 2021 to reflect the quarterly Councillor audits being undertaken. A copy of Financial Regulations has been published on the Council's website. The Footnote to item 11c in the Council's Financial Regulations, regarding the use of the Contract Finder, has yet to be updated with the current thresholds now operating (guidance has been issued by NALC regarding the current values to apply).

2.5 The Council demonstrates good practice by publishing a comprehensive and informative Annual Report which reviews the previous year's activities and providing information about the work and duties of the Council as well as any emerging issues.

2.6 The Council also maintains an Action Plan which is reviewed during the course of the year. At its meeting on 6 May 2021 the Council considered and approved the Action Plan for the year 2021/22 (Minute 12g refers) and reviewed and updated the Action Plan on 9 September 2021. The Plan lists each individual measurable objective, the action to be taken to achieve the objective and the timescale involved.

2.7 The Council applies the General Power of Competence (GPoC) which was adopted at the meeting on 13 February 2020 (Minute 11a refers). The Council resolved that it was eligible to use the GPoC as it met the criteria of at least 2/3rds of the total number of councillors being elected at an ordinary election and because the Clerk/RFO holds the Certificate in Local Council Administration (CILCA).

2.8 The Council's Minutes are comprehensive and well-presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is consecutively numbered.

2.9 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under Data Protection legislation (Registration Z8553778 refers). The Clerk/RFO participated in a SALC training course on Data Protection during the year.

2.10 In response to the requirements of the General Data Protection Regulations (GDPR) the Council maintains and reviews appropriate Data Protection policies and procedures including the Data Protection and Information Management Policy, the Document Retention and Disposal Policy and the Subject Access Request Policy, all of which were approved and adopted by the Council at its meeting on 9 September 2021.

2.11 In addition, in terms of data security and control, the Council has in place an Information Security Policy, Document Retention and Disposal Policy and a Data Protection Impact Assessment (2022), all of which have been published on the Council's website

2.12 A Privacy Policy has been published by the Council's website host, Suffolk Cloud.

2.13 In accordance with the Localism Act 2011 sections 26 to 37, the Council adopted the revised Suffolk Local Code of Conduct at a meeting held on 10 July 2014. A copy of the Code has been published on the Council's website. The Council is due to adopt the national LGA Code of Conduct at a forthcoming meeting.

2.14 A Website Accessibility Statement has been published by the Council's website host Suffolk Cloud to assist compliance with the website accessibility regulations which came into force in 23 September 2020.

**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 Scribe accounting system was used in the year to produce the Council's Financial Reports and Statements. The financial system is well referenced and overall provides a good audit trail to the supporting documentation. The system has been used for the preparation of the 2021/22 End-of-Year accounts.

3.2 Payments made in 2021/22 were checked by the Councillor Internal Controller with supporting invoices/vouchers during the quarterly internal audits undertaken.

3.3 A sample of transactions, alongside their supporting invoices and vouchers, was examined by the Internal Auditor during this End of Year Audit and all was found to be in order.

3.4 VAT is tracked and identified within the End-of-Year Accounts. Re-claims for VAT paid have been regularly submitted to HMRC. Amounts received in the year from HMRC were as follows:

- a) £481.95 VAT paid during the 4<sup>th</sup> Quarter of 2020/21 was received at bank on 23 April 2021.
- b) £1,983.95 VAT paid during the 1<sup>st</sup> Quarter of 2021/22 (received at bank on 31 August 2021).
- c) £1,323.31 VAT paid during the 2<sup>nd</sup> Quarter of 2020/21 (received at bank on 9 November 2021).
- d) £536.89 VAT paid during the 3<sup>rd</sup> Quarter of 2021/22 (received at bank on 28 February 2022).

3.5 The reclaim of £681.24 for the 4<sup>th</sup> Quarter of 2021/22 was received at bank on 11 April 2022.

3.6 A Statement of Variances has been produced as at 31 March 2022 to support the submission of Section 2 – the Statement of Accounts – in the AGAR 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 Statement of Internal Control 2021/22 was considered and approved by the Council at its meeting on 6 May 2021 (Minute 12d refers). The Council's Risk Assessment 2021 was considered and approved by the Council at its meeting on 10 June 2021 (Minute 7b 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 Insurance was in place for the year of account. At the meeting on 6 May 2021 the Council agreed the insurance renewal due to take effect from 1 June 2021 and at the meeting on 10 June 2021 approved the payment of the £1,879.65 to BHIB (insurance brokers). The Council's Employer's Liability insurance cover and Public Liability cover each stand at £10m.

4.4 The Fidelity Guarantee (Councillor/Employee Dishonesty) 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.

4.5 One of the most important issues for local councils in terms of risk management is the adequate maintenance and regular inspection of play equipment. The Council receives frequent reports on Play Areas, normally on a monthly basis, and consider and agree remedial action to be taken in respect of any repairs required. The Council noted on 10 June 2021 that the Clerk/RFO had liaised with the Play Area Inspector to resolve some outstanding issues (Minute 12 1 refers).

## **5. Policies and Procedures in place**

5.1 The Council has a wide range of formal policies and procedures in place, in addition to those supporting compliance with the GDPR, to assist good governance and management, including the Equality and Diversity Policy, Health & Safety Policy, Grant Awarding Policy, Training Policy, Social Media Policy, Recruitment Policy, Complaints Policy, CCTV Policy, Co-Option Policy, Recording at Parish Council Meetings, Public Participation at Meetings, Discipline and Grievance Procedure and a Community Engagement Strategy.

5.2 The Council demonstrates good practice by maintaining and publishing a List of Policies and Procedures which includes the original date each document was approved and the review date in place.

5.3 The Policies and Procedures are available for public inspection on the Council's webpage <https://stanton.suffolk.cloud/who-we-are/policies-and-procedures/> together with other information including the Annual Reports.

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

Precept 2021/22: £68,320 (12 November 2020).

Precept 2022/23: £73,710 (11 November 2021).

6.1 The Annual Budget and Application for Precept for 2021/22 was approved by the Council at its meeting on 12 November 2020 (Minute 10c refers)

6.2 Similarly, the draft Budget and Precept application for the year 2022/23 were approved and signed at the Council's meeting on 11 November 2021 (Minute 10c refers) following the meeting of the Budget meeting on 28 October 2021.

6.3 The Council prepared detailed estimates of the annual budget and of receipts and payments.

6.4 At its meeting on 12 August 2021 the Council received a report on the progress of the 2021/22 Budget - a comparative statement of the Budget to Actual Payments – as at 31 July 2021.

6.5 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves.

6.6 The Overall Reserves available to the Council at the year-end 31 March 2022 were £55,081.46 all of which are General Reserves in line with the generally accepted best Practice 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).

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

7.1 Receipts are reported routinely to the Council at each meeting.

7.2 Income controls were examined on a test-check basis. Income received and recorded in the Cashbook was cross referenced on a sample basis with the bank statements and found to be in order.

7.3 The Clerk/RFO maintains an Allotments Holders Risk which manages the occupation of sites and the method of payment and receipt numbers. At its meeting on 10 June 2021 the Council undertook a review of the Allotment Rules and Charges and resolved that the annual rent for the Allotments will rise to £15 per plot with effect from 1 January 2022 (Minute 9c refers).

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

8.1 No Petty Cash is held; an expenses system is in place with any expenses incurred reimbursed by online payments.

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

9.1 PAYE is operated in accordance with HMRC regulations. Regular payments have been made to HMRC and detailed pay slips are produced for the Council employees. The P60 End of Year Certificates for the Council's staff confirming the salary paid and tax deducted were presented to the Internal Auditor.

9.2 A NJC agreed national pay award took effect from 1 April 2021 and the Clerk/RFO's salary was revised accordingly, backdated to 1 April 2021, the payment being made in the April 2022 salary.

9.3 With regard to the legislation relating to workplace pensions the Council submitted a re-declaration of compliance under the Pensions Act 2008 on 17 December 2019 to the Pensions Regulator. (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).

9.4 The Council is providing appropriate training opportunities for both Councillors and Staff. Diversity and Equality Training through a SALC e-learning training course was arranged for the Clerk/RFO and a Councillor.

**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 The Asset Register was reviewed and adopted by the Council at its meeting on 6 May 2021 (Minute 12c refers).

10.2 The Register displays a total value of £291,261 as at 31 March 2022 compared to the value of £290,701 at the end of the previous year. Acquisitions in the year included Office Printer (£116.62), Memorial Bench (£680.02) and a Dog Bin (£160.26). Disposals in the year included refuse bins (£169) and a redundant computer (£895).

10.3 The Register complies with the current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. Values are recorded at original purchase cost (where known) and a nominal value for community assets.

10.4 Box 9 of Section 2 of the Annual Return correctly records the value of assets as at 31 March 2022.

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

11.1 Completed Bank Reconciliations are routinely presented to meetings of the Council and noted in the Minutes of the meetings. The bank statements for the Lloyds Bank Treasurer's Account (£215.72) and the Lloyds Bank Business Instant Account (£54,865.74) as at 31 March 2021 (total of £55,081.46) reconciled with the End-of-Year Accounts and agreed with the overall Bank Reconciliation.

11.2 The bank accounts were regularly reconciled to the Accounts during the year. Bank account balances (with a Bank Reconciliation) are presented to the Council as a matter of routine at each meeting under the Financial Matters agenda item.

**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. Responsibilities as a Trustee (*Regarding the Council's role and responsibilities under the Charity Acts; submission of returns to Charity Commission*).**

13.1 The Council has no responsibilities as a Sole Trustee and has made the appropriate entries in the AGAR accordingly.

**14. 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*).**

14.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

14.2 The Council undertakes Quarterly Audits by a nominated Councillor with reports being provided to Council meetings. The First Quarter's Audit was received by the Council on 12 August 2021 and the Clerk/RFO was tasked with updating various policies as per the findings (Minute 7a refers). The Third Quarter's Audit undertaken by the Councillor was noted by the Council at its meeting on 13 January 2022 (Minute 7 refers).

14.3 The Council operates internet banking and makes on-line payments. At each meeting the Council receives and authorises a list of payments made since the last meeting and a list of any additional payments due to be made. The procedure for internet banking is listed in the Council's Financial Regulations items 6.10 to 6.16 which confirm that the Clerk/RFO shall be the Service Administrator with the bank mandate approved by the Council identifying a number of Councillors who will be authorised to approve transactions set up by the Clerk/RFO.

14.4 Due to difficulties in Councillors accessing on-line banking, the current procedure is that the Clerk/RFO initiates the online payment, Councillors will sign-off the invoices and the Clerk/RFO then authorises the online payment. This places both the Council and the Clerk/RFO in a vulnerable position in terms of the internal control over the banking arrangements and should be reviewed and corrected as soon as practicably possible. The present arrangements may invalidate any future insurance claim.

**Recommendation 1: The Council should urgently address the weaknesses in internal control relating to the authorisation of online payments to ensure that there is a separation of duties between the Clerk/RFO setting up the online payment and the Councillor Signatories authorising the payment.**

14.5 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. Each paid invoice is noted with a reference number which can be related to the number entered against the payment on the Cashbook. Cheque numbers and the Minute reference are also noted on the paid invoices to



secure an audit trail. Paid invoices/vouchers are initialled by signatories to verify the correctness of the payment.

14.6 The majority of payments in the year were made online other than a small number of cheques made payable for grants/donations. The Clerk/RFO has confirmed that all Cheque Book counterfoils are initialled by cheque signatories in accordance with the Council's Financial Regulations FR 5.4.

14.7 The Internal Audit report for the previous year (2020/21) was undertaken by Mr Tony Mansfield and was received by the Council at its meeting on 6 May 2021. The Council noted Mr Mansfield's retirement as Internal Auditor at the meeting. The Clerk/RFO confirmed that a detailed Internal Audit Report was not provided to the Council.

14.8 At its meeting on 14 April 2022 the Council confirmed the appointment of the Internal Auditor for year 2021/220/21 (Minute 11c refers).

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

15.1 The External Auditors' Report and Certificate for the year 2020/21 is dated 11 August 2021 and raised no issues of concern.

15.2 The External Auditors' Report and Certificate was received by the Council at its meeting on 9 September 2021 (Minute 10a refers).

**16. Publication Requirements.**

16.1 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.

16.2 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).

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

<https://stanton.suffolk.cloud/finance/financial-information-by-year/>

**17. Additional Comments.**

17.1 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, CPFA**

**Internal Auditor**

**12 May 2022**