

Report to Dennington Parish Council

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

1. Introduction and Summary.

1.1 The Internal Audit work undertaken confirmed that during the 2022/23 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 2022/23 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: £14,840.60
Total Payments in the year: £9,331.13
*Total Reserves at year-end: £19,747.84 (of which £15,465.19 is earmarked/
restricted)*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for display 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: £14,238</i> |
| <i>Annual Precept 2022/23:</i> | <i>Box 2: £10,000</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: £4,841</i> |
| <i>Staff Costs:</i> | <i>Box 4: £3,349</i> |
| <i>Loan interest/capital repayments:</i> | <i>Box 5: nil</i> |
| <i>All Other payments:</i> | <i>Box 6: £5,982</i> |
| <i>Balances carried forward (31 March 2023):</i> | <i>Box 7: £19,748</i> |
| <i>Total cash/short-term investments:</i> | <i>Box 8: £19,748</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £59,588</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 2022/23 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 was held on 9 May 2022. The first item of business was the Election of a Chair, in accordance with the requirements of the Local Government Act 1972.

2.2 The Council formally re-appointed Mrs Lydia Kirk as the Council's Responsible Financial Officer (RFO) at its meeting on 9 May 2022 and nominated Councillors to act as the Council's Representatives (Minute 7 refers).

2.3 The Council's Standing Orders reflect the model Standing Orders published by the National Association of Local Councils (NALC). The Standing Orders were reviewed and approved by the Council at its meeting on 9 May 2022 (Minute 13a refers). NALC has published amendments at Section 18 (item f) 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 in place and reflect the model Financial Regulations published by NALC. The Regulations were reviewed and approved by the Council at its meeting on 9 May 2022 (Minute 13c 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's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year.

2.6 The Council demonstrated good practice by resolving (at its meeting on 18 November 2019) that policies requiring annual review will be brought to Council by the Clerk/RFO for review at the Annual Meeting of the Parish Council in May each year in order to minimise chances of policies being overlooked when reviewed at different meetings throughout the year (Minute 8 (iv) refers).

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 under Data Protection legislation (Registration ZA116681, expiring 20 May 2023). At the meeting on 9 May 2022 the Council reviewed and approved the Data Protection Policy and Impact Assessment document, a copy of which has been published on the Council's website (Minute 13g refers).

2.8 At the meeting on 10 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.

2.9 A Website Accessibility Statement has been published by the website host Suffolk Cloud on the Council's website to assist compliance with the Website Accessibility Regulations.

2.10 NALC has recently recommended local councils to consider registering their website with an official .gov.uk domain name with councillor email addresses linked to that domain name. The Council resolved at its meeting on 13 March 2023 to keep the domain name the same as present but for the Council to provide specific email addresses for Councillors and the web master after the election in May 2023.

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 well referenced and facilitates an audit trail to the Bank Statements, On-line payments and the financial information prepared by the Clerk/RFO. A sample of payments was examined with the supporting invoices and vouchers and all was found to be in order.

3.2 VAT payments are tracked and separately identified. Reclaims for VAT paid are regularly submitted to HMRC. The re-claim for £172.33 for the VAT paid in the period 1 February 2022 to 31 December 2022 was submitted to HMRC on 28 January 2023, was received at bank on 1 February 2023 and reported to Council at its meeting on 13 March 2023.

3.3 Local Government Act 1972 (Section 137) payments are separately recorded within the Cashbook Spreadsheet. The Cashbook records a Section 137 payment of £55 to the Citizens Advice Bureau. The Council may wish to note that donations to advisory organisations, including those to the Citizens Advice Bureau, may be made under Section 142 (2A) of the Act without having to resort to Section 137.

3.4 The Clerk/RFO has constructed a CIL Report for 2022/23 which displays a balance of £0 brought forward from the previous year. Receipts of £3,095.02 were recorded in the year with £0 applied in the year. The balance of CIL receipts as at 31 March 2023 is accordingly displayed as £3,095.02. A copy of the CIL Annual Report for 2022/23 has to be published on the Council's website and submitted to the District Council no later than 31 December 2023.

3.5 An Explanation 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 publication on the Council's website.

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

4.1 Bank Reconciliations are routinely presented to the Council and signed by the Examining Councillor.

4.2 The bank statements as at 31 March 2023 for the Barclays Current Account, Barclays Saver Account and Barclays Equipment Account 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 At the meeting on 9 May 2022 the Council's Statement of Internal Control (Audit arrangements) was reviewed and considered to be effective and fit for purpose (Minute 13d refers). A copy has been published on the Council's website.

6.2 The Council's Risk Assessment for Physical Assets and the Financial Risk Assessment documents were reviewed and adopted by the Council at the meeting held on 9 May 2022 (Minutes 13e and 13f refer). Both Risk Assessment documents have been published on the Council's website. The Financial Risk Assessment displays each risk identified, the risk level and the action taken to manage/mitigate the risks involved.

6.3 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.

6.4 Insurance was in place for the year of account. At its meeting on 5 September 2022 the Council reviewed the annual insurance renewal, which was Year 2 of a 3-year long-term undertaking with Zurich Insurance. The renewal premium of £503.69 for the period 1 October 2022 to 30 September 2023 was approved (cover for Jubilee Bench and the second Speed Indicator Device to be added to the policy). The Council noted that the policy covered all its assets (excluding the Kubota mower) and included Fidelity Guarantee and Public Liability cover (Minute 10 refers).

6.5 A separate insurance policy was taken out by the Council for the Kubota mower with Countrywise Motor Insurance for the period 29 April 2022 to 28 April 2023. Payment of £198.46 to Robins Row Ltd for mower insurance was approved at the meeting on 9 May 2022 (Minute 10b refers).

6.6 The Clerk/RFO provided details of the insurance cover to the Internal Auditor. The Public Liability cover stands at £12m. and the Employer's Liability cover stands at £10m. The Fidelity Guarantee (Councillor/Employee Dishonesty) cover stands at £250,000 and 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: £10,000

Precept 2023/24: £10,800

7.1 The Budget and Precept for 2022/23 were agreed in Full Council and the Precept decision and amount has been clearly Minuted (Council's meeting on 10 January 2022, Minute 8i refers).

7.2 Similarly, Budget and Precept for 2023/24 were agreed in Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 23 January 2023, Minute 10 refers).

7.3 Examination of the accounts and supporting documentation confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The estimates for 2022/23 were used effectively for financial control and budgetary control purposes during the year. The Council received and approved reports detailing the Receipts and Payments in the year to date compared to the budget.

7.4 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for adequate reserves. The Clerk/RFO provides Councillors with sufficient information to make informed decisions.

7.5 As at 31 March 2023 the Council's Overall Reserves stood at £19,747.84, of which £15,465.19 had been Earmarked, as follows:

| | |
|---------------------------|------------|
| Equipment Fund/Mower: | £10,659.07 |
| Asset Maintenance: | £1,500.00 |
| Jubilee Fund: | £211.10 |
| CIL Funding (restricted): | £3,095.02 |

7.6 The General Reserves of £4,282.65 (the Overall Reserves less the Earmarked Reserves) are in line with the generally accepted best practice, which is 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 are reported to Council and recorded in the Minutes of the Council's meetings. Receipts recorded in the Cashbook Spreadsheet consisted of Precept (£10,000), Grants (£1,552.20), CIL Funding (£3,095.02), VAT repayments from HMRC (£172.33) and bank Interest (£21.05).

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 out for expenses incurred.

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

10.1 Payroll Services are being operated by the Suffolk Association of Local Councils (SALC) in accordance with HMRC requirements. Detailed payslips are produced. PAYE is in operation with payments being made to HMRC. A copy of the End-of-Year Certificate P60 for the Clerk/RFO was presented to Internal Audit. The Council displays good practice in using the services of a third party to calculate Pay and PAYE amounts. SALC performs this service for a reasonable cost.

10.2 A Contract of Employment is in place under which the Clerk/RFO is paid for 5 hours per week. At its meeting on 9 May 2022 the Council formally approved the Clerk/RFO's revised Salary Point (from NJC SCP 11 to SCP 12) with effect from 1 April 2022 in accordance with the Clerk/RFO's Contract of Employment. The Council also agreed to increase the Home Working Allowance from 1 April 2022 in line with Government recommendations (Minute 11e refers).

10.3 At its meeting on 14 November 2022 the Council was advised by the Clerk/RFO of the national salary award to local government officers and noted that the new rates of pay and holiday entitlement under the NJC/NALC agreement are to be backdated to 1 April 2022 (Minute 6 refers).

10.4 At its meeting on 15 July 2019 the Council noted that in accordance with its pension obligations as an employer, the Chairman had written to the Clerk/RFO to invite her to pay into a voluntary pension scheme. The Clerk/RFO chose not to participate at that time.

10.5 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed at the Council's meeting on 27 July 2020 that the required re-declaration of compliance under the Pensions Act 2008 had been completed and submitted 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).

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 Assets Register is in place and was reviewed by the Council at its meeting on 9 May 2022, when an amendment to include the second Speed Indicator Device (SID) was approved (Minute 13b refers).

11.2 The Asset Register displays a total value of £59,588 as at 31 March 2023, unchanged from the value as at the end of the previous year, 31 March 2022.

11.3 The value recorded in the Asset Register as at 31 March 2023 has been correctly placed in 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. Identifying VAT payments and re-claims. Any previous audit recommendations implemented).

12.1 The Council has satisfactory internal financial controls in place. Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provides financial reports to Council meetings, including details of bank statements and bank reconciliations.

12.2 The Council demonstrates good financial practice through the appointment of an Examining Councillor who undertakes routine examination of bank statements and confirmation of the bank reconciliations prepared by the Clerk/RFO.

12.3 Bank statements and bank reconciliations are reviewed by the Council and by the Examining Councillor and Minuted to evidence that the action has taken place.

12.4 Receipts and Payments are listed in the Council's Minutes as part of the overall financial control framework. The Clerk/RFO presents to the Council the Year-to-Date Receipts and Payments Account and Reserved Funds details.

12.5 The Council operates on-line banking. The Clerk/RFO confirmed that the Council operates payments in accordance with the procedure agreed by the Council with nominated Councillors having access to online banking and all payments being authorised by two mandates. The Clerk/RFO sends the approved invoices to the Councillor mandates, one of whom would initiate the online payments to be authorised by the second Councillor mandate.

12.6 In addition, the audit confirmed that (a) Cashbook reference numbers are noted on the paid invoices/vouchers to assist the verification of the payment and (b) Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made.

12.7 The Council considered the Internal Audit report for the previous year (2021/22) at the meeting held on 9 May 2022 (Minute 12 refers). There were no issues of concern raised in the report.

12.8 The Internal Auditor for the 2022/23 year was appointed by the Council at the meeting held on 9 May 2022 (Minute 16 refers).

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

13.1 Under the provisions of the Transparency Code, Dennington Parish Council can be designated as a 'Smaller Council'.

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

13.3 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Payments included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2021/22 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2021/22 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report: 2021/22 within 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.*

13.4 The Council is in compliance with the Transparency Code.

13.5 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 2021/22 was readily accessible on the Council's website and displayed the Date of Announcement, Dates of Inspection, Details of Person to contact to view the accounts and the Details of the person making the announcement.

13.6 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 easily accessible on the Council's website.

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

14.1 An External Audit was not required in the year 2021/22. At its meeting on 9 May 2022 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year (Minute 11c refers). The Clerk/RFO reported to Council on 11 July 2022 that the External Auditors had confirmed their receipt of the Certificate of Exemption for the year ending 31st March 2022, which accordingly concluded the 2021/22 audit requirements.

14.2 As the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2023, the Council is able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Council can accordingly prepare a Certificate of Exemption from a Limited Assurance Review for the year 2022/23, for submission within the due date 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

21 April 2023