

Report to Dennington 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: £16,866.17
Total Payments in the year: £11,691.85
Total Reserves at year-end: £14,238.37 (of which £11,059.17 is earmarked)

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 2021/22 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £9,064</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £9,998</i>
<i>Total Other Receipts:</i>	<i>Box 3: £6,868</i>
<i>Staff Costs:</i>	<i>Box 4: £2,990</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £8,702</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £14,238</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £14,238</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 2021/22 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 17 May 2021. 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 17 May 2021 and nominated Councillors to act as the Council's Representatives (Minute 7 refers).

2.3 The Council's Standing Orders reflect the latest 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 17 May 2021 (Minute 13a refers).

2.4 Financial Regulations are in place and reflect the model Financial Regulations and guidance published by NALC. The Regulations were reviewed and approved by the Council at its meeting on 17 May 2021 (Minute 13c refers).

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 2022). At the meeting on 17 May 2021 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 Also at its meeting on 17 May 2021, the Council re-affirmed the adoption of the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. The Vice-Chair agreed to provide his Code of Conduct training presentation to all Councillors as tuition for recently co-opted Councillors and refresher training for other Councillors. (Minute 14 refers). 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 with compliance with the Website Accessibility Regulations.

2.10 The Council recognises the importance of the training and development of Councillors and Staff in maintaining a high standard of governance. The Council is supporting the professional training for the Clerk/RFO in her studies towards the CiLCA qualification. The Council made appropriate provision in the 2022/23 budget for new Councillors' training and the Clerk/RFO's studies.

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, Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. A sample of payments was examined with the supporting invoices and vouchers. Some minor discrepancies were identified and the Clerk/RFO has made the necessary corrections.

3.2 VAT payments are tracked and separately identified. Reclaims for VAT paid are regularly submitted to HMRC. The VAT re-claim for £74.87 VAT paid in the period up to March 2021 was received at bank on 9 June 2021. The re-claim to HMRC for £927.37 VAT paid during the period April 2021 to January 2022 was received at bank on 9 February 2022 and reported to Council at its meeting on 14 March 2022.

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 presented a Community Infrastructure Levy (CIL) Report for 2020/21 to the Council on 17 May 2021. The Report was approved by the Council, with a copy to be submitted to the East Suffolk Council (Minute 15 refers). The Clerk/RFO has constructed a CIL Report for 2021/22 which displays a balance of £318.88 brought forward from previous years which was applied in the year 2021/22 towards the cost of dog waste bins. The balance of CIL receipts as at 31 March 2022 is accordingly displayed as nil. A copy of the CIL Annual Report for 2021/22 has to be published on the Council's website and submitted to the District Council no later than 31 December 2022.

3.5 An 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 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 At the meeting on 17 May 2021 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.

4.2 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 5 May 2021 (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.

4.3 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.

4.4 Insurance was in place for the year of account. Payment of £192.92 to Robins Rowe Ltd for mower insurance was approved at the meeting on 17 May 2021 (Minute 10a refers).

4.5 At its meeting on 13 September 2021 the Council reviewed the annual insurance renewal. Councillors considered the quotations received and agreed to proceed with a 3-year long-term undertaking with Zurich Insurance with effect from 1 October 2021 at a cost of £497.11 p.a. The policy was considered fit for the Council's needs and covered all its assets (excluding the Kubota mower) and included Fidelity Guarantee and Public Liability cover (Minute 8 refers).

4.6 The Clerk/RFO provided details of the insurance policy 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.

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

Precept 2021/22: £9,998.00

Precept 2022/23: £10,000.00

5.1 The Budget and Precept for 2021/22 were agreed in Full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 21 December 2020, Minute 8i refers).

5.2 Similarly, 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).

5.3 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 2021/22 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.

5.4 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.

5.5 As at 31 March 2022 the Council's Overall Reserves stood at £14,238.37, of which £11,059.17 has been Earmarked, as follows:

Equipment Fund/Mower:	£8,659.07
Asset Maintenance:	£1,500.00
Jubilee Fund:	£900.10

5.6 The General Reserves of £3,179.20 (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 5.32 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 (£9,998), Speed Sign Grant from ESC (£4,773.89), Precept Grant from ESC (£40), Mower Donation (£1,000), Noticeboard repairs (£51.01), VAT repayments from HMRC (£1,002.24) and bank Interest (£1.03).

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, with cheques and on-line payments being made out for expenses incurred.

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

8.1 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.

8.2 A Contract of Employment is in place under which the Clerk/RFO is paid for 5 hours per week. At the meeting on 27 July 2020 the Council noted that the Clerk/RFO was to proceed from NJC scale point (SP) 9 to SP 10 with effect from 20 May 2020, in accordance with the Contract (Minute 11e refers).

8.3 At its meeting on 17 May 2021 the Council formally approved the Clerk/RFO's revised Salary Point (from NJC SCP 10 to SCP 11) with effect from 1 April 2021 in accordance with the Clerk/RFO's Contract of Employment (Minute 11e refers).

8.4 At its meeting on 14 March 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 under the NJC/NALC agreement are to be backdated to 1 April 2021 (Minute 6 refers).

8.5 A copy of the End-of-Year Certificate P60 for the Clerk/RFO was presented to Internal Audit.

8.6 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.

8.7 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).

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 Assets Register is in place and was considered and updated by the Council at its meeting on 17 May 2021 (Minute 13b refers).

9.2 The Asset Register displays a total value of £59,588 as at 31 March 2022, an increase of £8,419 over the value of £51,169 as at the end of the previous year, 31 March 2021. The increase reflects the acquisition of 2 dog waste bins (£450) and a Speed Indicator Device (£3,925) in the year of account and the Speed Indicator Device (£4,044) purchased in 2020/21 but not delivered until 2021/22.

9.3 The value recorded in the Asset Register as at 31 March 2022 has been correctly placed in 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 routinely presented to the Council and signed by the Examining Councillor.

10.2 The bank statements as at 31 March 2022 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.

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. 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 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.

12.4 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.

12.5 At its meeting on 12 July 2021 the Council agreed that the Clerk/RFO should investigate arranging online bank payments for the Council. The Clerk/RFO reported on 13 September 2021 to the Council on the internet banking arrangements and confirmed on 15 November 2021 that on-line payments were being made.

12.6 The Internal Audit confirmed that:

(a) Cashbook reference numbers are noted on the paid invoices/vouchers to assist the verification of the payment.

(b) Invoices/vouchers for payment are signed or initialled by the Cheque Signatories in confirmation of the payment being correctly made.

(c) Where cheques are prepared, the cheque book counterfoils are initialled by Cheque Signatories in accordance with the requirements of item 6.5 in the Council's Financial Regulations.

12.7 The Council considered the Internal Audit report for the previous year (2020/21) at the meeting held on 17 May 2021 (Minute 12 refers). The key recommendation put forward was that '*During the year 2021/22 the Council should aim to restore sufficient General Reserves to meet, within reason, any unforeseen items of expense and to work towards the generally accepted best practice for the holding of General Reserves as outlined in the JPAG Proper Practices Guide.*' This has now been addressed by the Council (see item 5.6 above).

12.8 The Internal Auditor for the 2021/22 year was appointed by the Council at the meeting held on 17 May 2021 (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: 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 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 2020/21 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 2020/21. At its meeting on 17 May 2021 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year (Minute 11c refers).

14.2 As the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2022, 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 2021/22, 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

11 April 2022