

Report to Darsham Parish Council

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

1. Introduction and Summary

1.1 The Internal Audit for the year 2022/23 confirmed that the Council is currently maintaining effective governance arrangements including a satisfactory framework of financial administration. This Internal Audit review has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.2 By examination of the 2022/23 accounts and supporting documentation it was confirmed that the Clerk in post, in the role as 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: £24,242.24 (Boxes 2 and 3 below)
Total Payments in the year: £15,059.53 (Boxes 4 and 6 below)
Total Reserves at year-end: £48,516.45 (Boxes 7 and 8 below)

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: £39,334</i> |
| <i>Annual Precept 2022/23:</i> | <i>Box 2: £5,950</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: £18,292</i> |
| <i>Staff Costs:</i> | <i>Box 4: £3,800</i> |
| <i>Loan interest/capital repayments:</i> | <i>Box 5: nil</i> |
| <i>All Other payments:</i> | <i>Box 6: £11,259</i> |
| <i>Balances carried forward (31 March 2023):</i> | <i>Box 7: £48,517</i> |
| <i>Total cash/short-term investments:</i> | <i>Box 8: £48,517</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £38,536</i> |
| <i>Total borrowings:</i> | <i>Box 10: nil</i> |

1.5 Sections One and Two of the AGAR were approved and signed at the Council's meeting on 11 April 2023. 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. 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 10 May 2022. The first item of Parish Council business was the Election of a Chairman, as required by the Local Government Act 1972.

2.2 At the meeting on 14 March 2023 the Council noted that the summons to the meeting was late being placed on the website. Having sought advice from the Suffolk Association of Local Councils (SALC) the meeting went ahead but decisions on major matters could not be taken.

2.3 Standing Orders are in place and were reviewed and approved by the Council at its meeting on 14 March 2023. A copy has been published on the Council's website. It was noted that updates are required at Section 18 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 and were reviewed and approved by the Council at its meeting on 14 March 2023. A copy has been published on the Council's website. An update is required 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 Mrs Caroline Cardwell was the Clerk/RFO at the beginning of the year 2022/23. At the meeting on 12 July 2022, Mrs Cardwell informed the Council of her impending retirement but agreed to continue in the post until a replacement Clerk/RFO was found (Minute 9 refers). Mrs Cardwell's final attendance at the Council as Clerk/RFO was at the meeting on 11 October 2022.

2.6 Mrs Marie Backhouse was formally appointed as the new Clerk/RFO by the Council at its meeting on 11 October 2022 with a Contract of Employment to be signed in November 2022 (Minute 3 refers). The Chairman confirmed to the Council on 8 November 2022 that the Clerk/RFO's Contract of Employment had been signed (Minute 11.4.1 refers).

2.7 The Council's Minutes are well presented and provide evidence of the decisions taken by the Council in the year. The Clerk/RFO confirmed that the Minutes are signed/initialled by the Chair of the meeting at which the Minutes are approved.

2.8 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 ZA413334, expiring 19 June 2023). The Registration on the ICO's website correctly displays the Council's current contact address.

2.9 As part of meeting the requirements of the General Data Protection Regulations (GDPR) the Council reviewed and approved the GDPR Policies at its meeting on 8 February 2022 (Minute 4 refers) and the Data Protection Statement on 14 March

2023 (Minute 3.5 refers). Similarly, the Freedom of Information (FOI) documentation was reviewed and approved by the Council on 8 February 2022 to assist compliance with FOI legislation.

2.10 At the meeting on 10 May 2022 the Council considered and adopted the new LGA Model Code of Conduct with a copy being sent to each Councillor. The Code provides details of the duties and responsibilities of Councillors and assists in ensuring that the Council discharges its duty to promote and maintain high standards of conduct.

2.11 The Council demonstrates good practice by publishing a Website Accessibility Statement in accordance with the website accessibility regulations. The Statement confirms that the Council attempts to ensure that as many people as possible are able to use the website. The Statement advises that there are areas of the website that may not be fully accessible.

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 During the year 2021/22 and for part of the 2022/23 year the Cashbook was maintained as a handwritten ledger. The current Clerk/RFO has made a step-change improvement by constructing a Spreadsheet to record the Receipts and Payments transactions for the year 2022/23, including the date of payment, description of payment, Date Cashed, Cheque number (where appropriate), Gross and Net payment of VAT and the VAT amount where relevant. The Current Account Running Balance is displayed as well as Explanatory Notes where required. The Excel Spreadsheet is accordingly well referenced and provides an audit trail to the Bank Statements, Cheque Book counterfoils and the current financial information prepared by the Clerk/RFO.

3.2 It is important that all payments made under the Local Government Act 1972 (Section 137) are separately identified and displayed in the Spreadsheet and reported to meetings of the Council.

3.3 A re-claim to HMRC for £2,250.80 VAT paid is recorded in the Cashbook as being received on 2 February 2023 and was reported to Council at its meeting on 14 February 2023 (Minute 2.4 refers). The Clerk/RFO confirmed that a reclaim for the VAT paid to 31 March 2023 has been submitted to HMRC.

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 publication on the Council's website.

3.5 The Clerk/RFO has prepared a Community Infrastructure Levy (CIL) Annual Report for 2022/23. The Report displays the Opening Balance of £28,714.76 brought forward from previous years, CIL Receipts of £15,075.85 and the CIL spending (allowable by the District Council) of £4,331.16 in the year. The balance retained as at 31 March 2023 totalled £39,459.45. The CIL Report for the year has to be submitted to the District Council no later than 31 December 2023.

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

4.1 The Council has previously agreed (at its meeting on 8 October 2019) that the Clerk/RFO should produce a bank reconciliation each quarter (Minute 10.6 refers) and this requirement is being met by the current Clerk/RFO.

4.2 The Council moved from Barclays Bank to Unity Trust Bank in the year 2022/23. As at 31 March 2023 the Unity Trust Current Account statement displayed £8,904.89 and the Unity Trust Savings (CIL) Account displayed £39,611.56. The bank statements reconciled with the end of year accounts.

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 found to be in good order. Sample audit trails were undertaken and were found to be in good 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 Clerk/RFO confirmed that the Council's Statement of Internal Control was reviewed and approved by the Council at its meeting on 14 March 2023 (Minute 3.5 refers).

6.2 The Council accordingly complied with the Accounts and Audit Regulations 2015 which require a review by the Full Council at least once each financial 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.

6.3 Insurance was in place for the year of account. At the meeting held on 11 October 2022 the Council approved the payment of the annual insurance premium of £332.96 to BHIB Insurance under a 3-year insurance plan which continues to 30 September 2024. Employer's Liability cover and Public Liability cover each stand at £10m. The Employee/Councillor Dishonesty (Fidelity Guarantee) cover stands at £50,000, which is marginally less than 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 (which as at 31 March 2023 was £48,516 plus £3,275 (50% of £6,750) = £51,791. The Council should continue to monitor the level of its balances to ensure that they are adequately covered by Fidelity Guarantee insurance.

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

Precept 2022/23: £5,950 (11 January 2022, Minute 7 refers)

Precept 2023/24: £6,750 (10 January 2023, Minute 10.3 refers)

7.1 At the meeting held on 9 November 2021 the Clerk/RFO presented financial information on current expenditure compared to the 2020/21 budget and a Draft Budget for year 2022/23. Spending allocations were discussed and it was agreed that the formal setting of a Precept would take place in January 2022 (Minute 11.7 refers).

7.2 The Budget and Precept for 2022/23 were agreed in Full Council on 11 January 2022 and the precept decision and the amount of £5,950 has been clearly Minuted.

7.3 The Budget for 2023/24 was discussed by the Council at the meeting held on 13 December 2022. The Budget and Precept for 2023/24 were agreed in Full Council on 10 January 2023 and the precept decision and the amount of £6,750 have been clearly Minuted.

7.4 The Clerk/RFOs in post in the year ensured that the Council was aware of its responsibilities and commitments and the need for forward planning and adequate reserves. Budgetary control information is being prepared by the current Clerk/RFO to ensure Councillors have sufficient information during the year to make informed decisions. The Clerk/RFO confirmed that the Council prepared estimates of the annual budget and of receipts and payments for the year 2023/24 and these estimates will be compared by the Council with actual receipts and payments, for financial control and budgetary control purposes, during the year 2023/24.

7.5 Overall Reserves at the year-end 31 March 2023 totalled £48,516.45 (which included the Restricted Reserve Community Infrastructure Levy (CIL) amount of £39,459.45).

7.6 The General Reserves (Overall Reserves less Restricted/Earmarked Reserves) held at 31 March 2023 accordingly stood at £9,057 which was in line with the generally accepted position that non-earmarked revenue reserves should usually be at least between three and twelve months of Net Revenue Expenditure (the JPAG Proper Practices Guide, Item 5.33 refers).

7.7 As at the 31 March 2023 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

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

8.1 The Receipts recorded in the Cashbook consisted of Precept (£5,950), CIL Receipts (£15,075.85), VAT Refund (£2,250.80), Allotment receipts (£662.50), Miscellaneous Deposits (£150.98) and Bank Interest (£152.11).

8.2 The Clerk/RFO holds a List of Allotment Holders, detailing the plots, fees due and fees paid. Allotment Rents are kept under review by the Council. The Clerk/RFO provides reports to Council on the allotment fees paid.

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 currently 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 At the beginning of the 2022/23 year the Council's Payroll Services were operated by Van Dijk Accountants on behalf of the Council. At the meeting on 8 November 2022 the Council agreed that Payroll Services should be operated by the Suffolk Association of Local Councils (SALC) (Minute 11.3 refers). The payroll was operated in accordance with HMRC requirements. PAYE was in operation with payments being made to HMRC. The copies of the P45 for the previous Clerk/RFO and the P60 End of Year Certificate for the current Clerk/RFO were presented to the Internal Auditor.

10.2 Mrs Cardwell's final attendance at the Council as Clerk/RFO was at the meeting on 11 October 2022.

10.3 Mrs Marie Backhouse was formally appointed as the new Clerk/RFO by the Council at its meeting on 11 October 2022 and a Contract of Employment was put in place.

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. The Council agreed for the purchase of a dedicated laptop for the new Clerk at its meeting on 11 October 2022 (Minute 6 refers).

11.2 The Asset Register was reviewed by the Council at its meeting on 14 February 2023 (Minute 2.7 refers). The Council noted that the Register required the addition of the Orchard and Allotment noticeboard at a cost of £250.

11.3 At the time of the Internal Audit the Asset Register displayed a total value of £37,708 but the Register had still to include the Laptop purchased for the webmaster in 2021/22 (£399) and the Laptop purchased for the Clerk in 2022/23 (£429).

11.4 The corrected Asset Register value as at 31 March 2023 accordingly stands at £38,536.

11.5 The Register complies with current requirements which provide that each asset should be recorded on a consistent basis, year-on-year.

11.6 The value of assets as at 31 March 2023 has to be recorded in Box 9 in Section 2 of the AGAR for 2022/23.

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. At each meeting, the Council receives details of the financial position of the Council, including details of funds held.

12.2 Receipts and payments are listed in the Council's Minutes as part of the framework of financial controls operating within the Council.

12.3 At the meeting on 8 November 2022 the Chairman reported that consideration had been given to the operation of internet banking (Minute 11.5 refers). The Council noted on 13 December 2022 that progress was being made in setting up a Unity Trust Bank Account, with all payments being made online; there would be two accounts, one would be a current account for the precept payment to be put into and the other would be a savings account for the CIL money (Minute 7.3 refers).

12.4 The Internet banking procedure in place was confirmed by the Clerk/RFO to be as follows:

- (a) The Clerk/RFO is the Service Administrator who initiates the payments to be made through internet banking, which are then authorised electronically by two Councillors before payment is released.
- (b) Nominated Councillors have been specifically authorised to approve transactions generated by the Clerk/RFO.
- (c) The Approved Payments List, signed by the Authorising Signatories, is retained with the invoices and can be referenced to the bank statements.

12.5 The Clerk/RFO advised the Internal Auditor that the Council's Financial Regulations (items 6.10 - 6.16) are to be reviewed shortly to ensure that they correctly and fully reflect the agreed procedure for internet banking.

12.6 The Internal Audit Report for the previous year, 2021/22 was received and noted by the Council at its meeting on 14 June 2022 (Minute 5 refers).

12.7 The Council appointed the Internal Auditor for the 2022/23 year at its meeting on 10 January 2023 (Minute 10.4 refers).

13. External Audit (*Recommendations put forward/ comments made following the Limited Assurance Review*).

13.1 The External Auditors' Report and Certificate for the year 2021/22 were dated 27 July 2022. The Council formally received and noted the Report and Certificate at its meeting on 11 October 2022 (Minute 6 refers).

13.2 For the year 2022/23 the Council is not required to receive a Limited Assurance Review by PKF Littlejohn LLP under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure did not exceed £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

At its meeting on 14 June 2022 the Council noted the dates for the exercise of public rights (20 June 2022 to 29 July 2022). The documents in respect of the year 2021/22 had been published and were readily accessible on the Council's website:

<http://darsham.onesuffolk.net/parish-council/council-finance-documents/>

14.2. The items listed below were to be published following 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 Notice of the Conclusion of the External Audit and the AGAR – Section 3 document had been published on the Council's website at the time of the audit.

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, CPFA
Internal Auditor**

26 May 2023

**TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tadbrown01@yahoo.co.uk**