Report to Ditchingham 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 continued to maintain effective governance arrangements including a robust and effective 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. The Council displays many examples of good financial practice.

1.2 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.

1.3 The Accounts for the year confirm the following:

Total Receipts in the year:	*£46,976.16*
Total Payments in the year:	*£67,407.02*
Total Balances at year-end:	*£122,007.22*

1.4 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2021/22 (rounded for purposes of the Return):

Balances at beginning of year (1 April 2021):	*Box 1: £142,438*
Annual Precept 2021/22:	*Box 2: £37,000*
Total Other Receipts:	*Box 3: £9,976*
Staff Costs:	*Box 4: £11,823*
Principal repayments/loan interest:	*Box 5: £0*
All Other payments:	*Box 6: £55,584*
Balances carried forward (31 March 2022):	*Box 7: £122,007*
Total cash/short-term investments:	*Box 8: £122,007*
Total fixed assets:	*Box 9: £162,528*
Total borrowings:	*Box 10: £0*

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.

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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 took place on 4 May 2021. The first item of business was the Election of a Chairman, as required by the Local Government Act 1972. The meeting was held virtually via Zoom 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 At its meeting on 4 May 2021 the Council agreed that three Committees should be maintained for Community, Finance, and Planning and Highways. The Council agreed the membership of each Committee for 2021/22 (Minute 9 refers). Following the resignation of some Councillors and the co-option to fill the Casual Vacancies, at its meeting on 17 September 2021 the Council appointed a Chair and Vice Chair and agreed the membership of each of the three Committees (Minutes 4 and 5 refer).

2.3 Standing Orders are in place and 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 21 March 2022 (Minute 9 refers).

2.4 Financial Regulations are in place. The Regulations were reviewed by the Council at the meeting held on 21 March 2022 and accord with the latest template issued by NALC (Minute 9 refers).

2.5 The Council resolved to apply the General Power of Competence (GPoC) at its meeting on 20 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 10h refers).

2.6 The Council demonstrates good financial and management practice by maintaining and regularly reviewing a wide range of formal written policies which are published on the Council's website. As part of this process, at the meeting on 15 November 2021 the Council adopted a Social Media Policy and an amended Communication Policy (Minute 8a refers) and other Policies were reviewed and re-adopted by the Council at the meeting held on 21 March 2022 (Minute 9 refers).

2.7 The Council's Minutes are well presented, sequentially numbered and provide clear evidence of the decisions taken by the Council in the year. The Clerk/RFO confirmed to the Internal Auditor that each page of the Minutes is signed/initialled by the person acting as 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 ZA061875, expiring 23 July 2022). A General Data Protection Regulations (GDPR) Policy is in place and was reviewed and re-adopted

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by the Council at its meeting on 21 March 2022 (Minute 9 refers).

2.9 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) by maintaining the GDPR Policy and other Data Protection policies, procedures and documentation, including a Data Information Audit Policy, Data Protection Privacy Policy, Allotment Tenants Privacy Notice, Purchase of Exclusive Rights of Burial Privacy Notice, a Staff, Councillors and Role Holders Privacy Notice and a General Data Protection Awareness Checklist for Councillors.

2.10 The Council demonstrates good practice by periodically reviewing and re-adopting the Councillor's Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. The Council reviewed and re-adopted the Code of Conduct at a meeting held on 21 March 2022 (Minute 9 refers).

2.11 The Council demonstrates a high standard of engagement with the community through an informative website and the provision of updates/information and reports from police and other services. A Website Accessibility Statement has been published on the website to assist compliance with the Website Accessibility Regulations which applied from 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 Cashbook Spreadsheet was found to be in good order and well presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cash Book.

3.2 The Cashbook is well referenced and facilitates an audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. The Clerk/RFO confirmed to the Internal Auditor that all payments made in 2021/22 were supported by invoices/vouchers.

3.3 VAT re-claims were regularly submitted to HMRC during the year of account, as follows:

a) The VAT re-claim of £31.50 for the period 1 January 2021 to 31 March 2021 is recorded in the Cashbook as received at bank on 7 April 2021 and reported to Council at its meeting on 4 May 2021 (Minute 8d and Finance Report refer).
b) The VAT re-claim of £1,182.28 for the period 1 April 2021 to 31 July 2021 is recorded in the Cashbook as received at bank on 27 August 2021 and reported to Council at its meeting on 20 September 2021 (Minute 6a and Finance Report refer).
c) The VAT re-claim of £4,892.82 for the period 1 August 2021 to 28 February 2022 is recorded in the Cashbook was received at bank on 29 March 2022.

3.4 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2022 shows an amount of £452.75 at the end of previous year (31 March 2021), nil CIL received during the year and nil CIL applied. Accordingly, the balance of £452.75 continued to be retained as at 31 March 2022.

3.5 A Statement of Explanation of Variances (explaining significant differences in

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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. The External Auditors require an explanation where the carried forward (end of year) reserves are greater than twice the income from the Precept and the Clerk/RFO has addressed this matter in the Statement.

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 has a Risk Assessment document in place. The Risk Assessment provides an analysis of both the financial and non-financial risks faced by the Council and the internal control measures in place to mitigate the risks identified. The Risk Assessment document was reviewed and re-adopted by the Council at its meeting on 21 March 2022 (Minute 9 refers).

4.2 The Council accordingly complied with the Accounts and Audit Regulations 2015, which require that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, and that the Minutes of the Council must formally record that the review has taken place.

4.3 An important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect, a RoSPA Annual Play Inspection was undertaken in the year by the Play Inspection Company (payment of £166.80 is recorded as made on 12 July 2021). The Council receives, as a matter of routine, reports at its meetings on the condition of the play equipment and any replacements and repairs required or being undertaken.

4.4 Insurance was in place for the year of account. At its meeting on 19 July 2021 the Council agreed the payment of £766.08 insurance renewal to Community Action Suffolk (CAS) Insurance, being the final year of a 3-year Agreement.

4.5 The Policy is provided by Royal and Sun Alliance Insurance and runs from 7 August 2021 to 6 August 2022. Employers Liability insurance cover and Public Liability insurance cover each stand at £10m. The Fidelity Guarantee (Councillor/Employee Dishonesty) insurance 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: £37,000 (Meeting on 16 November 2020, Minute 7b and Budget Report 3 refer).

Precept 2022/23: £38,100 (Meeting on 15 November 2021, Minute 6b and Budget Report refer).

5.1 The Precepts were agreed in Full Council and the Precept decision and amount have been reported in the Council's Minutes. The Clerk ensures the Council is aware

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of its responsibilities and commitments and the need for forward planning and adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

5.2 Good budgetary procedures are 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.

5.3 The estimates for 2021/22 were used effectively for financial control and budgetary control purposes with detailed budgetary position statements (budget reports) being presented to meetings of the Council.

5.4 At the meeting on 21 March 2022 the Council considered Local Project Grants and resolved to place the grants budget of £1,000 in an earmarked reserve (Minute 6d refers).

5.5 As at the 31 March 2022 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense. The Overall Reserves at the year-end totalled £122,007.22, of which £103,890.14 is earmarked as follows:

(a) Lychgate & Cemetery Maintenance (£12,919)
(b) Cheyne & Maltings Footpath Maintenance (£2,045)
(c) Play Area New Equipment & Repairs Reserve (£21,278.35)
(d) Community Infrastructure Levy (CIL) Fund (£452.79)
(e) Streetlights Repairs/LEDs/Removal (£60,145)
(f) Streetlights Electricity & Maintenance Contract (£2,845)
(g) SNC VE Day Grant (£200)
(h) Tree Survey/Maintenance (£593)
(i) Village Improvement (£2,412)
(j) Local Projects Grants (Section 137) (£1,000)

5.6 The General Reserve of £18,117.08 held at 31 March 2022 is in line with the generally accepted position that non-earmarked revenue reserves should usually be between 3 and 12 twelve months of expenditure or at least 50% of the precept.

6. Income Controls *(regarding sums received from Precept, Grants, Loans and other income).*

6.1 Receipts recorded in the Cashbook consisted of the Precept (£37,000), Allotment Rents (£265), Cemetery (£3,535), VAT reclaimed from HMRC (£6,075.10), Thwaite Road Play Area Cashbox (£93.30) and Bank Interest (£7.76).

6.2 Cemetery Fees were reviewed by the Council at its meeting on 21 March 2022 (Minute 9 refers). The Fees that apply for the 2022/23 year are published on the Council's website.

6.3 The annual review of Allotment Rents was undertaken by the Council at its meeting on 21 March 2022 (Minute 9 refers). The Council agreed that there should be no change to the existing fees/ an increase in the existing fees.

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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 for expenses incurred.

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

8.1 The Council's Payroll Services has been outsourced to Van Dijk Accountants. Detailed payslips are produced. PAYE was in place during the year of account. A copy of the End of Year Certificates P60 for 2021/22 for the Clerk/RFO and the two other employees were presented to the Internal Auditor.

8.2 At the meeting on 17 January 2022 the Council agreed to set up a Staff Pension Scheme and would examine some schemes available). On 21 March 2022 the Council resolved to award a NEST pension scheme to any of the Council's staff who wishes to join (Minute 16 refers).

8.3 At the Council's meeting on 21 March 2022 the Council noted and agreed the JNC/NALC National Salary Pay Award for the Clerk/RFO of 1.75% backdated to 1 April 2021 (Minute 6f refers).

8.4 In terms of the requirements under the Workplace Pensions legislation, the Pensions Regulator confirmed on 2 June 2020 that the Council has completed a re-declaration of compliance under 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 and is a comprehensive document displaying details of each asset, its location, purchase date (where known), purchase value and insurance value with supporting notes.

9.2 The total value of £162,528 as at 31 March 2021 is an increase of £3,513 over the value at the end of the previous year (£159,015) and reflects the acquisition in the year of account of an Up and Over Climbing Play Equipment (£3,375) and a Mobile Phone (£138).

9.3 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.

9.4 The value as at 31 March 2022 has been correctly entered into Box 9 of Section 2 of the AGAR.

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

10.1 At the meeting on 4 May 2021 the Clerk/RFO advised the Council that the bank mandate was to be updated and recommended moving to Unity Trust Bank. The Council approved the changes to the bank mandate and agreed to change the Council's bank to Unity Trust Bank (Minute 8d refers). Bank account signatories were updated at the meeting on 17 September 2021 following the resignation of some Councillors and the co-option to fill Casual Vacancies.

10.2 The Online Banking Procedure was approved by the Council at its meeting on 19 July 2021 and signed by the Chair (Minute 5d refers).

10.3 The Bank Statements as at 31 March 2022 for the Barclays Community (Current) Account, the Barclays Business Savings Account and the Unity Bank Savings 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. Any previous audit recommendations implemented).*

12.1 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. The Clerk/RFO provides the Council with an up-to-date report at each meeting regarding the Council's finances, including a list of Payments and Receipts since the previous meeting and Bank Balances.

12.2 Receipts and payments are listed in an attachment to the Council's Minutes as part of the overall financial control framework.

12.3 Where cheques were issued during the year 2021/22, the Clerk/RFO confirmed that:

(a) cheque numbers were noted on the paid invoices/vouchers to assist the verification of the payment.
(b) invoices/vouchers for payment were signed or initialled by the nominated signatories in confirmation of the payment being correctly made.
(c) Cheque Book counterfoils were initialled by Cheque Signatories, all as a matter of routine in accordance to the requirements of the Council's Financial Regulations 6.4 and 6.5. These areas were not examined due to the Internal Audit being conducted

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remotely/electronically but can be test-checked at the next scheduled audit.

12.4 Electronic payments were made during the year 2021/22. The Council approved an Online Banking Procedure at its meeting on 19 July 2021 (Minute 5d) to ensure adequate control over the online payment system.

12.5 The Internet Banking system provides that the Clerk/RFO is the Service Administrator who initiates/sets up the payments made through electronic means/internet banking. The Clerk/RFO sends an email (with scanned invoices attached) to two Councillors for them to electronically authorise the payments. For reference purposes, the Clerk/RFO provided the Internal Auditor with a copy of the email sent to Councillors on 13 April 2022 to demonstrate the procedure in place.

12.6 The Clerk/RFO explained to the Internal Auditor that the bank does not issue Internet Banking payment confirmations stating that each payment has been completed. Consequently the emails with the payments listed are printed out and attached to the invoices and at the next meeting the Councillors who authorised the payments initial the invoices and the email. The Clerk/RFO confirmed that the Council has authorised four Councillors, who are also cheque signatories, to approve transactions generated by the Clerk/RFO.

Recommendation 1: The Council's Financial Regulations should be reviewed during 2022/23 and updated as necessary in order to ensure that they fully reflect the Online Banking Procedure agreed by the Council.

12.7 The Internal Audit for the previous year (2020/21) was received and approved by the Council at its meeting on 4 May 2021 (Minute 8a refers). No matters of concern had been raised.

12.8 The Internal Auditor for the 2021/22 year was formally appointed by the Council at its meeting on 4 May 2021 (Minute 8c refers).

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

13.1 The External Audit Report and Certificate by PKF Littlejohn LLP for the 2020/21 year (dated 26 August 2021) was received by the Council at its meeting on 20 September 2021 (Minute 6c refers). The Report raised no issues of concern.

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.

Following the completion of the External Audit:

Notice of Conclusion of Audit

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

14.2 At its meeting on 19 July 2021 the Council noted that the Exercise of Public Rights of Inspection Notice had been published on the website and noticeboard on 2 June 2021.

14.3 The Internal Auditor was able to confirm that the publication requirements have been met and that the documents in respect of the year 2020/21 were readily accessible on the Council's webpage:

https://ditchinghampc.norfolkparishes.gov.uk/category/finances/

15. Additional Comments.

15.1 I would like to record my appreciation to the Clerk for her assistance during the course of the audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

20 April 2022