Report to Ditchingham 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 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 2022/23 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:	*£66,656,18*
Total Payments in the year:	*£54,382.27*
Total Balances at year-end:	*£134,281.13*

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 2022/23 (rounded for purposes of the Return):

Balances at beginning of year (1 April 2022):	*Box 1: £122,007*
Annual Precept 2022/23:	*Box 2: £38,100*
Total Other Receipts:	*Box 3: £28,556*
Staff Costs:	*Box 4: £12,239*
Principal repayments/loan interest:	*Box 5: £0*
All Other payments:	*Box 6: £42,143*
Balances carried forward (31 March 2023):	*Box 7: £134,281*
Total cash/short-term investments:	*Box 8: £134,281*
Total fixed assets:	*Box 9: £152,758*
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 2022/23 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 16 May 2022. The first item of business was the Election of a Chairman, as required by the Local Government Act 1972.

2.2 At its meeting on 18 July 2022 the Council agreed that three Committees should be maintained for Finance and Resources, Planning, and Highways and Community. A Chair for each Committee was approved by the Council at the meeting on 3 October 2022.

2.3 Standing Orders are in place and were reviewed and approved by the Council at its meeting on 20 March 2023 (Minute 6h refers). The National Association of Local Councils (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 similarly in place, having been reviewed by the Council at the meeting held on 21 November 2022 (Minute 8 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 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.

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. 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 2023).

2.9 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) by maintaining Data Protection policies, procedures and

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documentation, including a Data Protection Privacy Policy, Allotment Tenants Privacy Notice, Purchase of Exclusive Rights of Burial Privacy Notice, a Staff, Councillors and Role Holders Privacy Notice, a General Data Protection Awareness Checklist for Councillors and a Data Information Audit Document. The GDPR Policy, a Publication Scheme and other published Policies were reviewed and adopted by the Council at its meeting on 20 March 2023 (Minutes 6e, 6f and 6i refer).

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 current Code of Conduct will continue until 4 May 2023. From 5 May 2023 the new Local Government Association Code of Conduct for Councillors will be applied.

2.11 The Council continues to demonstrate 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.

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.

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. A sample of invoices/vouchers supporting the payments for 2022/23 was examined in detail and found to be in order.

3.3 VAT payments are tracked and identified within the Cashbook. During 2022/23 the VAT reference numbers have been listed to assist the completion of reclaims. VAT re-claims were regularly submitted to HMRC during the year of account, as follows:

a) The VAT re-claim of £1,428.29 for the period ending 31 March 2022 is recorded in the Cashbook as received at bank on 13 April 2022 and reported to Council at its meeting on 16 May 2022 (Minute 8e and Finance Report refer).
b) The VAT re-claim of £918.05 for the period 1 April 2022 to 30 June 2022 is recorded in the Cashbook as received at bank on 2 August 2022 and reported to Council at its meeting on 3 October 2022 (Minute 7d and Finance Report refer).
c) The VAT re-claim of £3,511.90 for the period 1 July 2022 to 30 September 2022 is recorded in the Cashbook as received at bank on 3 October 2022 and reported to Council on 21 November 2022 (Minute 6a and Finance Report refer).
d) A VAT re-claim of £716.39 for the period 1 October 2022 to 28 February 2023 is recorded in the Cashbook as received at bank on 2 March 2023 and reported to Council on 20 March 2023 (Minute 5a and Finance Report).

3.4 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2023 shows an amount of £452.75 at the end of previous year (31 March 2022), £15,065.09 CIL received during the year and £1,570.50 CIL applied in the year 2022/23 on new goalposts. Accordingly, a balance of £13,947.34 was retained as at 31 March 2023. The Council agreed on 16 January 2023 to earmark £13,947 of

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CIL Fund to street light renewals.

3.5 A Statement of 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 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 20 March 2023 (Minute 6g 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 £175.08 is recorded as made on 20 June 2022). 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 18 July 2022 the Council agreed the insurance renewal to Community Action Suffolk (CAS) Insurance under a 3-year Agreement. The renewal payment of £780.25 to CAS Insurance is recorded in the Cashbook as paid on 1 August 2022

4.5 The Policy is provided by Ansvar Insurance and runs from 7 August 2022 to 6 August 2023. 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 2022/23: £38,100 (Meeting on 15 November 2021, Minute 6b and Budget Report refer).

Precept 2023/24: £40,000 (Meeting on 21 November 2022, Minute 6c and Budget

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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 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 2022/23 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 November 2022 the Council agreed to move £10,000 from the General Reserve to the Energy Reserve (Minute 6d refers).

5.5 At the meeting on 20 March 2023 the Council noted that the General Reserves were low and resolved to vire from the Lychgate & Cemetery Maintenance and Play Area New Equipment & Repairs Restricted Reserves to maintain the equivalent of 50% of the precept in the General Reserves balance.

5.6 As at the 31 March 2023 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 £134,281.13, of which £115,215.73 was Earmarked as follows:

(a) Cheyne & Maltings Footpath Maintenance (£2,045)
(b) CIL Fund for street light renewals (£13,947.38)
(c) Hollow Hill Conservation Area Grants (£2,000)
(d) Local Projects Grants (Section 137) (£1,000)
(e) Lychgate & Cemetery Maintenance (£5,000)
(f) Play Area New Equipment & Repairs Reserve (£15,228.35)
(g) Streetlights Energy (£12,845)
(h) Streetlights Repairs/LEDs/Removal 74 streetlights (£60,145)
(i) Tree Survey/Maintenance (£593)
(j) Village Improvement (£2,412)

5.7 The General Reserves (Overall Reserves less Earmarked Reserves) accordingly totalled £19,065.40 as at 31 March 2023 and 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 (£38,100), CIL Fund (£17,265.09), Allotment Rents (£245), Cemetery (£3,925), VAT reclaimed from HMRC (£6,574.63) and Bank Interest (£546.46).

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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. Cemetery Fees are due to be reviewed by the Council at its meeting in May 2023.

6.3 The annual review of Allotment Rents was undertaken by the Council at its meeting on 21 March 2022 (Minute 9 refers) when the Council agreed that there should be no change to the existing fees. At the meeting on 21 November 2022 the Council agreed to increase allotment rents from October 2023 (in accordance with the budget proposals for 2023/34) as follows:

- from £10 to £12 for a single allotment plot
- from £15 to £20 for a double or two allotment plots

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 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 were outsourced to Van Dijk Accountants during the year 2022/23. Detailed payslips are produced. PAYE was in place during the year of account.

8.2 Contracts of Employments are in place for the Clerk/RFO and the Litter Picker. As at 31 March 2023 the Clerk/RFO was being paid at 10 hours per week. A copy of the End of Year Certificates P60 for 2022/23 for the Clerk/RFO and the Council's Litter Picker were presented to the Internal Auditor.

8.3 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 wished to join (Minute 16 refers).

8.4 At the Council's meeting on 21 November 2022 the Council noted and agreed the contractual JNC/NALC National Salary Pay Award for the Clerk/RFO (Minute 6b refers).

8.5 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).

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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. The updated Register was reviewed and adopted by the Council at its meeting on 20 March 2023.

9.2 The total value of £152,758 as at 31 March 2023 is a net decrease of £9,770 compared to the value at the end of the previous year (£162,528). New items totalled £3,856 and related to the acquisition in the year of account of Dog Bins (£225), Noticeboards (£1,851), Goal Post and Nets (£890) and Benches at Thwaite Road Play Area (£890). The Clerk/RFO confirmed to the Internal Auditor that the reduction in value of £13,626 reflects the reduction in the Street Lights from 87 lamps to 74 lamps.

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 2023 has been correctly entered into 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 presented to Council and listed as an attachment to the Council's Minutes.

10.2 An Online Banking Procedure is in place and is published on the Council's website.

10.3 The Bank Statements as at 31 March 2023 for the Unity Bank Current Account, the Unity Bank Savings Account and the Barclays Business Premium (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.

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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 as an attachment to the Council's Minutes as part of the overall financial control framework.

12.3 Electronic payments were made during the year 2022/23. 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.

12.4 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.

12.5 The Clerk/RFO confirmed 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. No cheques were issued during the year 2022/23.

12.6 The Internal Audit for the previous year (2021/22) was received and approved by the Council at its meeting on 16 May 2022 (Minute 8b refers). The Report put forward the recommendation that 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. At the meeting on 21 November 2022 the Council considered and approved the Online Banking Procedure as a supplement to the Council's Financial Regulations (Minute 8a refers). A copy of the procedure has been published on the website alongside the Financial Regulations.

12.7 The Internal Auditor for the 2022/23 year was formally appointed by the Council at its meeting on 3 October 2022 (Minute 7c refers).

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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 2021/22 year (dated 26 July 2022) was received by the Council at its meeting on 3 October 2022 (Minute 7a 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
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

14.2 The Internal Auditor was able to confirm that the publication requirements have been met and that the documents in respect of the year 2021/22 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. I would particularly like to commend the Clerk/RFO for the excellent presentation of the Council's documents for the audit.

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Trevor Brown, CPFA

Internal Auditor

12 April 2023

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