

## **Report to Cotton 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 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: £13,931.04*  
*Total Payments in the year: £17,123.64*  
*Total Reserves at year-end: £17,201.70 (£11,374.88 is earmarked/restricted)*

1.4 A Draft Annual Governance and Accountability Return (AGAR) has been completed by the Clerk/RFO and the following figures included in Section 2 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £20,394</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £6,500</i>
<i>Total Other Receipts:</i>	<i>Box 3: £7,432</i>
<i>Staff Costs:</i>	<i>Box 4: £1,998</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £15,126</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £17,202</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £17,202</i>
<i>Total fixed assets:</i>	<i>Box 9: £8,646</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.5 Sections One and Two of the AGAR are to be approved 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 agreed schedule of work. 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 6 May 2021. The first item of Parish Council business was the Election of a Chairman, as required by the Local Government Act 1972. The meeting was held on-line 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 Standing Orders are in place. At the meeting on 10 November 2021 the Council reviewed the Standing Orders and agreed to accept and adopt them as presented (Minute 101121/42 refers). The Standing Orders comply with the latest model documents published by the National Association of Local Councils (NALC). A copy has been published on the Council's website.

2.3 Financial Regulations are in place. At the meeting on 10 November 2021 the Council reviewed the Financial Regulations and agreed to accept and adopt them as presented (Minute 101121/43 refers). The Regulations comply with the latest model documents published by the NALC. A copy has been published on the Council's website.

2.4 The Clerk/RFO to the Council was Mr Rod Caird until his sudden death in October 2021. At the meeting on 10 November 2021 the Council agreed to appoint Mrs Tina Newell as Interim Clerk and Responsible Financial Officer (RFO) with a probationary period of 13 weeks.

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 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 ZA255286 refers, expiring 2 July 2022).

2.7 To assist compliance with the General Data Protection Regulations (GDPR) the Council resolved to approve the following Policies and Procedures (all of which have been published on the Council's website) at the meeting on 10 November 2021:

Accessibility Statement  
Data Protection Policy  
Data Protection Impact Assessment  
Data Security Policy  
Data Breach Policy

Data Retention Policy  
Lawful Basis for Processing Data Policy  
Bring Your Own Device Policy  
Privacy Notice  
Subject Access Request Policy and Procedures.

2.8 The Council has a Guide to the Publication Scheme to support meeting the requirements of the Freedom of Information Act and has published the document on the Council's website.

2.9 The Council demonstrates good practice by maintaining a wide range of formal Policies and Procedures in addition to those related to Data Protection issues. At its meeting on 10 November 2021 the Council agreed to adopt the following:

Complaints Procedure  
Equal Opportunities Policy  
Recording Policy (Filming, Videoing, Photography and Audio)  
Health and Safety Policy  
Grievance and Disciplinary Policies/procedures  
Sickness Absence Policy  
Internet Banking Policy and Procedure  
Freedom of Information Policy

The above policies, procedures and protocols have been published on the Council's website.

2.10 The Council demonstrated good practice by formally re-adopting the Suffolk Local Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. At the meeting on 10 November 2021 all Councillors confirmed receipt of the Code of Conduct and agreed to adopt it (Minute 101121/46 refers).

2.11 The Council has published a Website Accessibility Statement in accordance with the website accessibility regulations. The Statement includes technical information about the website's accessibility, describes the content not subject to the regulations and provides contact details should accessibility problems arise.

### **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 very well referenced and facilitates an audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. A sample of transactions was examined with the supporting invoices and found to be in order.

3.2. A payment of £750 is recorded in the year having been made under the Local Government Act 1972 Section 137 in the year of account. VAT payments are tracked

and identified within the End-of-Year Accounts to assist the construction of reclaims to HMRC.

3.3 Re-claims for the amounts of VAT paid are regularly submitted to HMRC. The receipt of the VAT refund of £354.55 for the period ending 31 March 2021 was received at bank on 7 July 2021 and reported to Council on 14 July 2021.

3.4 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2022 shows £9,289.85 brought forward at the end of previous year (31 March 2021), CIL receipts of £4,296.19 and £8,000 spent as a Play Area Grant in the year 2021/22. Accordingly, the balance of £5,586.04 is displayed as retained as at 31 March 2022. The Annual Report has been published on the Council's website and has to be submitted to the District Council no later than 31 December 2022.

3.5 The Clerk/RFO has constructed a Statement of Variances (explaining significant differences in receipts and payments between the years 2020/21 and 2021/22) which has been published on the Council's website.

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

4.1 Bank reconciliations are regularly presented to the Council by the Clerk/RFO and recorded in the Minutes of the Council meetings. At the Meeting on 10 November 2021 the Council nominated a non-bank signatory Councillor to verify the monthly bank reconciliations (Minute 101121/20 refers). Confirmation of the verification is recorded in the Minutes of the Council's meetings.

4.2 The bank statements for the Barclays Community Account (£8,414.80) and the Business Premium Account (£8,786.90) as at 31 March 2022 reconciled with the End-of-Year accounts and Bank Reconciliation for all 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 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 15 December 2021 the Council received the review of internal controls by the nominated Councillor and the Clerk/RFO and approved the review (Minute 151221/29 refers). The Council noted that the review of risk assessments would be brought to the next meeting.

6.2 The Council also noted on 15 December that following the recent, sudden loss of the former Clerk, a Confidential Emergency Business Continuity Plan has been put in place to ensure that Councillors can be made aware, if necessary, of the systems the Council uses, who uses them and where passwords are stored (Minute 151221/33 refers).

6.3 At the meeting on 17 February 2022 the Council noted that the review of Risk Assessments had been completed and agreed to accept the review, noting that this was a working document subject to frequent review (Minute 170222/25 refers).

6.4 The Council accordingly complied with the Accounts and Audit Regulations 2015 which require 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 the management of risk, with the review suitably Minuted.

6.5 Insurance was in place for the year of account. At the meeting on 10 November 2021 the Council noted that Community Action Suffolk (CAS) Insurance had confirmed this 2021/22 is the last year of the long-term agreement. The Policy is provided by Royal and Sun Alliance Insurance. The Council agreed to the insurance renewal at a cost of £210.67 for the year and noted the Fidelity Guarantee cover of £25,000 and the asset cover of £20,000 (Minute 101121/33 refers).

6.6 The Fidelity Guarantee cover up to £25,000 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. The Employer's Liability cover and Public Liability cover under the policy each stands at £10m.

6.7 The Council also noted at the meeting that CAS was not able to insure Carters Meadow and therefore resolved to renew Carters Meadow insurance with Zurich at an annual charge £279.74 (Minute 101121/32 refers).

## **5. Publication Requirements and the Transparency Code (Compliance for Smaller Councils with income/expenditure under £25,000)**

5.1 The Transparency Code for smaller Councils was introduced by central government in 2015 to ensure that all Councils with an annual turnover of up to £25,000 make public a raft of information about their financial dealings and governance. Cotton Parish Council was designated as a 'Smaller Council' in the year 2019/20. The Council's website is: <http://cotton.onesuffolk.net>

5.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100.* Published on website and included within published Minutes of Council meetings.
- b) *Annual Governance Statement: 2020/21 AGAR Annual Return Section One.* Published on the website.

- c) *End-of-Year accounts: 2020/21 AGAR Annual Return, Section Two. Published on the website.*
- d) *Annual Internal Audit report from 2020/21 AGAR Annual Return. Published on the website.*
- e) *List of councillor or member responsibilities. Published on the website.*
- f) *The details of public land and building assets (Asset Register). The Asset Register has been published on the website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on the website.*

5.3 At the time of the Internal Audit the Council was in compliance with the requirements of the Transparency Code.

5.4 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require 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, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement.

5.5 Of the remaining documents required to be published (as listed in the AGAR Page 1 Guidance Notes) the Certificate of Exemption and Bank Reconciliation as at 31 March 2021 were confirmed as easily accessible on the Council's website. However, the Statement of Analysis of Variances was not easily accessible on the website and accordingly the Council did not fully comply with the publication requirements for the 2020/21 AGAR. The Statement may not have been prepared due to the sudden death of the previous Clerk/RFO.

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

Precept 2021/22: £6,500.00 (13 January 2021, Minute 14/130121 refers).

Precept 2022/23: £8,329.79 (15 December 2021, Minute 151221/27 refers).

7.1 The precepts were agreed in Full Council and the precept decision and amount have been clearly Minuted. The Clerk/RFO ensures that 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.

7.2 Following consideration of estimates of the annual budget and of receipts and payments, the Budget and Precept for the year 2021/22 were agreed by the Council at the meeting on 13 January 2021.

7.3 The Interim Clerk/RFO presented a first draft budget for 2022/23 at the meeting of the Council on 10 November 2021. The Budget was again considered and agreed by the Council on 15 December 2021 (Minute 151221/26 refers).

7.4 At the meetings on 10 November 2021, 15 December 2021 and 17 February 2022 the Council received and noted a report comparing the budget for the year 2021/22 with the actual payments and receipts in the year. The Council also receives details of Reserves, including the level of General Reserves as a % of the Precept. The Council formally Minuted its acceptance of the figures. The estimates for 2021/22 were used effectively for financial control and budgetary control purposes.

7.5 The Council received the reserves account at the meeting on 17 February 2022 and agreed the details as presented by the Clerk/RFO (Minute 170222/16 refers).

7.6 The Overall Reserves available to the Council at the year-end 31 March 2022 were £17,201.70, of which £11,374.88 is earmarked/restricted as follows:

Jubilee:	£3,288.84
Defibrillator:	£2,500.00
CIL (restricted):	£5,586.04

7.7 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) of £5,826.82 are in line with of the generally accepted position 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).

7.8 As at the 31 March 2022, the Council maintained sufficient overall reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

8.1 Receipts are reported to the Council by the Clerk/RFO and recorded in the Minutes of Council meetings. The Receipts recorded in the Cashbook Spreadsheet consisted of Precept (£6,500), CIL (£4,296.19), MSDC/Locality Grants (£1,202), Jubilee Grants (£1,000), VAT reclaim (£354.55) and Village Hall Maintenance (£578.30).

## **9. Petty Cash (*Associated books and established system in place*).**

9.1 No Petty Cash is held. An expenses system is in place with on-line banking payments being made during the year 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 operated in-house. The Council is registered with HMRC and the Payroll is operated in accordance with HMRC regulations. Detailed pay slips are produced. The P60 End of Year Certificate for the Clerk/RFO was presented to the Internal Auditor for examination.

10.2 At its meeting on 10 November 2021 the Council agreed to appoint Mrs Tina Newell as Interim Clerk and Responsible Financial Officer (RFO) with a probationary period of 13 weeks. It was agreed to appoint the post at 4 hours a week on NJC SCP 17, at £12.73 per hour with an office allowance of £6.00 per week. The Contract of Employment was signed by the Chair at the meeting (Minute 101121/72 refers).

10.3 At the meeting on 17 February 2022 the Council agreed to appoint Mrs Newell as the permanent Parish Clerk and Responsible Financial Officer, having successfully completed the probation period (Minute 170222/37 refers).

10.4 A Contract of Employment dated 15 October 2021 is in place and confirms that the Clerk/RFO's starting salary was at NJC Scale Point 17 within the 13 – 17 range in Scale LC1 for a minimum of 4 working hours per week.

10.5 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed that she has contacted the Pensions Regulator to ensure the Council is fully compliant in terms of declarations of compliance to the in accordance with 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).

**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 and was reviewed and agreed by the Council at its meetings on 15 December 2021 (Minute 151221/15) and on 17 February 2022 (Minute 170222/16).

11.2 The Register records the original purchase cost. The value of £10,342 as at 31 March 2022 is an increase of £1,696 over the value of £8,646 as at the end of the previous year, 31 March 2021 and reflects the acquisition in the year of 3 Dog Bins (£464), 4 Grit Bins (£632) and a MacBook for the Clerk/RFO's office (£600).

11.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

11.4 The Council demonstrates good practice by closely checking the insurance cover against the Council's Asset Register to ensure that all items are adequately



covered. The Clerk/RFO has compared the items included in the Asset Register with the insurance cover. The Asset Register includes a column that lists the insurance cover for each relevant asset and identifies, for insurance valuation purposes, any asset that is low in value or not at risk.

**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. The Clerk/RFO provides the Council with comprehensive Finance Reports which are considered and approved by the Council at each meeting. Bank balances and level of Reserves held are routinely reported to Councillors, who are provided with information to enable them to make informed decisions.

12.2 Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.

12.3 At its meeting on 10 November 2021 the Council confirmed the Councillors on the current bank mandate with approval to sign cheques and the Councillors resolved to amend the bank mandate to provide Councillors' authorisation to access internet banking. The Council also resolved to add the Clerk/RFO to the bank mandate allowing administration access to internet banking (Minutes 101121/34 to /36 refer).

12.4 The Council noted on 15 December 2021 that the Interim Clerk/RFO (now the Permanent Clerk/RFO) was authorised for access to online banking as administrator only.

12.5 The Council's Internet Banking Policy provides that:

- a) All orders for payment will be verified for accuracy by the Parish Clerk and included on a payment schedule.
- b) The schedule of all payments shall be prepared by the Clerk/RFO and presented to each meeting of the Council together with any supporting invoices or other documentation for approval. The approved schedule will be initialled by the Chairman of the meeting.
- c) The Clerk/RFO will initiate payment.
- d) One of the authorised Councillors will confirm the payments online (from the list of authorised Councillors held by Barclays Bank). Councillors are expected to authorise payments requests within two days of the payment being initiated by the Clerk/RFO
- e) Transfers between the Barclays Current and Savings Account can only be carried out by written instruction to the bank and as such should always be agreed and Minuted at a Parish Council meeting.

12.6 A sample of on-line transactions were examined and found to be in order.

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12.7 The Internal Audit report for the previous year (2020/21) was undertaken by the Suffolk Association of Local Councils (SALC) and was received and accepted by the Council at its meeting on 10 November 2021 (Minute 101121/41 refers). A number of issues had been raised and the Clerk/RFO updated the Council on 15 December 2021 of the work in progress in meeting the recommendations (Minute 151221/29). The Clerk/RFO confirmed to the Council on 17 February 2022 that all points (other than the AGAR figures) had been addressed (Minute 170222/24 refers).

12.8 The Council received the Internal Audit Plan for the year 2021/22 at its meeting on 15 December 2021 and formally appointed the Internal Auditor for the year (Minutes 151221/31 and /32 refer).

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

13.1 An External Audit was not required in the year 2020/21. At the meeting of the Council on 6 May 2021 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year.

13.2 For the year 2021/22 the Council may similarly apply for Exemption from a Limited Assurance Review 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. Additional Comments.**

14.1 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**

**25 April 2022**