

Report to Levington and Stratton Hall Parish Council

End of Year Internal Audit Review 2021/22

1. Introduction and Summary.

1.1 The Internal Audit work undertaken confirmed that during the 2021/22 year the Council maintained effective governance arrangements which included measures for the operation 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: £10,065.68
Total Payments in the year: £8,537.56
Total Reserves at year-end: £30,936.50

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 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £29,408</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £8,740 * Note 1</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,326 * Note 2</i>
<i>Staff Costs:</i>	<i>Box 4: £4,727</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,811</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £30,936</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £30,936</i>
<i>Total fixed assets:</i>	<i>Box 9: £13,859</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

** Note 1: Precept only should be placed in Box 2*

** Note 2: Includes Tax Base Grant of £130*

1.5 Sections One and Two of the AGAR were approved by the Council at its meeting on 4 May 2022 and have been signed by the RFO and Chairman, who both should initial the amendments to Box 2 and Box 3 prior to publication of the AGAR on the Council's website.

1.6 The Internal Auditor has completed the Annual Internal Audit Report 2021/22 within the AGAR.

1.7 All documents were very well presented by the Clerk/RFO for the Internal Audit Review. The following Internal Audit work was carried out on the adequacy of the systems of internal control in accordance with the Audit Plan. Comments and the 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 5 May 2021. The first formal item of Parish Council 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 The Membership for the Council's Planning Committee, Working Parties and Representative Bodies was approved by the Council at its meeting on 5 May 2021. The Clerk, Mrs Bugg, was re-affirmed as the Council's Responsible Financial Officer.

2.3 Standing Orders are in place and are based upon the Model Standing Orders published by the National Association of Local Council (NALC). The Council gave formal approval to the Standing Orders at its meeting on 19 January 2022 (Minute 12.22b). A copy of Standing Orders could not be located on the Council's website.

2.4 Financial Regulations are in place and are similarly based on the NALC model Financial Regulations published in 2019, tailored to the particular requirements of the Council. The Council noted on 2 March 2022 that the Financial Regulations had been customised for the Council and were accordingly adopted (Minute 22.28b refers). A copy of Financial Regulations has been published on the Council's website. It should be noted that the thresholds for public service or supply and public works contracts (as displayed at the footnote on page 16 of Financial Regulations) have been revised and can be included at the Council's next review of Financial Regulations.

2.5 The Council has adopted a Mission Statement. At its meeting on 10 September 2020 the Council agreed that it would be helpful to adopt a Mission Statement which would assist in providing direction and focus to the Council's development pathway (Minute 60.20 refers). A Mission Statement was presented to Council on 4 November 2020 and formally adopted (Minute 80.20). A copy has been published on the Council's website.

2.6 It is good management practice for a local council to ensure that formal Policies, Procedures and Protocols are in place and are regularly reviewed. The Council now has key Staffing Policies in place to protect the respective position of the Council and its Employees.

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 ZA065556, expiring 12 August 2022). The Registration details on the ICO's webpage <https://ico.org.uk/ESDWebPages/Entry/ZA065556> gives an out-of-date the contact address for the Council as 11 Red House Walk, Levington, Ipswich, Suffolk IP10 0LY. The Clerk/RFO confirmed that the ICO does have the correct address on all correspondence but have not updated their website despite repeated requests and that it is the ICO website which is out of date, not the information they hold.

2.8 The Council has adopted a range of Data Protection Policies and Procedures to evidence the Council's compliance with the General Data Protection Regulations (GDPR). These include a Data Governance Policy, a Personal Data Assessment Matrix, a Privacy Policy, a Data Breach Log and a General Data Protection Awareness Checklist for Councillors. The documents received formal approval by the Council on 19 January 2022.

2.9 The Council maintains a standing item at each meeting for the Code of Practice and Declaration of Interest issues to be considered.

2.10 At its meeting on 4 May 2022 the Council noted that the Local Government Association (LGA) had approved a new Code of Conduct with the aim that it is to be adopted by all levels of local government which effectively makes it a national code. Parish Councils had been strongly recommended to adopt the Code by the Suffolk Association of Local Councils (SALC). Prior to the meeting a copy of the new code had been circulated to all Councillors. The Council agreed to adopt the new code (Minute 52.22 refers).

2.11 The Minutes of the Council's meetings are well presented and provide clear evidence of the decisions taken by the Council. Each page of the numbered Minutes is signed by the Chairman to ensure that a lawful and authentic record is maintained. The signed copy of the Minutes of the meetings on 7 July 2021 and 1 September 2021 are headed that the meetings were 'Zoom meetings' (on dates when there were no legal basis at the time to meet virtually by Zoom) and the Clerk/RFO will be arranging for their formal correction to confirm the location of the meetings to evidence that the Council met in person and were held on a legal basis.

2.12 The Council's website, hosted by OneSuffolk, is clearly in need of improvement to ensure that it is user friendly and sufficiently flexible to meet all the publication requirements of the Council. Accordingly, Councillors are currently looking to appoint a Web Master to oversee the development and management of the website.

2.13 Importantly, the Council and its website host have yet to publish a Website Accessibility Statement in response to the Website Accessibility Regulations which came into effect in September 2020. The Statement should provide details of what

the Council has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible and contact details to report accessibility problems.

Recommendation 1: The Council should construct and publish (or direct the website host to construct and publish) a Website Accessibility Statement in order to demonstrate compliance with the website accessibility regulations. The Statement should include website navigation and accessing information and disclose any areas which are exempt from the Regulations or may involve a disproportionate financial burden to achieve full accessibility.

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 has been well constructed; it is comprehensive and well referenced and facilitates an audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. Payments are sub-analysed over specific headings and VAT transactions are tracked and separately identified to assist future reclaims to HMRC. Payments made under Section 137 of the Local Government Act 1972 are being separately recorded, as required, and notated in the Minutes under the approved expenditure (Poppy Wreath at meeting on 3 November 2021).

3.2 An overall Summary Receipts and Payments Account as at 31 March 2022 has been constructed by the Clerk/RFO from the Spreadsheet to itemise the types of receipts and payments and provides a comparison to the receipts and payments for the previous year.

3.3 The Internal Auditor examined the Expenditure Analysis within the Spreadsheet and undertook sample testing to confirm that entries agreed with the bank statements and supporting invoices/vouchers.

3.4 A copy of the re-claim to HMRC for the amount of £218.14 VAT paid in the period 1 April 2019 to 31 March 2022 is on file. The Internal Auditor was unable to reconcile the amount of £98.52 re-claimed for 2021/22 (within the overall re-claim) with the VAT listed in 2021/22 within the Expenditure Analysis (a total of £184.22 for the year). The Clerk/RFO agreed to re-examine the VAT re-claim for 2021/22 alongside the VAT entries in the Expenditure Analysis to ensure that all items of VAT recorded in 2021/22 are reclaimed from HMRC.

3.5 A Statement of 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. 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).

4.1 End-of-Year accounts are prepared on a Receipts and Payments basis; sample checks were undertaken on the documents constructed by the Clerk/RFO and all was found to be in order.

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

5.1 The Clerk/RFO has constructed a Bank Reconciliation as at 31 March 2022 which the Internal Auditor confirmed as correct. For ease of reference, the Bank Reconciliation as at 31 March 2022 is displayed as follows:

	£ . p	£ . p
Account Balance B/F at 1 April 2021:		29,408.38
Add Total Receipts in the year 2021/22:		10,065.68
Deduct Total Payments in the year 2021/22:		8,537.56

Account Balance as at 31 March 2022:		30,936.50

Represented By:		
Barclays Community A/C (31 March 2022) :	23,081.78	
Less Unpresented cheque: 101071:	47.50	
Less Unpresented cheque: 101119:	27.00	
Less Unpresented cheque: 101120:	75.26	

		22,932.02
Add Barclays Business Premium A/C (31 March 2022):		8,004.48

		30,936.50

5.2 The Unpresented Cheque 101071 dated 5 November 2020 for £47.50 is now out of. It had also been unpresented at the end of the previous year, 31 March 2021.

Recommendation 2: Cheque 101071 should now be written back into the accounts by a deduction of £47.50 from the Payments side of the Accounts, in accordance with accounting practice.

6. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000) and Publication Requirements (Notice of the period for the exercise of public rights).

6.1 Under the provisions of the Transparency Code, Levington and Stratton Hall Parish Council can be designated as a 'Smaller Council'.

The Council's website is: <http://levingtonandstrattonhall.onesuffolk.net>

6.2 Smaller authorities should publish on their website:

- a) *All items of expenditure above £100. Included in the 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 2020/21 within 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). Published on the website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on the website.*

6.3 The Transparency Code is being complied with in full.

6.4 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, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement. (There was one minor discrepancy in that the Notice of the period for the exercise of Public Rights referred to the Accounts ending 31 March 2020 at Section 2, whereas the Accounts were those related to the year ending 31 March 2021).

6.5 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 at the date of the audit as being easily accessible on the Council's website.

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

Precept 2012/22: £8,740 (20 January 2021, Minute 06.21e refers).

Precept 2022/23: £8,740 (19 January 2022, Minute 05.22d refers).

7.1 At the meeting on 20 January 2021 the Council considered and approved the Budget and Precept for 2021/22 and agreed that a Precept of £8,740 would be applied in the year 2021/22. The Precept decision and amount have been clearly Minuted.

7.2 The Budget document for 2021/22 was detailed and acted as a sound basis for the Council to undertake budgetary control and scrutiny during the year of account.

7.3 At its meeting on 3 November 2021 the Council received the Half-Year Accounts to 30 September 2021 which were examined and accepted by the Council (Minute 89.21d refers). The Council demonstrates good financial practice in this way by receiving reports of the income and expenditure in the year compared with the budget headings. This enables the Council to promptly identify any significant variations from budget and take remedial action as necessary.

7.4 At the meeting on 19 January 2022 the Council considered and approved the Budget and Precept for 2022/23 and agreed that a Precept of £8,740 would be applied in the year 2022/23. The Precept decision and amount have been clearly Minuted.

7.5 The Council is currently maintaining sufficient Reserves and Contingency sums to meet, within reason, any unforeseen items of expense that may occur. As at the 31 March 2022 the Council's overall Reserves totalled £30,936.50, which included £15,000 relating to Solar Farm Funds which will be used for future projects.

7.6 The General Reserves (Overall Reserves less Solar Farm Funds) accordingly stood at £15,936.50 and remain significantly in excess 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).

Recommendation 3: The General Reserves are significantly above the generally accepted position of being between 3 and 12 months of revenue expenditure. Accordingly the Council should consider setting aside further Earmarked Reserves for specific future projects for the community or otherwise consider marginally reducing the level of future Precept demands.

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

8.1 Mrs Angie Buggs was appointed by the Council to the position of Clerk/RFO with effect from 1 January 2020. A Contract of Employment between the Council and Mrs Buggs was agreed and signed on 14 December 2019. The Contract records Mrs Buggs's commencement date of employment and that the working hours would remain (on average) at a maximum 8 hours per week at a starting salary commensurate with Mrs Buggs holding the CiLCA qualification.

8.2 Payroll Services are outsourced to the Suffolk Association of Local Councils (SALC) which is administering the payroll on the Council's behalf in accordance with HMRC requirements. PAYE is in operation, and detailed payslips are provided.

8.3 At its meeting on 2 March 2022 the Council noted that the NJC for Local Government Officers had agreed a pay increase of 1.75% effective from 1 April 2021. The Council approved the pay award and agreed that it should be put into effect once the new pay scales were received (Minute 32.22g refers).

8.4 With regard to the legislation relating to workplace pensions, the Clerk/RFO has previously advised the Internal Auditor that a re-declaration of compliance under the Pensions Act 2008 was submitted to the Pensions Regulator on 23 August 2020. (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. Income Controls (*regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms*).

9.1 The Clerk/RFO has constructed a Spreadsheet detailing the income received in the 2021/22 year of account. As at the year-end 31 March 2022 the Council had received the following: Precept payment from the District Council (£8,740), Tax base Grant (£130), Locality Grant (£1,000), Covid-19 Website Funding from ESC (£194.90) and bank interest in the Business Premium (Savings) Account (£0.78). The entries in the Spreadsheet were confirmed to the bank statements.

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

10.1 No Petty Cash is held. Any expenses incurred are reimbursed by cheque payments.

11. Internal Control and the Management of Risk (*Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*).

11.1 The Council reviewed its Risk Management arrangements at its meeting on 19 January 2022 (Minute 12.22a refers). The Council noted at the meeting that an Internal Control checklist had been produced and circulated to all Councillors and would be considered at the next meeting.

11.2 At the meeting on 2 March 2022 adopted the Internal Control Statement and nominated a Councillor to carry out bank statement reconciliation checks and to complete the Internal Control Checklists (Minute 28.22c refers).

11.3 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 Minute that the review has taken place.

11.4 The Council considered the insurance renewal through Came & Co. at its meeting on 1 September 2021. The Council holds an Insurance Policy with the Ecclesiastical Insurance Group under a 3-year long-term agreement ending 30 September 2023. Payment of the 2021/22 renewal premium of £380.62 was agreed by the Council at the meeting (Minute 75.20d refers).

11.5 The insurance policy for the period ending 30 September 2022 includes Employer's Liability cover and Public Liability cover, each at £10m. The Fidelity Guarantee (Employee/Councillor Dishonesty) cover stands at £150,000, which is in line with 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.

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 receives detailed Financial Reports at its meetings. The Reports include details of Payments made since the previous meeting and any Payments requiring approval. The Financial Reports also include details of Income received since the previous meeting, any anticipated Income and Bank Balances held. The details are recorded in the Council's Minutes. Cheque counterfoils and invoices/vouchers for payment are initialled and dated by signatories as part of the overall framework of financial control being maintained.

12.2 A well-constructed Spreadsheet is being utilised by the Clerk/RFO to maintain the Council's Receipts and Payments accounting system and this provides the necessary financial control over each transaction. A sample of transactions were examined with the supporting invoices/vouchers and bank statements and found to be in order.

12.3 The End-of-Year Internal Audit Report for the 2020/21 year was dated 29 May 2021 and was received and considered by the Council on 1 September 2021. The Report put forward the following 5 recommendations:

R1: *The Council is encouraged to consider and adopt appropriate Staffing Policies and Procedures and well as Policies that may support the aspirations within the Council's Mission Statement in meeting the social, economic and cultural needs of the community, particularly in the absence of a Neighbourhood Plan.*

At the meeting on 1 September 2021 the Chairman reported that the Council has now 8 employment policies in place and these had been checked against NALC recommendations and covered most of the relevant employment policies viz. Anti-Harassment and Bullying Policy, Capability Policy, Disciplinary Rules, Disciplinary Procedure, Equal Opportunities, Grievance Policy, Sickness Absence Policy and Whistleblowing Policy. The Council agreed that in the future the Council may wish to consider a Homeworking/Lone Working Policy.

R2: *The draft Data Protection Policies and Procedures constructed by the Clerk/RFO should receive the formal adoption of the Council during 2021/22 in order to evidence compliance with the General Data Protection Regulations (GDPR).*

At the meeting on 1 September 2021 the Council agreed to formally review and adopt the Parish Council's Policies and Procedures each year. The Data Protection documents received formal approval by the Council on 19 January 2022.

R3: *The Council should advise the Information Commissioner's Office (ICO) of the current contact details so that any data protection queries arising will be routed to the correct address.*

The Clerk/RFO has repeatedly advised the ICO but at the time of this audit report the Council's Registration on the ICO's website still displays the contact address for the Council as 11 Red House Walk, Levington, Ipswich, Suffolk IP10 0LY which is out-of-date.

R4: *The Council should consider setting aside further Earmarked Reserves for specific future projects for the community or otherwise consider marginally reducing the level of future precept demands.*

At the meeting on 1 September 2021 the Council agreed to discuss its Reserves and the Precept during its forthcoming 2022/23 budget meeting. The recommendation remains outstanding (see item 7.6 above).

R5: *To comply with the Accounts and Audit Regulations 2015 the Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during the 2021/22 year.*

At the meeting on 19 January 2022 the Council reviewed its Risk Management and Internal Control arrangements and the action taken was Minuted accordingly.

12.4 The Internal Auditor for the year 2021/22 was formally appointed by the Council at its meeting on 5 May 2021 (Minute 36.21 refers).

13. Assets Controls (Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover).

13.1 A comprehensive Asset Register is in place and includes a description of each asset, the location, the value at cost, the year of acquisition with explanatory notes and comments.

13.2 The Council noted at its meeting on 19 January 2022 that Councillors had been reviewing the Council's assets to ensure that the Register was accurate and each asset clearly identified and logged.

13.3 A copy of the Asset Register was presented to Councillors prior to the meeting on 2 March 2022 and was adopted at the meeting (Minute 28.22a refers).

13.4 As at 31 March 2022 the Asset Register displayed a total value of £13,859, an increase of £3,092 from the valuation of £10,767 at the end of the previous year, 31 March 2020. The assets are displayed at original purchase cost or, in appropriate cases, at a nominal (community) value of £1.

13.5 The increase in the year reflects a review conducted by Councillors and the Clerk/RFO to ensure that full and accurate figures are displayed in the Register. The Clerk/RFO advised the Internal Auditor that the Asset Register was updated to include items (£3,092 in total) which had previously not been included, as follows:

Boundary Fence Church Field:	£742
Millennium Bench:	£500
Village Sign Post:	£130
The Green (nominal/community value):	£1
Grit Bins:	£694
Dog Bins:	£225
Metal Gate:	£800

13.6 The Clerk/RFO confirmed that there were no other acquisitions or disposals in the year.

13.7 The value as at 31 March 2022 has been correctly placed in Box 9 of Section 2 of the AGAR.

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 5 May 2021 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year of account. A copy of the form has been published on the Council's website. At the Council's meeting on 1 September 2021 the Chairman reported that the Council had received from the External Auditors, PKF Littlejohn LLP, formal notification of its exemption status for the year ended 31 March 2021.

14.2 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. The Certificate of Exemption was approved by the Council at its meeting on 4 May 2022.

15. Additional Comments.

15.1 I would like to record my appreciation to Mrs Angie Buggs, the Clerk/RFO, for her assistance during the course of this audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

4 June 2022