

Report to Brightwell, Foxhall & Purdis Farm Group Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2022

1. Introduction and Summary.

1.1 During the 2021/22 year the Council maintained effective governance arrangements including a robust framework of internal control. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor, and the information published on the Council's website, has confirmed the overall adequacy of the financial arrangements in place within the Council.

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 for the year: £27,840.27
Total Payments in the year: £11,784.60
Total Reserves at year-end: £42,701.37

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: £26,646</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £7,533</i>
<i>Total Other Receipts:</i>	<i>Box 3: £20,307</i>
<i>Staff Costs:</i>	<i>Box 4: £4,273</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £7,512</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £42,701</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £42,701</i>
<i>Total fixed assets:</i>	<i>Box 9: £27,421</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 Sections One and Two of the AGAR were approved by the Council at its meeting on 12 May 2022 and have been signed/dated as required. 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 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 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 and the appointment of a Chairman of the Committee was approved by the Council at its meeting on 4 May 2021

2.3 Standing Orders are in place and were considered and approved by the Council at the meeting held on 9 March 2022 (Minute 46.22a refers).

2.4 Financial Regulations are also in place and were considered and approved by the Council at its meeting on 9 February 2022 (Minute 28.22 refers).

2.5 The Council's Minutes are well presented 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.

2.6 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 ZA326954, expiring 12 March 2023). Whilst it is not a legal requirement for a local council to appoint a Data Protection Officer (DPO), the Council demonstrated good practice by appointing the Clerk/RFO as the DPO and approving a set of documents aimed to meet the requirements of the General Data Protection Regulations (GDPR).

2.7 The Council is continuing to adopt and review a range of formal policies and procedures, including the Grants Policy, Complaints Procedure and the Information available under the Publication Scheme. The Grants Policy was reviewed and updated by the Council on 22 April 2021 (Minute 59.21 refers).

2.8 The Council re-adopted the Suffolk Local Code of Conduct at its meeting on 11 March 2020 (Minute 43.20 refers). It is good practice for a local council to periodically re-adopt the latest Code of Conduct, which details the requirements and responsibilities placed upon each individual Council Member.

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 provides a good audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. These documents provided good evidence in support of the receipts and payments in the year. Supporting invoices and vouchers were in place.

3.2 Payments made under the Local Government Act 1972 Section 137 are separately recorded in the accounts. VAT payments are tracked and identified within the Expenditure Analysis (to facilitate future re-claims to HMRC).

3.3 A sample of Cashbook (Expenditure Analysis) transactions in the year was closely examined. Within the sample examined it was noted that within the Expenditure Analysis the Payment of £60 (cheque 100970) relating to OneSuffolk Website hosting was sub-analysed as VAT £48.00 and Other Expense £12. The Clerk/RFO has agreed to examine the matter to ensure that the correct amount of VAT, if any, is recorded and reclaimed from HMRC.

3.4 A re-claim for £410.90 VAT paid in the period 1 January 2019 to 31 May 2021 was received at bank on 28 June 2021. The previous re-claim to HMRC was for £770.90 VAT paid in the period December 2016 to December 2018 and was received at bank on 15 February 2019.

3.5 The Council received reports during the year on the status of Community Infrastructure Levy (CIL) Funds. At its meeting on 15 December 2021 the Council Councillors discussed the funding of projects using CIL receipts and agreed to meet the cost of the VAS sign of £4,350.00 from CIL Funds (Minute 173.21 refers).

3.6 The CIL Annual Report for 2021/22 has been constructed by the Clerk/RFO and displays an Opening Balance for CIL Funds as at 1 April 2021 of £1,381.10, additions in the year of £15,168.12 and applications (spending) of £4,350 on the VAS Sign. The amount of CIL Receipts retained as at 31 March 2022 is displayed as £12,199.22. This remains a Restricted Reserve and has been allocated to the projects listed in the Earmarked Reserves. The CIL Annual Return for the year 2021/22 has to be submitted to the District Council no later than 31 December 2022.

3.7 A Statement of Analysis 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 submission to the External Auditors and for publication on the Council's website. The Statement requires an explanation where the carried forward (end of year) Reserves are greater than twice the income from the Precept and the Clerk/RFO will be able to address this matter in Part 2 of the Statement.

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

4.1 The bank statements as at 31 March 2022 for the Barclays Community Account and the Barclays Business Premium (Savings) Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation for all accounts. For ease of reference, the Bank Reconciliation as at 31 March 2022 is displayed as follows:

	£ . p
Account Balance B/F at 1 April 2021:	26,645.70
Add Total Receipts in the year 2021/22:	27,840.27
Deduct Total Payments in the year 2021/22:	11,784.60

Account Balance as at 31 March 2022:	42,701.37

Represented By:	
Barclays Community A/C (31 March 2022):	34,426.03
Add Barclays Business Premium A/C (31 March 2022):	8,275.34

	42,701.37

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. Sample checks were undertaken on the documents constructed by the Clerk/RFO. It was noted during the audit that some totals of the Sub-analysis columns did not agree with the Receipts and Payments Account figures approved at the Council meeting on 12 May 2022 and the Clerk/RFO agreed to make all necessary corrections.

6. Transparency Code (*Compliance for smaller councils with income/expenditure under £25,000*).

6.1 Brightwell, Foxhall and Purdis Farm Group Parish Council is designated as a 'Smaller Council'. The Council's website is:

<http://brightwellfoxhallandpurdisfarm.onesuffolk.net/>

6.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:
 - Published on the website

- b) Annual Governance Statement, AGAR Annual Return, Section One: (2020/21) – [Published on the website](#)
- c) End of year accounts, AGAR Annual Return, Section Two: (2020/21) – [Published on the website](#)
- d) Annual Internal Audit Report within AGAR Annual Return: (2020/21) – [Published on the website](#)
- e) List of councillor or member responsibilities:
– [Published on the website](#)
- f) 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 Council is meeting the requirements of the Transparency Code.

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 a notice was published on the Council's website but it was a copy of a form that is presented to the External Auditors by local councils subject to an External Audit review. The official form (which displays the Date of the Announcement, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement) has been correctly prepared for the 2021/22 year of account.

6.5 The remaining documents required to be published for the 2020/21 year of account, 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 2021/22: £7,533.06 (13 January 2021, Minute 14.21).

Precept 2022/23: £7,000 (15 December 2021, Minute 177.21).

7.1 Draft budgets for the year 2021/22 were discussed and reviewed by the Council at its meetings on 11 November 2020 and 9 December 2020. The Budget and Precept for 2021/22 were agreed by the Council at its meeting on 13 January 2021. The Budget document was detailed and acted as a sound basis for the Council to undertake budgetary control and scrutiny during the 2021/22 year of account.

7.2 The precept of £7,533.06 was agreed in Full Council and the precept decision and amount have been clearly Minuted. The Clerk/RFO confirmed to Council on 10 February 2021 that the Precept request of £7,533.06 had been sent to East Suffolk Council.

7.3 The Budget and Precept of £7,000 for the year 2022/23 were discussed and agreed by the Council at its meeting on 15 December 2021. The correct amount of Precept for 2022/23 was received at bank on 29 April 2022.

7.4 The Clerk/RFO 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.

7.5 At its meeting on 10 November 2021 the Council received the Half-Year Accounts to 30 September 2021 which were examined and accepted by the Council (Minute 161.21 refers). It is good financial practice for a Council to receive reports of the income and expenditure in the year compared with the budget headings to enable the Council to promptly identify any significant variations from budget and take remedial action as necessary.

7.6 The Overall Reserves available to the Council as at 31 March 2022 amounted to £42,701.37. Earmarked reserves/restricted funds have been listed (as follows):

Traffic Survey:	£15,000
VAS Signs:	£8,500
Road Traffic Modifications:	£20,000

Accordingly the Earmarked Funds of £43,500 exceed the Council's overall available funds of £42,701.37 and results in the Council retaining no General Reserves.

7.7 A Local Council's General Reserves (Overall Reserves less Earmarked and Restricted Reserves) should usually be between three and twelve months of Net Revenue Expenditure (the JPAG Proper Practices Guide, Item 5.32 refers) and the Council is not applying good financial practice by allocating all of its available funds as at 31 March 2022 to specific projects.

Recommendation 1: The Council should re-examine its allocation of available resources to ensure that (a) earmarked sums do not exceed available funds and (b) sufficient General Reserves are maintained to provide that there are adequate contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

8.1 Payroll Services are being operated in-house and PAYE payments have been made to HMRC in the year. The Clerk/RFO maintains a detailed record of hours worked each month alongside any expenses incurred in the month.

8.2 The Council considered the rate of the Clerk/RFO's salary at the meeting on 14 July 2021 and it was agreed that the salary be increased to £12.95 per hour from the 1 July 2021. The Council also agreed that the salary should be further reviewed in the coming year as part of the Clerk/RFO's performance review.

8.3 At its meeting on 9 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. It was also agreed that the Clerk/RFO's terms and conditions of employment should be reviewed in May 2022 (Minute 50.22 refers).

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 (£7,434.33), CIL Fund Receipts (£15,168.12), Enabling Fund (£4,000), Insurance reimbursement (£826.08), VAT Refund (£410.90) and bank interest in the Business Premium (Savings) Account (£0.84).

9.2 Receipts recorded in the Cashbook Spreadsheet were cross referenced with the bank statements and were found to be in order.

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

10.1 No Petty Cash is held; an expenses system is in place with supporting details listed against the expenses claimed and attached to the Salary and Expenses Voucher.

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's Risk Assessment documentation and Internal Audit procedures were considered and approved by the Council at its meeting on 9 February 2022 (Minute 28.22 refers). 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.

11.2 Insurance was in place for the year of audit. At the Council's meeting on 8 September 2021 the Clerk/RFO reported that the insurance renewal was the second year of a three-year commitment. The Council approved the renewal payment of £260.68 to Community Action Suffolk (CAS) Insurance. The Policy is provided by

Royal and Sun Alliance Insurance and runs from 1 October 2021 to 30 September 2022. Employer's Liability cover and the Public Liability cover each stand at £10m.

11.3 The Employee/Councillor Dishonesty (Fidelity Guarantee) cover is £25,000. The recommended guideline for the amount of cover is the Year-End Balances plus 50% of the Precept (which together amounted to approximately £46,200 for the Council as at 31 March 2022). Accordingly, as in the previous financial year, the existing cover is significantly less than the recommended level.

Recommendation 2: In view of the amount of cash reserves in excess of the Fidelity Guarantee insurance cover of £25,000 it is felt that the Council should consider an increase in the insurance cover to ensure that both financial and reputational risks are mitigated. It should be stressed that such insurance cover does not imply any mistrust of Councillors, employees or any volunteers but reflects a professional duty to protect the funds being held on behalf of the public as well as protecting the Council's reputation.

12. Internal Financial Controls, Payments Controls and Audit Procedures (Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented).

12.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. Cheque Book counterfoils are initialled by cheque signatories. Invoices and vouchers for payment list the cheque number to provide a clear audit trail. Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.

12.2 The Internal Audit report for the previous year (2020/21) was accepted by the Council at its meeting on 14 July 2021. The Council agree that appropriate action should be taken (Minute 98.21 refers). The Report put forward the following recommendations:

R1: The Council is encouraged to bring the salary of the Clerk/RFO into line with the official National Joint Council for Local Government Services (NJC) agreed pay scales for Local Government Officers at a rate commensurate with the role and responsibilities of the post. As part of this process, a formal annual review and appraisal should be undertaken in order to (a) ensure that the salary is maintained at an appropriate level in accordance with NJC Agreements and (b) that any training and development needs of the Clerk/RFO are considered on an annual basis and can be addressed.

The Council considered the rate of the Clerk/RFO's salary at the meeting on 14 July 2021 and it was agreed that the salary be increased to £12.95 per hour from the 1 July 2021. At its meeting on 9 March 2022 the Council agreed that the Clerk/RFO's

terms and conditions of employment should be reviewed in 2022/23 (Minute 50.22 refers).

R2: *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.*

This has been addressed. The Council's Risk Assessment documentation and Internal Audit procedures were considered and approved by the Council at its meeting on 9 February 2022 and the action Minuted.

R3: *The Council should continue to monitor the level of cash balances held during the year and increase the level of the Employee/Councillor Dishonesty (Fidelity Guarantee) insurance cover should sums continue to exceed the current £25,000 level of insurance cover.*

This remains an area of concern to the Internal Auditor and the Recommendation continues to stand (see item 11.3 above).

12.3 The Council appointed the Internal Auditor for the 2021/22 year at its meeting on 9 February 2022 (Minute 31.22 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 The Asset Register was reviewed and approved by the Council at the meeting held on 9 March 2022 (Minute 46.22b refers). The Register displays a total value of £27,420.94 as at 31 March 2022, an increase of £7,326.21 over the valuation of £20,094.73 as at the end of the previous year 31 March 2021.

13.2 The Clerk/RFO confirmed that the increase in value in the year reflected the acquisitions of a Moveable Vehicle Activated Sign (£4,350), Notice Board (£1,111.21) and a recount of the number of litter and dog bins which increased from 6 to 18 so the number and cost were recalculated.

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 4 May 2021 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year of account (Minute 80.21c refers).

14.2 For the year 2021/22, as the higher of gross income or gross expenditure exceeded £25,000 in the year of account, the Council will be subject to an Intermediate Review by the External Auditors, PKF Littlejohn LLP.

15. Additional Comments.

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

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

4 June 2022