

## **Report to Redgrave Parish Council**

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

#### **1. Introduction and Summary.**

1.1 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 maintained a satisfactory overall framework of financial administration and internal financial control during 2021/22. There are areas for improvement and development which the current Clerk/RFO has identified and reported to the Council.

1.2 By examination of the 2021/22 accounts and supporting documentation it was confirmed that the current Clerk, in the role of the Council's Responsible Financial Officer (RFO), is satisfactorily undertaking the administration of the Council's financial affairs and is producing satisfactory financial management information to enable the Council to make well-informed decisions. Mrs Tina Newby was appointed Clerk/RFO with effect from 1 January 2022 and subsequently undertook a Review of the Effectiveness of Internal Controls and completed the Council's Interim Internal Audit Report. These were important exercises as both reviews highlighted some key areas (such as the completion of bank reconciliations and their presentation to the Council) which required action to secure improvement in the Council's internal control arrangements.

1.3 The Accounts for the year confirm the following:

*Total Receipts for the year: £23,119.10*  
*Total Payments in the year: £19,072.15*  
*Total Reserves at year-end: £28,989.00*

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 Accounting Statements 2021/22 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £24,942</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £19,800</i>
<i>Total Other Receipts:</i>	<i>Box 3: £3,319</i>
<i>Staff Costs:</i>	<i>Box 4: £5,668</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £13,404</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £28,989</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £28,989</i>
<i>Total fixed assets:</i>	<i>Box 9: £74,010</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.5 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2021/22 within the AGAR.

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 5 May 2021. The first item of business was the Election of a Chair, as required by the Local Government Act 1972. The meeting was held virtually via Video Conferencing 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. The Council also nominated Councillors at its meeting on 5 May 2021 to act as the Council's Representatives.

2.2 Standing Orders are in place and were reviewed and approved by the Council on 6 October 2021. The Standing Orders are in accordance with the latest model documents and guidance published by the National Association of Local Councils (NALC). A copy of the Standing Orders has been published on the Council's website.

2.3 Similarly, Financial Regulations are in place and were also reviewed and approved by the Council on 6 October 2021. The Financial Regulations reflect the latest model and guidance published by NALC. A copy has been published on the Council's website.

2.4 At the beginning of the financial year the Clerk/RFO in post was Mrs Leann Jackson-Eve. The Council noted Mrs Jackson-Eve's resignation at the meeting on 6 October 2021. The recruitment for a new Clerk/RFO took place and the Council noted on 13 January 2022 that Mrs Tina Newby had been appointed with effect from 1 January 2022 with the departing Clerk/RFO working alongside her. The Council's records show that Mrs Jackson-Eve's leaving date was 8 March 2022.

2.5 During the year 2021/22 the Council made progress with the Redgrave Neighbourhood Plan. The Council noted on 2 June 2021 that the revised version of the Plan was submitted to Mid Suffolk District Council (MSDC) on 11 May 2021. The period of public consultation to allow for comments on the revised plan ran from 26 May 2021 to 16 July 2021. The Council noted on 1 September 2021 that the Independent Examination was complete and the Plan had been accepted with a few minor changes. Updates can be found on both the Mid Suffolk and Redgrave Neighbourhood Plan websites.

2.6 The Clerk/RFO advised the Internal Auditor that the Council is applying the General Power of Competence (GPoC) which gives eligible Councils the power to do anything that individuals may generally do. The Minute confirming the declaration of

the application of GPoC has not as yet been identified by the Clerk/RFO and accordingly has not been verified by the Internal Auditor.

**Recommendation 1: The position regarding the Council's declaration of the General Power of Competence and the Minute of the Council meeting evidencing the declaration should be identified and confirmed as soon as practicably possible as the issue has a direct impact upon the powers available to the Council.**

2.7 The Council's Minutes are comprehensive and provide clear evidence of the decisions taken by the Council in the year. The pages of the Minutes are consecutively numbered and each page is signed/initialled to ensure a legal and authentic record of the Council's meetings is maintained.

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 ZA148950 refers, expiring 17 January 2023). The contact address displayed is 'Wayside Cottage, Cherry Tree Lane, Botesdale, Diss' which relates to the previous Clerk/RFO. **The Council should advise the ICO of the current contact address in order to ensure all data protection enquiries are correctly routed to the current Clerk/RFO.**

2.9 The Council has a Privacy Notice in place and a copy is published on the Council's website. However, the Policy requires updating. The contact details are given as The Data Controller, Redgrave Parish Council, Wayside Cottage, Cherry Tree Lane, Botesdale, Diss. The Council's Data Protection Officer is displayed as the Local Council Public Advisory Service, The Vision Centre, 5 Eastern Way, Bury St Edmunds, Suffolk, IP32 7AB, which no longer applies. **The Privacy Notice should be updated to ensure that data protection enquiries are correctly routed to the current Clerk/RFO.**

2.10 Other than the Internet Security Policy and Privacy Policy published on the Council's website, the Clerk/RFO confirmed that there is no evidence that the Council has developed and published formal Data Protection Policies and Procedures (such as a General Data Protection Regulations (GDPR) Policy, an Electronic Information Retention Policy or Subject Access Policy). Similarly, there is no evidence that the Council maintains a Freedom of Information (FOI) Act Publication Scheme and a FOI Policy and Procedures document. The Clerk/RFO reported her concern about the FOI information to the Council at its meeting on 2 March 2022.

2.11 The Clerk/RFO has also been unable to identify the Council having in place any General Policies, Procedures and Protocols (including any relating to Complaints Policy/Procedure, Grant Awarding Policy, Reserves Policy, Reimbursement of Expenses Procedure and Training Policy) that would assist maintain good governance and financial administration within the Council.

**Recommendation 2: The Council should consider the formal adoption of Policies and Procedures that will evidence the Council's compliance with the General Data Protection Regulations and the Freedom of Information legislation together with a range of other formal documents that would evidence good governance and a high standard of financial administration.**

2.12 The Clerk/RFO noted on her Review of the Effectiveness of Internal Controls on 16 February 2022 that there was no evidence of the Council adopting the Councillors' Code of Practice. It is good governance practice for a local council to formally adopt and periodically review the Code for the purposes of discharging its duty to promote and maintain high standards of conduct within its area.

**Recommendation. 3: The Council should consider and formally adopt the latest Councillors' Code of Conduct to ensure all Councillors are aware of their responsibilities and duties under the Code. The Clerk/RFO intends to present the Code to Council in May 2022.**

2.13 The Council has published a Website Accessibility Statement to assist its compliance with the current website accessibility legislation.

**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. VAT payments are tracked and separately identified within the Cashbook.

3.2 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. The documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and was found to be in order, with supporting invoices and vouchers in place other than for the payment of £700 to Compass Pont on 1 December 2021 (ref 22-48) for which a supporting invoice was not located by the Internal Auditor. The Clerk/RFO has been asked to investigate this matter.

3.3 VAT reclaims are being submitted to HMRC. The most recent VAT re-claim for £1,126.09 for the period 1 April 2021 to 31 March 2022 was submitted online to HMRC on 19 April 2022 and a copy of the claim was presented to the Internal Auditor. A copy of the previous reclaim to HMRC for £381.10 for the period ending 31 March 2021 was not made available to the Internal Auditor.

3.4 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2022 shows £291.53 brought forward at the end of previous year (31 March 2021), CIL receipts and CIL payments in the year were Nil and accordingly the balance of £291.53 is displayed as retained as at 31 March 2022. The Annual Report has to be published on the Council's website and has to be submitted to the District Council no later than 31 December 2022.

3.5 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 publication on the Council's website.

**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 At its meeting on 6 October 2021 the Council reviewed and updated Council documents, including the Health and Safety Policy and the Risk Assessment (Minute 8.1 refers).

4.2 The Council has a Statement of Internal Control in place and was reviewed and adopted by the Council at its meeting on 2 March 2022 (Minute 10.2 refers).

4.3 The Clerk/RFO also undertook on behalf of the Council a Review of the Effectiveness of Internal Controls on 16 February 2022 and her Report was considered and approved by the Council on 2 March 2022 (Minute 10.2 refers). The review by the Clerk/RFO was an important exercise as it highlighted some key areas (such as presentation of bank reconciliations to the Council) which require action to secure improvement in the Council's internal control arrangements.

4.4 The Council's Risk Assessment document is comprehensive and provides details of identified risks, the level of risk (H, M or L), the internal control arrangements in place to mitigate the risks, the actions taken by the Council and Clerk/RFO and confirmation of the adequacy of the procedures in operation. The review has been completed under the headings of Financial and Management, Third Parties or Individuals, Employer Liability, Physical Equipment or Areas and Emergencies.

4.5 The Council accordingly complied with the Accounts and Audit Regulations 2015 and Financial Regulation 14.1 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.

4.6 One of the key areas of risk management for many local councils is the condition of its play equipment. The Council receives routine reports on the Play Area. At its meeting on 2 July 2021 the Council noted that Playdale had arranged the inspection of the faulty zipline and had included all the other playground equipment in the inspection process. An Annual Play Inspection was also undertaken by Mid Suffolk District Council with payment made for the service on 3 November 2021.

4.7 Insurance was in place in the year. On 1 September 2021 the Council approved the payment of £762.96 to Came & Company (insurance brokers) for the 2021/22 premium with cover under AXA Insurance. The Policy runs from 14 October 2021 to 13 October 2022.

4.8 The Public Liability cover and Employer's Liability cover both stand at £10m. The Fidelity Insurance (Councillor/Employee Dishonesty) cover stands at £150,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

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

Precept 2021/22: £19,800 (6 January 2021, Minute 12.3 refers).

Precept 2022/23: £21,800 (13 January 2022, Minute 11.3 refers).

5.1 A Draft Budget for 2021/22 was considered by the Council at its meeting on 6 January 2021. The Council resolved to set a Budget of £20,470 for the year 2021/22 and to retain funds of £21,291, making a total fund of £41,761. The Council agreed to request a Precept of £19,800 from Mid Suffolk District Council. This was an overall 10% rise on the amount received in 2020/21. The Precept for 2021/22 was agreed in Full Council and the precept decision and amount has been clearly Minuted.

5.2 A Draft Budget for 2022/23 was considered by the Council at its meeting on 13 January 2021. The Council agreed to set a Budget of £21,670 for the year 2022/23 and to retain earmarked funds of £27,291, making a total fund of £48,961. The Council agreed a Precept of £21,800 for the year. The Precept for 2022/23 was agreed in Full Council and the precept decision and amount have been clearly Minuted.

5.3 The Council prepared estimates of the annual budget and of receipts and payments for the year 2021/22. The present Clerk/RFO's review of Internal Controls in February 2022 confirmed that the previous Clerk/RFO presented Budget Monitoring Reports to the Council throughout the year and ensured that the estimates for 2021/22 were used effectively for financial control and budgetary control purposes.

5.4 The current Clerk/RFO ensures that the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves.

5.5 The Council's Overall Reserves as at 31 March 2022 totalled £28,989.00, of which £18,291.53 has been earmarked as follows:

Village Improvements/Projects:	£15,000.00
Community Transport:	£2,500.00
Traffic Measures:	£500.00
CIL Funds (restricted)	£291.53

5.6 The Council's General Reserves (Overall Reserves less Earmarked/Restricted Reserves) at the year-end 31 March 2022 accordingly totalled £10,697.47 which is in line with the generally accepted best practice 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).

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

6.1 Receipts recorded in the Cashbook consisted of Precept (£19,800), MSDC Parish Grant (£198), Groundwork UK (£1,580), MSDC Locality Award Green Redgrave Group (£1,160) and VAT repaid by HMRC (£381.10).

6.2 The Receipts were cross referenced with the Council's Bank Statements and were found to be in order.

**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 online payments being made for expenses incurred and approved.

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

8.1 Payroll Services are operated in-house in accordance with HMRC requirements, detailed payslips are produced and PAYE is in operation. A sample of salary and PAYE items were examined in detail.

8.2 At the beginning of the financial year the Clerk/RFO in post was Mrs Leeann Jackson-Eve, who was paid at SCP 22 (£14.04 per hour) in April and May 2021 and an increase to SCP 23 (£14.42) from June 2021 with back pay to 1 April 2021. (The pay slips/vouchers continued to state 'SCP 22' but the payment at SCP 23 was being made). A copy of the HMRC form P45 is held on file and confirms the date of leaving as 8 March 2022 and the total pay and tax to that date. Mrs Jackson-Eve entered the Suffolk County Council Local Government Pension Scheme (LGPS) and contributions are recorded as being paid during 2021/22.

8.3 The Council noted on 13 January 2022 that Mrs Tina Newby had been appointed under a Contract of Employment, with the employment commencing on 1 January 2022 for 5 hours per week at £18.05 per hour (subsequently raised to £18.37 under the National Salary Award 2021/22 backdated to 1 April 2021). The HMRC P60 End of Year Certificate for Mrs Newby was presented to the Internal Auditor. Mrs Newby has also entered the LGPS with employer and employee contributions being paid in respect of the months of February 2022 and March 2022

Item 6 of the Contract states that ' the salary is in accordance with the current NJC salary point (New NALC/NJC Pay Scale 22 equivalent to the Old SCP31) £18.05 per hour as per the Local Government Services Pay Agreement 2020/21'

The £18.05 per hour (increased to £18.37 and backdated to 1 April 2021 under the 2021/22 Award) is the current SCP 31 and not an old scale point.

Scale Point 22 is £14.05 per hour (increased to £14.30 under the pay award) and was the rate of pay the Council was making to the former Clerk, Mrs Leeann Jackson Eve, until her salary was increased to SCP 23 by the Council in June 2021.

8.4 The Contract does not state the Salary Scale. This is important as at 6.2 the Contract states that '*you (the employee) will progress automatically through the salary scale by annual increments until you reach the maximum of the scale.*'

If the Salary Scale is LC2 it would possibly mean that the Clerk/RFO is now on top of the scale in 2022/23 which negates the points listed in items 6.2 and 6.3 regarding payments of increments and awards for relevant qualifications.

**Recommendation 4: The Council should re-examine the Clerk/RFO's Contract of Employment to provide clarity regarding the Salary Scale (LC2) and the Salary Scale Point which apply in order to avoid any ambiguity in future salary payments and entitlements.**

8.5 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed that the Council's records do not identify whether a Declaration (or Re-declaration) of Compliance under the Pensions Act 2008 has been submitted to the Pensions Regulator. (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).

**Recommendation 5: The Council should confirm with the Pensions Regulator when the Declaration (or re-declaration) of Compliance was last submitted in order that the Council has evidence of compliance with the requirements of the Pensions Act 2008.**

**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 was reviewed and agreed by the Council at the meeting held on 2 March 2022 (Minute 10.2 refers).

9.2 As at 31 March 2022, the Asset Register displays a total valuation of £74,009.85, a net decrease of £255 from the end of the previous year, 31 March 2021. The decrease reflects (inter alia) the acquisition of a Dog Litter Bin at The Green (£340) and the disposal of a laptop and Printer (£600).

9.3 The assets are valued at cost or at a nominal (community) value of £1 where appropriate to ensure that the Council's ownership and responsibility are recognised and not lost or forgotten.

9.4 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.



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

10.1 The Clerk/RFO noted on her Review of the Effectiveness of Internal Controls on 16 February 2022 that Bank Reconciliations had not been regularly completed during the 2021/22 year and presented to Council. This was confirmed in the Clerk/RFO's Interim Internal Audit Review undertaken on 25 February 2022. Accordingly the Clerk/RFO reported to Council on 2 March 2022 that there had been no scrutiny of a completed bank reconciliation by non-signatories and this should be re-instated on a Quarterly basis.

10.2 The Clerk/RFO has constructed a Bank Reconciliation at the year-end 31 March 2022 and confirmed to the Internal Auditor that future reconciliations will be completed regularly and submitted to Council for scrutiny.

10.3 The Co-operative Community Directplus (Current) Account statement as at 31 March 2022 reconciled to the End-of-Year accounts and agreed with the overall Bank Reconciliation.

**11. Year End procedures (*Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate*).**

11.1 End-of-Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.

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

12.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings, including the Account balance and details of any receipts. Details of the accounts paid between meetings and the accounts requiring approval for payment are presented to the Council. Councillors are provided with information to enable them to make informed decisions.

12.2 The Council noted at its meeting on 13 January 2022 that a Councillor's Annual Internal Audit Review would be undertaken by the nominated Councillor and a report would be made to the February meeting. The Review was subsequently undertaken by the Clerk/RFO on 25 February 2022.

12.3 Online banking is in operation. The Internal Auditor discussed with the Clerk/RFO the procedures for making payments on-line and it was identified that items 6.10 to 6.15 of the Council's Financial Regulations do not adequately reflect the procedures currently operating.

**Recommendation 6: The Council's Financial Regulations should be reviewed in order to ensure that the procedure and controls required to be in place for the making of on-line payments are fully and clearly detailed in the Regulations.**

12.4 Invoices/vouchers for payment are initialled by cheque signatories and are noted with the Cashbook reference and date of payment to secure an audit trail. The Clerk/RFO advised that the Bank does not provide a transaction confirmation for the online payments.

12.5 Cheques were raised during the year in respect of grants made to organisations. The audit confirmed that the Cheque counterfoils were signed/initialled by relevant signatories in accordance with the Council's Financial Regulations 6.4 and 6.5.

12.6 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

12.7 The Annual Internal Audit Report for the previous year, 2020/21 was undertaken by Mr Julian van Beveren and was received and accepted by the Council at its meeting on 5 May 2021 (Minute 14.3i refers). No matters of concern were raised by the Internal Auditor.

12.8 The Internal Auditor for the year 2021/22 was appointed by the Council at its meeting on 2 March 2022 (Minute 10.3 refers).

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

13.1 An External Audit was required in the year 2020/21 as the higher of gross income or gross expenditure exceeded £25,000 in the year. The External Audit (a Limited Assurance Review) was undertaken by PKF Littlejohn LLP. The External Auditors' Certificate and Report was dated 4 August 2021 and was reported to the Council on 1 September 2021. No matters of concern were raised in the report to impact upon the External Audit Opinion but PKF Littlejohn put forward the following comments:

- a) *The Council confirmed it had not complied with the governance assertion in Section 1, Box 4 but had provided an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified.*
- b) *The Internal Auditor in 2020/21 had not provided an explanation as to why the response to Objective M was inconsistent with the information in Section 1 Box 4.*

13.2 For the year 2021/22 the Council may 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. 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.

The Council noted at its meeting on 5 May 2021 that the period during which the accounts would be open to public inspection was 14 June 2021 to 23 July 2021

14.2 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).

The Internal Auditor was able to confirm that the documents were readily accessible on the Council's webpage:

<http://redgrave.onesuffolk.net/parish-council/finance/>

14.3 For the year 2021/22 the Council will be subject to the Transparency Code 2015 and will be required to publish prescribed information in order to comply with the provisions of the Code.

#### **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**

**27 April 2022**