

## **Report to Lindsey 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. The Council displays many examples of good financial practice.

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: £6,706.32*  
*Total Payments in the year: £4,343.85*  
*Total Reserves at year-end: £4,004.48*

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: £1,642</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £4,487</i>
<i>Total Other Receipts:</i>	<i>Box 3: £2,219</i>
<i>Staff Costs:</i>	<i>Box 4: £2,501</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £1,843</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £4,004</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £4,004</i>
<i>Total fixed assets:</i>	<i>Box 9: £1,016</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 agreed 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 6 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.

2.2 Standing Orders are in place and have been published on the Council's website. At the meeting held on 9 March 2022 the Council reviewed and approved the Standing Orders, having agreed that they were up-to-date and fit for purpose (Minute 6iii refers).

2.3 Similarly, Financial Regulations are in place and also published on the Council's website. At its meeting on 9 March 2022 the Council reviewed and adopted the amended Financial Regulations (taking into account the amendments to the procurement thresholds), having agreed that they were up-to-date and fit for purpose (Minute 6iii refers).

2.4 At the meeting on 8 September 2021 the Council considered the Paper submitted by the Clerk/RFO detailing the use the General Power of Competence (GPoC) which gives eligible Councils the power to do anything that individuals may generally do. The Council fulfilled the eligibility criteria (two thirds of councillors elected at the last ordinary election and the Clerk holds one of the sector-specific qualifications). Having satisfied itself that it was eligible to use the power, the Council resolved that as from 8 September 2021 the Council would adopt the power and use it when there is no specific legislation to be used to carry out its functions (Minute 6 I refers).

2.5 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council in the year. The pages of the Minutes are consecutively numbered and signed by the Chairman 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 Z2744022 refers, expiring 17 July 2022).

2.7 Formal Data Protection Policies and Procedures have been adopted by the Council including a Data and Electronic Information Retention Policy, Data and Information Security Policy, Privacy Policy and Subject Access Policy, all of which have been published on the Council's website. A Privacy Statement, including an explanation of the lawful basis for processing data, is also held on the Council's

website. Details of the application of the General Data Protection Regulations (GDPR) are also shown on the website.

2.8 Similarly, the Council maintains a Freedom of Information (FOI) Act Publication Scheme and a FOI Policy and Procedures document. At its meeting on 9 March 2022 the Council reviewed the latest document and noted the amendments that had been made (Minute 6iv refers).

2.9 The Council demonstrates good practice by maintaining and regularly reviewing a wide range of other formal Policies, Procedures and Protocols. At its meeting on 19 January 2022 the Council considered and adopted an Internet Banking Policy. On 9 March 2022 the Council carried out the annual review and confirmed that the documents reviewed had been updated, were fit for purpose and agreed to adhere to them as written. The Policies maintained by the Council include the Complaints Policy and Procedure, Disciplinary Rules, Dispensation Policy, Grant Awarding Policy, Grievance and Disciplinary Procedure, Reimbursement of Expenses Procedure and Training Policy.

2.10 At its meeting on 4 July 2012, the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. This was subsequently reaffirmed at the Council's meeting on 9 July 2014. A copy of the Code has been published on the Council's website.

2.11 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. Prior to the declaration of the General Power of Competence, payments made under the Local Government Act 1972 (Section 137) were separately identified in the Cashbook and within the Minutes of the Council meetings. VAT payments are tracked and separately identified within the Cashbook. The legislative powers under which payments are made are clearly identified against the payments listed in the Minutes of the Council meeting.

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.

3.3 Relatively small amounts of VAT are paid each year. The most recent VAT re-claim received was for £75.95 for the period 1 April 2020 to 28 February 2022 and was received at bank on 28 March 2022.

3.4 The Council has comprehensive documentation and financial data in place. A Statement of Variances (explaining significant differences in receipts and payments between the years 2020/21 and 2021/22) has been prepared by the Clerk/RFO.

3.5 With regard to Community Infrastructure Levy (CIL) Funds, at the meeting on 14 July 2021 the Council resolved that the CIL sums held by the Council should be shown as a separate allocation on the Financial Reports submitted at each meeting. The Council noted on 19 January 2022 that the CIL restricted reserve balance in hand totalled £2,015.37.

3.6 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2022 has been constructed by the Clerk/RFO and shows Nil brought forward at the end of previous year (31 March 2021) and CIL receipts of £2,015.37 received and Nil spent in the year 2021/22. Accordingly, the balance of £2,015.37 is displayed as retained as at 31 March 2022 (of which an amount of £881.70 has been allocated to the provision of Wi-Fi in the Village Hall). The Annual Report is to be published on the Council's website and has to be submitted to the District Council no later than 31 December 2022.

#### **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 9 March 2022, the Council reviewed the Statement of Internal Control and undertook a Review of Effectiveness of Internal Control for the year ending 31 March 2022 (Minute 9iii refers). The Council considered the controls in place were effective and appropriate for Lindsey Parish Council in its management of public finances.

4.2 Similarly, at its meeting on 9 March 2022 the Council considered and adopted the Financial Risk Assessment document and the Risk Management Strategy. The documents are comprehensive and provide, inter alia, details of identified risks, the level of risk, the internal control arrangements in place to mitigate the risks, the actions taken by the Council and Clerk/RFO and the frequency of the checks (Minutes 9i and 9ii refer).

4.3 The Council also reviewed at its meeting on 9 March 2022 the effectiveness of the internal audit arrangements and the scope of internal audit and agreed that the audit terms of reference and audit plan were appropriate for a parish the size of Lindsey (Minute 9v refers).

4.4 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.

4.5 At its meeting on 10 November 2021 the Council considered the Parish Council Beacon of Light Risk Assessment Document for events taking place at or near the beacon site. The Council agreed that the document as produced should be adopted

and implemented as the Council's control document and that regular reviews would be undertaken of the policy with amendments as required.

4.6 At its meeting on 8 September 2021 the Council noted that in accordance with the Financial Regulations, the Clerk/RFO had carried out the annual review of the record of all insurances effected by the Council and the property and risks covered and confirmed that the renewal quotation from the Council's current insurers provided adequate protection to help manage the risks associated with the Council's operation (Minute 8 v refers). The Council agreed to the payment of £146.56 to CAS Business Services for annual premium due.

4.7 The Policy is provided by Royal & Sun Alliance Insurance and runs from 1 October 2021 to 30 September 2022. Public Liability cover and Employer's Liability cover both stand at £10m. The Fidelity Insurance (Councillor/Employee Dishonesty) cover stands at £25,000, 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: £4,487.00

Precept 2022/23: £4,949.00

5.1 A Draft Budget for 2021/22 was considered by the Council at its meeting on 11 November 2020 (Minute 9 vi refers). The Council noted that this was an indicative budget prior to the release of tax base figures by the District Council. The Council considered and agreed a revised Final Budget 2021/22 at its meeting on 20 January 2021. The Precept for 2021/22 was agreed in Full Council and the precept decision and amount has been clearly Minuted (the Council's meeting on 20 January 2021, Minute 9vii refers).

5.2 Similarly, a Draft Budget for 2022/23 was considered by the Council at its meeting on 10 November 2021 (Minute 8 iv refers). The Final Budget and the Precept for 2022/23 were agreed in Full Council and the precept decision and amount has been clearly Minuted (the Council's meeting on 19 January 2022, Minute 8vi refers).

5.3 The Council has sound budgetary procedures in place. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The 2021/22 Budget papers were detailed and informative and ensured that Councillors had sufficient information to make informed decisions.

5.4 The 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.

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

5.6 A Reserves Policy is in place and a copy has been published on the Council's website. The Policy does not attempt to prescribe a blanket level but notes that current guidance states that the level of Reserves should be maintained between 3-12 months of budgeted expenditure.

5.7 At its meeting on 9 March 2022 the Council received the anticipated budget outturn for the year ending 31st March 2022 and noted that overall the target of adding £550 to the council's reserve pot would be achieved and surpassed. The Clerk provided a brief summary of the variances per budget line which was accepted by the meeting (Minute 8iv refers).

5.8 The Council's Overall Reserves at the year-end 31 March 2022 totalled £4,004.48 and included the CIL Restricted Reserve of £2,015.37. The General Reserves (overall Reserves less Earmarked/Restricted Reserves) accordingly totalled £1,989.11 which continues the trend of increasing the level of General Reserves in line with the Council's commitment of ensuring that sufficient funds are held, within reason, to address unforeseen events that might arise. The General Reserves are in line with the Council's Reserve Policy and 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 The Receipts recorded in the Cashbook consisted of Precept (£4,487), VAT reclaim (£75.95), BDC Parish Grant (£78) and CIL Receipts (£2,015.37) and compensation from Bank (£50).

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 cheques and online payments being made out for expenses incurred.

**8. Publication Requirements and the Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).**

8.1 Under the provisions of the Transparency Code, Lindsey Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://www.lindsey.suffolk.cloud/> The website is maintained to a high standard and is both informative and up to date.

### 8.3 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:  
[Published on the website](#)
- b) Annual Governance Statement, AGAR, Section One:  
[2020/21 published on website](#)
- c) End of year accounts, AGAR, Section Two:  
[2020/21 published on website](#)
- d) Annual Internal Audit report within AGAR:  
[2020/21 published on 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](#)

### 8.4 The Council is complying with the requirements of the Transparency Code.

8.5 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. At its meeting on 6 May 2021 the Council noted that the dates for Exercise of Public Rights had been set as commencing on 14 June until 23 July 2021. 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, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.6 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 as easily accessible on the Council's website.

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

9.1 Payroll Services are operated in accordance with HMRC requirements, detailed payslips are produced and PAYE is in operation. The End of Year Certificate P60 for the Clerk/RFO was presented to the Internal Auditor.

9.2 At its meeting on 9 September 2020 the Council formally approved the increase in the Clerk's salary for 2020/21 (from 1 April 2020) in accordance with the NJC agreement on pay for local government employees. The Council also agreed to approve the incremental increase of one Scale Point to the Clerk/RFO, taking the Clerk's SCP to SCP10 for 3.5 hours per week with effect from 9 July 2020 (Minute 8v refers). The 2021/22 national salary award was back dated to 1 April 2021 with the March 2022 salary payment.

**Recommendation 1: it was noted that the Clerk's salary scale (SCP10) is significantly below the salary level being paid to most Local Council Clerks working within similar sized councils to Lindsey, particularly bearing in mind the level of qualifications and experience that the current Clerk/RFO brings to the post. It is considered that the Council should review the salary paid to the Clerk to ensure that it is commensurate with the duties and responsibilities of the post and the skills and experience the current Clerk brings to the position.**

9.3 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to the Council on 8 July 2020 that a re-declaration of compliance under the Pensions Act 2008 had been submitted to the Pensions Regulator, effective from 23 May 2020 (Minute 8 vii refers). 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.

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

10.1 An Asset Register is in place and was reviewed and agreed by the Council at the meeting held on 9 March 2022.

10.2 As at 31 March 2022, the Asset Register displays a total valuation of £1,016, unchanged from the end of the previous year. The assets are valued at cost or at a nominal (community) value of £1 to ensure that the Council's ownership and responsibility are recognised and not lost or forgotten.

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

11.1 Bank Reconciliations are regularly completed during the year and presented to Council. The authorised Councillor Signatories review the bank reconciliation and sign the documentation submitted to secure a full audit trail.

11.2 The Barclays Community Current Account statement as at 31 March 2022 reconciled to the End-of-Year accounts and agreed with the overall Bank Reconciliation.



**12. 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).**

12.1 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.

**13. 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).**

13.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 The Council demonstrates good financial practice by receiving at each meeting a Schedule of receipts received and expenditure incurred since the previous meeting. The Council also receives a Schedule of Verified Invoices awaiting authorisation and payment and details of the financial position of the Council, including the amount of funds held and a completed Bank Reconciliation.

13.3 During the year 2021/22 the Council continued to examine the possible use of on-line banking. At its meeting on 8 September 2021 the Council agreed (in accordance with Council's financial regulations and provided that sufficient internal controls were in place) that the Clerk/RFO should initiate the transition to online payments with Barclays Bank (Minute 8 ii refers). The Council noted on 10 November 2021 that the Clerk/RFO and a Councillor had access to the bank which would allow the settlement of the Council's accounts via direct bank transfer. It was noted that this would be initiated for the payments authorised at the Council's meetings. An Internet Banking Policy was considered and adopted by the Council on 19 January 2022 and a copy has been published on the Council's website.

13.4 The Council's procedure under the Internet Banking Policy for on-line payments provide that:

1. All orders for payment will be verified for accuracy by the Parish Clerk and included on the payment schedule.
2. The schedule of all payments shall be prepared by the Parish Clerk and presented to each meeting of the Council together with any supporting invoices or other documentation for approval. The approved schedule will be signed by the Clerk as Responsible Financial Officer and two of the three authorised signatories.
3. The Parish Clerk will initiate payment.
4. One of the three authorised Councillors will confirm the payments online (from the list of authorised Councillors held by Barclays Bank). Councillors are expected to authorise payment requests within two days of the payment being initiated by the Parish Clerk.

*5. Where a councillor is to be reimbursed for expenditure, they should not be an authoriser (in the case of internet payments), or a signatory (in the case of cheque payments)*

13.5 A sample of online payments were examined and were found to be in order and compliant with the Council's Internet Banking Policy.

13.6 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. The Council demonstrates good financial control practice by notating the legislative basis on which payment is made against the items of expenditure. Invoices/vouchers for payment are initialled by cheque signatories. Cheques raised and the Cheque counterfoils are signed/initialled by relevant signatories in accordance with the Council's Financial Regulations 6.4 and 6.5.

13.7 The Internal Audit Report for the previous year, 2020/21, was received and approved by the Council at its meeting on 6 May 2021 (Minute 9i refers). The Report had raised no matters of concern.

13.8 At the meeting held on 9 March 2022 the Council reviewed the effectiveness and scope of Internal Audit, including the proposed terms of reference and the audit plan, and formally appointed the Internal Auditor for the year 2021/22 (Minute 9v refers). Having reviewed internal audit in terms of independence, competence, proportionality and effectiveness, the Council complied with its duty under the 2015 Regulations and met the standards of audit provision. Similarly, by reviewing the terms of reference, the Council followed good practice in accordance with the Governance and Accountability Guide and recognised internal audit's function to test and report on the Council's internal control arrangements.

**14. External Audit (*Exemption declared or any Recommendations put forward/ comments made following the Limited Assurance Review*).**

14.1 An External Audit was not required in the year 2020/21. At its meeting on 6 May 2021 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 9 vi refers).

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.

**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. I would particularly like to commend the Clerk for the excellent presentation of the Council's documents for the audit.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**27 April 2022**