

Report to Little Blakenham 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 has confirmed that the 2021/22 year proved to be a challenging one for the Council, including delays in the approval and submission of the Annual Governance Statement for 2020/21 and the Statement of Accounts for the year ending 2020/21. This resulted in the legislative requirements relating to the approval of accounts not being met and, as a result, the deadlines for publication similarly not being met.

1.2 The Council formally appointed Mrs Jennie Blackburn as Clerk and Responsible Financial Officer on 18 January 2022 and since that time the Council has made significant progress in working towards a satisfactory standard of financial administration and control. At the Extraordinary meeting of the Council on 26 January 2022 Mrs Blackburn explained the position of the Parish Council in relation to the External Audit; that due to the lack of required documentation for the year ending 2019/20, a full review would be undertaken by PKF Littlejohn LLP for the year 2020/21. The Clerk ensured that all documentation was sent to PKF Littlejohn by the requested date of 31 January 2022.

1.3 The Clerk/RFO confirmed to the Council that she would ensure that all relevant documentation for the year ending 2021/22 would be produced, approved and provided to the relevant bodies at the required time to ensure the Parish Council followed correct procedures and met legislative requirements in respect of the 2021/22 year of account.

1.4 The current Clerk/RFO is to be commended in the prompt action taken following her appointment to secure a sound basis for the Council to move forward in terms of its financial administration. However, there remains some key issues still to be addressed, including confirmation of bank balances to verify the overall amounts held at bank.

1.5 The audit confirmed that the present 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 appropriate financial management information to enable the Council to make well-informed decisions. However, the Clerk/RFO and the Internal Auditor are being hampered by the lack of formal bank statements to evidence the overall accuracy of the End of Year Accounts.

1.6 The Accounts for the year display the following:

Total Receipts for the year: £7,465.96
Total Payments in the year: £8,509.36
Total Reserves at year-end: £8,720.90

1.7 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: £9,765</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £6,500</i>
<i>Total Other Receipts:</i>	<i>Box 3: £966</i>
<i>Staff Costs:</i>	<i>Box 4: £3,361</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £5,149</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £8,721</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £8,721</i>
<i>Total fixed assets:</i>	<i>Box 9: £61,044</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.8 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.

1.9 The following Internal Audit work was carried out on the adequacy of systems of internal control. 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 18 May 2021. The first item of business was the Election of a Chair, as required by the Local Government Act 1972.

2.2 Standing Orders and Financial Regulations are in place and were reviewed, approved and adopted by the Council reviewed at the meeting on 15 March 2022 (Minute LB9/150322b refers). The documents are in line with the latest model Standing Orders and Financial Regulations and guidance published by the National Association of Local Councils (NALC).

2.3 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council.

2.4 The Council confirmed and approved the position of the Clerk as the Council's Responsible Financial Officer (RFO) at the meeting on 18 May 2021. Mrs Janet Gobey was in post at the beginning of the financial year 2021/22. At the meeting on 16 November 2021 the Council noted Mrs Gobey's retirement from the position of Clerk/RFO.

2.5 Mrs Jennie Blackburn was formally appointed as Clerk and Responsible Financial Officer (RFO) by the Council at its meeting on 18 January 2022 and since that time has worked energetically to achieve a step change improvement in the overall financial administration and control being exercised by the Council.

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 (Registration ZA172924, expiring 17 April 2023). The registration with the ICO displays up to date contact information. The Council adopted a Data Protection and Information Security Policy and a Data Retention Policy at its meeting on 15 March 2022 to assist in meeting the requirements of the General Data Protection Regulations (GDPR). The Policies have been published on the Council's website.

2.7 Privacy Policies were published in 2018 and now require updating, including the contact details which relate to the previous Clerk/RFO.

2.8 At its meeting on 15 March 2022 the Council approved and adopted a Publications Scheme to assist compliance with Freedom of Information legislation (Minute LB9/150322d refers).

2.9 At its meeting on 18 May 2021 the Council re-adopted the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. The Council demonstrates good practice by periodically re-adopting the Code. A copy of the Code has not as yet been published on the Council's website.

2.10 A Website Accessibility Statement has been published on the Council's website in response to the website accessibility regulations which came into effect from September 2020.

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. The Spreadsheet provides for the separate recording of any payments made under the Local Government Act 1972 (Section 137) which require identification. VAT payments are tracked and identified within the Spreadsheet to assist re-claims to HMRC.

3.2 The re-claim to HMRC for £396.70 VAT paid in previous years and not reclaimed was received at bank on 17 August 2021 and reported to Council on 21 September 2021. A re-claim of £468.27 for the VAT paid in the year 2021/22 was submitted to HMRC on 21 April 2022

3.3 The Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. A sample of

transactions was closely examined and found to be in order with supporting invoices/vouchers in place.

3.4 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 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 The Council's Financial Controls procedures and Risk Assessments were reviewed and approved by the Council at the meeting on 18 May 2021 (Minute 12d and 12f refer). Revised Financial Control procedures were also approved by the Council on 20 July 2021 and a copy of the approved document published on the Council's website.

4.2 The Council's Internal Control Measures and Risk Management Arrangements were reviewed and approved by the Council at its meeting on 15 March 2022 (Minute LB9/150322a refers refers). The documents provide detailed analysis of the financial and other risks faced by the Council and the control measures in place to mitigate the risks identified.

4.3 The Council accordingly complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires 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 management of risk, with the review suitably Minuted.

4.4 Insurance was in place for the year of account. The insurance premium payment made on 19 August 2021 for £736.43 to Came and Co (insurance brokers) for the forthcoming year was approved by the Council on 21 September 2021. The Policy is provided by Hiscox Insurance. Employer's Liability cover and Public Liability cover each stand at £10m. The Fidelity Guarantee (Fraud and 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.

4.5 The Council has a Health and Safety Policy in place to assist in meeting its risk management responsibilities. A copy of the Policy was published on the Council's website in November 2020.

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

Precept 2012/22: £6,500 (19 January 2021, Minute 9e refers)

Precept 2022/23: £6,828 (18 January 2022, Minute LB9/21/22e)

5.1 The Draft Budget for 2021/22 was considered and agreed by the Council on 19 January 2021 and a Precept of £6,500 was approved.

5.2 Similarly, the Draft Budget for 2022/23 was considered and approved by the Council on 18 January 2022 (Minute LB9/21/22d refers). The Precept was also considered and approved by the Council at the meeting. The precept decision and amount have been clearly Minuted.

5.3 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. The Council has sound budgetary procedures in place. The Clerk/RFO prepared detailed estimates of the annual budget and of receipts and payments for the year 2022/23.

5.4 The Overall Reserves as at the year-end 31 March 2022 totalled £8,720.90, all of which were designated as General Reserves. These are only marginally in excess of 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).

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

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

6.1 The Receipts in the year consisted of Precept (£6,500), MSDC Covid Support Grant (£70.00), VAT Reclaim (£396.70), Donation (£200), Electricity Meter receipts (£39), Hirings/Miscellaneous (£260) and Bank Interest (£0.26).

6.2 Income recorded in the Cashbook was cross referenced with the Council's Bank Statements (where available) on a sample basis and 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 payments for expenses incurred made by cheque.

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, Little Blakenham Parish Council can be designated as a 'Smaller Council'.

The Council's website is: <https://littleblakenham.suffolk.cloud/>

8.2 Smaller Councils should publish on their website (by 1 July each year):

- a) *All items of expenditure above £100. Yes, payments listed within published Minutes.*
- b) *Annual Governance Statement: 2020/21 AGAR Annual Return Section One. Published on website following approval on 26 January 2022.*
- c) *End-of-Year accounts: 2020/21 AGAR Annual Return, Section Two. Published on website following approval on 26 January 2022.*
- d) *Annual Internal Audit report within 2020/21 AGAR Annual Return. Published on website.*
- e) *List of councillor or member responsibilities. Published on website.*
- f) *The details of public land and building assets (Asset Register). Published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

8.3 The Council did not meet the timescale for publication of documents in respect of the year 2020/21 and accordingly did not comply with the requirements of the Transparency Code in the 2020/21 year of account.

8.4 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. There must be a 30-working day period during which the statutory right to inspect the accounting records can be exercised. The period must include a common period of inspection (1 July to 14 July 2021 for 2020/21) during which all smaller authorities' accounting records are available to inspect. The late approval of the Accounts meant that the statutory dates were not met.

8.5 Following the Council's approval on 26 January 2022 of the 2020/21 Statement of Accounts the current Clerk/RFO published the Notice on the Council's website with a period of inspection from 7 February 2022 to 18 March 2022.

8.6 Of the remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes, only a bank reconciliation and an analysis of variances were confirmed at the date of the audit as being 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 by the Suffolk Association of Local Councils on behalf of the Council in accordance with HMRC requirements.

9.2 A Contract of Employment dated 18 January 2022 is in place between the Council and the Clerk/RFO and confirms that the employment commenced on 18 January 2022 with a starting salary at SCP 22 at £14.05 per hour (£14.30 per hour following the National Salary Award) for (normally) 4 hours per week. A monthly Office Allowance of £26 is payable to the Clerk/RFO in accordance with the amount recommended by the SALC.

9.3 With regard to the workplace pensions legislation, at its meeting on 17 November 2020 the Council submitted a re-declaration to the Pensions Regulator demonstrating they are aware of their duties. (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). The Contract of Employment confirms that the Clerk/RFO does not become a member of the workplace pension scheme automatically but has the option to join the scheme should she choose to do so.

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 approved by the Council at its meeting on 18 May 2021. The total value of £61,044.06 as at 31 March 2022 is an increase of £839.41 over the value at the end of the previous year and reflects the acquisition of 4 Dog Bins (£911) and the disposal of Office Software (£71.59) in the year of account.

10.2 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at purchase cost (where known) or a nominal/community value in appropriate cases. The value as at 31 March 2022 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 The Clerk/RFO provides satisfactory financial information to the Council. However, at the meeting on 15 March 2022 the Clerk/RFO reported that until she had access to the Council's Bank Accounts she was unable to confirm the current balance. This remains the position as at the date of this Audit Report.

11.2 The most recent bank statement for the Lloyds Bank Current Account was dated 21 January 2022 and for the Lloyds Reserves (Savings) Account the statement was dated 10 May 2021. Bank Statements were not available to the Clerk/RFO or the Internal Auditor to verify the bank balance as at 31 March 2022. However, Lloyds Bank did provide to the Clerk/RFO over the telephone details of transactions since the last bank statements. In this way the Clerk/RFO was able to finalise the Accounts for the 2021/22 year.

Recommendation 1: The Council should obtain from Lloyds Bank, as soon as practicably possible, formal bank statements to evidence the amounts currently held in its Bank Accounts and to support the entries in the Council's End of Year Accounts.

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 Clerk/RFO provides financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions. The Council receives details of the financial position of the Council, including listings of receipts and payments and the balance in the accounts. Bank reconciliations can only be verified once the Clerk/RFO has access to formal statements.

13.2. Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. Payments were made by cheque in the year.

13.3 Whilst invoices and vouchers were in place to support the entries in the Cashbook, the Internal Auditor was unable to fully verify transactions in the year due to Bank Statements not being made available for the full year.

13.4 The Internal Audit Report for the previous year, 2021/22 was undertaken by SALC on 19 April 2021 and was received and noted by the Council at its meeting on 26 January 2022 (Minute LB19/21/22 refers). The Report had put forward recommendations to improve financial control which the Council noted and approved.

13.5 The Council appointed the Internal Auditor for the 2021/22 year at its meeting on 15 March 2022.

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

14.1 At the Extraordinary meeting of the Council on 26 January 2021 the Clerk/RFO explained the current position of the Parish Council in relation to the External Audit. She reported that due to the lack of required documentation for the year ending 2019/20, a full review would be undertaken for the year 2020/21. The Clerk/RFO provided all necessary documentation to PKF Littlejohn LLP by the required date of 31 January 2022.

14.2 The External Audit Report and Certificate for the year 2020/21 was dated 22 March 2022. A Qualified Report was issued and stated that 'The smaller authority failed to approve the AGAR in time to publish it before 1 July 2021, the date required by the Accounts and Audit Regulations 2015 and did not disclose this by answering

'No' to Section 1, Box 1. The smaller authority failed to publish the final signed AGAR by 30 September 2021, the date required by the Accounts and Audit Regulations 2015 and did not disclose this by answering 'No' to Section 1, Box 1. This is as a result of the AGAR and additional documentation not being submitted for review until 27/01/22 and the smaller authority setting a period for the exercise of public rights that finished on 18/03/22 meaning that the appointed auditor had to wait until after that date before the review could be completed. Section 1, Assertions 2, 3 and 4 have been left blank, the smaller authority has provided the appointed auditor with adequate explanations for non-compliance, and therefore should have answered 'No' to these assertions'.

14.3 The Clerk/RFO reported at the meeting on 15 March 2022 that due to the late Internal and External Audits for 2020/21 an External Audit would be required for the year 2021/22.

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

20 May 2022