

## **Report to Cratfield Parish Council**

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

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

1.1 The essential information required for the completion of the Internal Audit was e-mailed by Mrs Sally Chapman, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were completed accordingly. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the reports in order that they can be addressed at a later date, either at the next scheduled internal audit or when circumstances permit.

1.2 The Internal Audit work undertaken confirmed that during the 2021/22 year the Council continued to maintain effective governance arrangements including a robust and effective 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.

1.3 By examination of the 2021/22 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's 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.

1.4 The Accounts for the year confirm the following:

*Total Receipts for the year: £5,443.78*  
*Total Payments in the year: £6,762.49*  
*Total Reserves at year-end: £6,753.38*

1.5 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk 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: £8,072</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £3,500</i>
<i>Total Other Receipts:</i>	<i>Box 3: £1,944</i>
<i>Staff Costs:</i>	<i>Box 4: £2,392</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £4,371</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £6,753</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £6,753</i>
<i>Total fixed assets:</i>	<i>Box 9: £53,734</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.6 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.

1.7 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 item of 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 Standing Orders are in place and were reviewed by the Council at the meeting held on 8 March 2022 (Minute 9m refers). The Standing Orders reflect the latest template published by the National Association of Local Councils (NALC).

2.3 Financial Regulations are in place and were reviewed by the Council at the meeting held on 8 March 2022 (Minute 9d refers). The Regulations are in accordance with the latest model template published by NALC

2.4 A Scheme of Delegation is in place and was reviewed and adopted by the Council at its meeting on 11 January 2022 (Minute 7a refers). A copy of the Scheme has been published on the Council's website.

2.5 The Council's Minutes are well presented, sequentially numbered and provide clear evidence of the decisions taken by the Council in the year. The Clerk/RFO confirmed to the Internal Auditor that 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 ZA356518, expiring 21 May 2022, refers). The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption and review of Data Protection policies, procedures and documentation, including a GDPR Policy (reviewed and readopted on 8 March 2022).

2.7 A Freedom of Information and Publication Scheme Policy is in place and was also reviewed by the Council on 8 March 2022 and published on the Council's website.

2.8 The Council demonstrates good practice by adopting and maintaining other formal policies and procedures, including an Allotment Tenancy Policy, Planning

Procedure Policy and a Play Area and Millennium Meadow Policy, all of which were reviewed and re-adopted by the Council at its meeting on 8 March 2022 and are published on the Council's website.

2.9 The Council also demonstrates good governance practice by periodically reviewing and re-adopting the Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. The Council reviewed and re-adopted the Code of Conduct at a meeting held on 8 March 2022 (Minute 9c refers). A copy of the Code has been published on the Council's website.

2.10 A Website Accessibility Statement has been published on the Council's website to assist with compliance with the Website Accessibility Regulations.

### **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. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cashbook. The Council considered Grants/Donations at its meeting on 8 March 2022 and approved a grant of £100 to Suffolk Accident Rescue Service and placed the remaining grant budget to the Grants Reserve (Minute 6b refers).

3.2 The Cashbook is well referenced and facilitates an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. In view of the Internal Audit for 2021/22 being conducted remotely/electronically, the supporting vouchers, invoices and receipts were not examined and a sample of the 2021/22 transactions can be undertaken at the next scheduled audit. The Clerk/RFO confirmed to the Internal Auditor that all payments made in 2021/22 were supported by invoices/vouchers.

3.3 VAT paid is being reclaimed from HMRC:

- a) The reclaim of £250.49 for the period 1 April 2020 to 31 March 2021 is recorded as received from HMRC on 7 April 2021 and was reported to Council at its meeting on 4 May 2021 (Minute 7e refers).
- b) The reclaim of £348.00 for the period 1 April 2021 to 30 June 2021 is recorded as received from HMRC on 13 July 2021 and was reported to Council at its meeting on 14 September 2021 (Minute 5 refers).

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.

3.5 The Community Infrastructure Levy (CIL) Fund Annual Report for the year ended 31 March 2022 shows the amount of £52.23 brought forward from previous years, £106.63 CIL received, nil CIL applied during the year of account and the amount of £158.86 retained as at 31 March 2022. The CIL Annual Report for 2021/22 is due for publication and submission 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 The Council's Internal Control Statement (including internal control arrangements and Internal Audit procedures) was reviewed by the Council at the meeting on 8 March 2022 (Minute 9g refers).

4.2 The Council's Risk Assessment document was also reviewed and approved by the Council at its meeting on 8 March 2022 (Minute 9k refers). The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified.

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

4.4 An important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect the Council has a standing agenda item of Play Area Maintenance, which includes reports on the play area and the opportunity for Councillors to follow up any action agreed. The Clerk/RFO reported to Council on 14 September 2021 that the Annual Play Equipment Inspection was scheduled for October 2021 (Minute 7a refers). The Annual Inspection Report was considered by the Council at its meeting on 9 November 2021, when the remedial work required was noted and action agreed (Minute 9a refers).

4.5 Insurance was in place for the year of account. The Council had resolved on 10 September 2019 to accept the Community Action Suffolk (CAS) Parish Protect Insurance quotation for a 3-year long-term agreement. Payment of £299.78 for the 2021/22 year was approved by the Council at its meeting on 14 September 2021 (Minute 5 refers)

4.6 The Employer's Liability cover and Public Liability cover each stand at £10m. The 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: £3,500 (Meeting on 10 November 2020, Minute 5c refers).

Precept 2022/23: £4,000 (Meeting on 9 November 2021, Minute 5b refers).

5.1 The Budget for the year 2021/22 was considered and agreed by the Council on 10 November 2020 and the approval and the amount of the Precept are clearly recorded.

5.2 Similarly, the Budget for the year 2022/23 was considered and agreed by the Council on 9 November 2021 and the approval and the amount of the Precept are clearly recorded.

5.3 The Precepts were accordingly agreed in Full Council and appropriate budget papers were prepared to ensure that Councillors had sufficient information to make informed decisions.

5.4 Good budgetary procedures are 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.

5.5 The estimates for 2021/22 were used effectively for financial control and budgetary control purposes with detailed budgetary position statements (budget reports) being presented to meetings of the Council.

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

5.7 At its meeting on 9 November 2021 the Council considered its Reserves and resolved to transfer the HHCFT £800 Reserve to General Reserves (Minute 5a refers). The Council also considered its Reserves at the meeting on 8 March 2022 and resolved to allocate £181.00 to the Grant Reserve and to allocate sums from the General Reserve to the Election Reserve (£200) and the Play Area Equipment/Maintenance Reserve (£500).

5.8 As at the 31 March 2022 the Council's overall Reserves totalled £6,753.38 of which £4,851.70 has been earmarked as follows:

- (a) Bell Fund: £68.60
- (b) Defibrillator Fund: £242.76
- (c) Jubilee Fund: £308.57
- (d) Play Area Equipment/Maintenance: £1,671.26
- (e) Village Maintenance: £1,000.00
- (f) Village Sign: £520.16
- (g) Election Reserve: £500.49
- (h) Grant Reserve: £381.00
- (i) CIL Funds: £158.86

5.9 The General Reserve (Overall Reserves less Earmarked Reserves) accordingly stood at £1,901.68 as at 31 March 2022 and is in line with the general guideline that non-earmarked revenue reserves should usually be between three and twelve months of gross expenditure or 50% of the precept. As at the 31 March 2022 the Council maintained sufficient overall 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 Receipts recorded in the Cashbook consisted of Precept (£3,500), ESC Council Tax Grant (£30), Allotment Rents (£708.10), VAT reclaim from HMRC (£598.49), CIL Receipt (£106.63), HHCFT Grant (£500) and Bank Interest (£0.56).

6.2 The Allotment Policy and Rent and the Agriculture Allotments Rent were considered and agreed by the Council at its meeting on 8 March 2022 (Minute 9 refers).

6.3 The Clerk/RFO reported on the allotment income received to date at the Council's meeting on 9 November 2021 (Minute 5a refers).

**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 being made out for expenses incurred.

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

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

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

8.2 Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Payments included within published Minutes of Council meetings.*
- b) *Annual Governance Statement: 2020/21 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2020/21 AGAR Annual Return, Section Two. Published on website.*
- 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 is meeting the requirements of the Transparency Code.

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. 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, Dates of Inspection, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.5 The remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis of variances) were confirmed 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 The Council is registered with HMRC and the payroll is operated in accordance with HMRC requirements. A Contract of Employment for the Clerk/RFO is in place.

9.2 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 29 July 2020 that the Council has completed a declaration of compliance under the Pensions Act 2008. (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. The Register was reviewed, updated and approved by the Council at its meeting on 8 March 2022 (Minute 9b refers).

10.2 As at 31 March 2022 the assets are recorded at a total value of £53,734, an increase of £522 over the value of £53,212 listed at the end of the previous year 31 March 2021. The increase reflects the acquisition of a new Bench in the year of account.

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 overall value of £53,734 has been correctly entered into Box 9 of Section 2 of the 2020/21 AGAR (Annual Return).

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

11.1 The Barclays Current Account bank statement and the Business Savings Account bank statement (both statements dated 31 March 2022) reconciled with 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 provides Financial and Budget reports to Council meetings; Councillors are provided with information to enable them to make informed decisions.

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

13.3 In addition, the Clerk/RFO confirmed that:

- (a) cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment,
- (b) invoices/vouchers for payment are signed or initialled by the nominated signatories in confirmation of the payment being correctly made,
- (c) Cheque Book counterfoils are initialled by Cheque Signatories.

These actions are completed as a matter of routine in accordance with the requirements of the Council's Financial Regulations 6.4 and 6.5. These areas were not examined due to the Internal Audit being conducted remotely/electronically but can be test-checked at the next scheduled audit.

13.4 The Internal Audit for the previous year (2020/21) was received by the Council at its meeting on 4 May 2020 (Minute 7b refers). There were no issues of concern arising from the report.

13.5 The Internal Auditor for the 2021/22 year was formally appointed by the Council at the meeting held on 4 May 2021 (Minute 7d refers).

**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 completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 7c refers).

14.2 Similarly, as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2022, the Council is able to certify



itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Council can accordingly prepare a Certificate of Exemption from a Limited Assurance Review for the year 2021/22, for submission within the due date to PKF Littlejohn LLP.

**15. Additional Comments.**

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

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**18 April 2022**