

## **Report to Bildeston 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 maintains an overall satisfactory framework of financial administration and internal financial control. The Council demonstrates good practice by maintaining and reviewing each year an Action Plan with measurable objectives and a range of formal policies and procedures have been adopted by the Council.

1.2 The External Audit Report for the previous year (2020/21) included comments upon some issues which had been raised in the Internal Audit Report for 2020/21 which had drawn attention to significant weaknesses in relation to accounting records, supporting documentation, authorisation procedures, the fixed asset register and bank reconciliations. The Council has since taken action on many of these matters but there remain some issues still to be addressed, including confirmation of bank balances to verify the overall amounts held at bank.

1.3 This latest Internal Audit confirmed that the Clerk, in the role as the Council's Responsible Financial Officers (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: £31,165.38*  
*Total Payments in the year: £51,662.23*  
*Total Reserves at year-end: £70,854.66*

1.5 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £91,348</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £26,425</i>
<i>Total Other Receipts:</i>	<i>Box 3: £4,741</i>
<i>Staff Costs:</i>	<i>Box 4: £9,120</i>
<i>Loan interest/principal repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £42,539</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £70,855</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £70,855</i>
<i>Total fixed assets:</i>	<i>Box 9: £278,157</i>

*Total borrowings:*

*Box 10: £0*

1.6 Sections One and Two of the AGAR are due to be approved and signed/dated 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 5 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 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 and Financial Regulations are in place and were reviewed and approved by the Council at its meeting on 14 February 2022.

2.3 The Council appointed the Clerk as the Council's Responsible Financial Officer (RFO) in September 2020.

2.4 The Council demonstrates good practice by reviewing/up-dating its 4-year Work Plan with measurable objectives. At its meeting on 10 January 2022 the Council resolved that as it was moving into the final year of the current Work Plan, a review would be undertaken on a Quarterly basis. The Bildeston Village website, which incorporates the Parish Council's information and data, includes details of some of the Council's priorities for the period leading up to 2023 including Community Engagement, Speed Restrictions, Village Sign, Retention of Local Bus Services and Water Courses survey.

2.5 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved. The Minutes of meetings are normally published in the Bildeston Bugle each month as well as in the Village website. In addition, the Clerk/RFO constructs a column in the Bugle to raise awareness of forthcoming events, projects and initiatives, or otherwise to circulate information that may be useful to people living in the village.

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

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legislation (Registration ZA119342 refers, expiring 26 May 2022). The ICO Registration lists a contact address for the Council as 1 All Saints Road, Creeting St Mary, Ipswich IP6 8NF and the Clerk/RFO will inform the ICO of the current contact address in order that any data protection queries can be correctly directed to the Council.

2.7 The Council has published a number of Data Protection Policies to assist compliance with General Data Protection Regulations (GDPR) including the following:

Data Protection and Security Policy  
Document Retention and Disposal Policy  
GDPR Data Handling Log  
GDPR General Privacy Notice  
GDPR Privacy Notice: Staff, Councillors and Role Holders.

2.8 A Publication Scheme is in place in accordance with the requirements of the Freedom of Information legislation and a copy has been published on the Council's website.

2.9 The Council also maintains a number of other Policies and Procedures as well as those relating to Data Protection. These include an Equality Policy, Grievance, Harassment and Bullying Policy, Health and Safety Policy, Capability Policy, Disciplinary Policy and Procedure and a Social Media Policy, all of which have been published on the Council's website but now require review to ensure they are up to date and fit for purpose.

2.10 The Council adopted the Suffolk Local Code of Conduct at the meeting held on 13 October 2014 and a copy has been published on the Council's website. The Council reviewed and re-adopted the Code of Conduct document at its meeting on 13 December 2021.

2.11 In response to the Website Accessibility requirements which came into force in September 2020, the Council has published a Website Accessibility Statement. This details what has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible or where there would be a disproportionate burden to secure full accessibility and contact details in the event of problems being experienced.

### **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 Scribe accounting package is used by the Council, the annual subscriptions of £345.60 having been paid on 12 April 2021 (for 2021/22) and on 14 February 2022 (for 2022/23). The system is well referenced and facilitates an audit trail to the Bank Statements, the Online payments and the financial information prepared by the

Clerk/RFO. These documents provided good evidence in support of the receipts and payments in the year. The Council's Accounts are maintained on a Receipts and Payments basis. A sample of transactions was examined against the supporting invoices and vouchers presented to the Internal Auditor and was found to be in good order.

3.2 VAT payments are tracked and identified within the Scribe to assist reclaims to HMRC. A reclaim for the amount of £4,774.04 VAT paid for the period ending 28 February 2022 was received at bank on 11 April 2022. The Clerk/RFO is to examine whether VAT can be reclaimed for some earlier periods of time.

3.3 As the Council does not apply the General Power of Competence any payments made under the Local Government Act 1972 (Section 137) are required to be separately identified in the Cashbook. No payments under Section 137 were listed although the Internal Auditor believes that the payment of £50 to the Royal British Legion for Remembrance (wreaths and donation) on 20 December 2021 would have been made under that power.

3.4 The Clerk/RFO provides reports to Council on Community Infrastructure Levy (CIL) matters, including sums received. The Community Infrastructure Levy (CIL) Report 2020/21 was received by the Council and signed at the meeting on 8 November 2021. The Clerk/RFO has yet to prepare the Annual CIL Report for the year 2021/22, which has to be published on the Council's website and submitted to the District Council no later than 31 December 2022.

3.5 A Statement of Variances (explaining significant differences in receipts and payments between the years 2020/21 and 2021/22) has yet to be 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 Risk Assessment Register was reviewed and approved by the Council at its meeting on 14 February 2022 (Minute C223/21/22 e refers). The risk assessment provides a detailed analysis of the risks faced by the Council, the level of risk involved (High, Moderate or Low Risk) and the measures/actions in place to mitigate the identified risks.

4.2 At its meeting on 11 January 2022 the Council reviewed and approved the Internal Control Statement and agreed to review the Internal Control tests at six-monthly intervals (Minute C223/21/22g refers).

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 the management of risk, with the review suitably Minuted.

4.4 Insurance was in place for the year of audit. The general insurance policy and the ride on mower policy renewals were approved by the Council at its meeting on 5 May 2021. Payments were made on that date to BHIB (insurance broker) for the mower (£241.92) and the general insurance cover (£715.59).

4.5 The Employer's Liability cover and the Public Liability cover each stand at £10m. The Councillor/Employee Dishonesty (Fidelity Guarantee) cover stands at £250,000 and 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.

4.6 One of the most important issues for local councils in terms of risk management is the adequate maintenance and regular inspection of play equipment. The Council received the Annual Inspection Report at its meeting on 14 February 2022 and agreed that the Clerk/RFO would arrange for any required remedial work to be carried out.

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

Precept 2021/22: £26,425 (approved at Council meeting on 11 January 2021).

Precept 2022/23: £27,750 (10 January 2022, Minute C213/21/22 d refers).

5.1 At its meeting on 11 January 2021 the Council resolved that the Precept for 2021/22 would be a 3.9% increase over the previous year. The amount of the precept was not stated in the Minutes of the meeting. The Minutes of the meeting on 13 December 2021 confirm that the Budget for the year 2021/22 was approved and ratified.

5.2 Similarly, at the meeting held on 10 January 2022, the Council considered the 2022/23 Budget and a Precept of £27,750 was agreed. The Precept was agreed in Full Council and the precept decision and amount have been clearly Minuted.

5.3 The Clerk/RFO ensures that the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. Detailed Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

5.4 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 estimates were used effectively for financial control and budgetary control purposes in the year of account. The Clerk/RFO reports upon the Budget position at meetings of the Council and this is noted in the Minutes of the meetings.

5.5 As at 31 March 2022 the Overall Reserves stood at £70,854.66 of which £60,799.92 is listed in the Scribe accounting package as Earmarked/Restricted Funds as follows:

Asset Replacement Fund:	£23,217.26
Margaret Bishop Chamberlin Hall Fund:	£5,247.96
CIL Reserve (Restricted):	£3,539.74
Kate Chamberlin Clock Tower Fund:	£13,428.05
John Artiss Nature & Conservation Fund	£8,137.49
Grants:	£756.84
Projects:	£6,392.58
Bildeston Food Bank:	£50.00

5.6 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) amounted to £10,054.74 which is marginally less than the generally accepted 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). However, as at 31 March 2022 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

**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 for the year consisted of Precept (£26,425), Precept Support Grant (£573), Burial Fees (£1,230), Memorial fees (£880), Reserved Plot Fees (£160), Food Bank Donation (£80), Toddler Group (£224.29), Storage Container (£1,100) Donations (£483.03) and Bank Interest (£10.06),

6.3 A sample of transactions recorded in the Cashbook was cross referenced with the bank statements and other supporting information on a test-check basis and were found to be in order.

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

7.1 No Petty Cash is held. An expenses system is in place, with online payments made for expenses incurred.

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

8.1 The Council is registered with HMRC and the payroll is being operated by An Accounting Gem in accordance with HMRC requirements; detailed payslips are produced and PAYE is in operation.

8.2 A Contract of Employment between the Council and the Clerk/RFO is not in place.

**Recommendation 1: The Council should ensure that a Contract of Employment for the Clerk/RFO is constructed and agreed by both parties as soon as practicably possible to confirm the key elements of the employment, including the salary to be paid, the hours of work and all related conditions of service.**

**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 The Asset Register was reviewed and approved by the Council at its meeting on 14 February 2022. (Minute C223/21/22f refers).

9.2 The Register was examined by the Clerk/RFO and the following figures were agreed:

Valuation at 1 April 2021: £271,184

Plus Additions in year:

Laptop: £700

Mobile Phone: £500

Christmas Tree Lights: £155

Paved entrance (Cemetery): £5,700

Gifted items each at £1 nominal value: £4

Deduction disposals in the year@

Litter Bin: £86

Valuation as at 31 March 2022: £278,157

9.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. The assets are displayed at original purchase cost, where known, or nominal/community value for gifted items.

9.4 The value as at 31 March 2022 has been correctly placed in Box 9 of Section 2 of the AGAR 2021/22.

9.5 The Clerk/RFO confirmed that the Asset Register is due to be expanded to include a column listing the insurance values against each item to ensure that no asset is overlooked in the consideration of the insurance cover required.

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

10.1 The bank statements as at 31 March 2022 in respect of the Unity Trust Bank Current Account (£28,653.85) and the Unity Trust Deposit Account (£16,650.87) were confirmed by the Internal Auditor. However, the most recent statement available for the Barclays Bank Current Account (£30,324.94) was dated 30 June 2020. Due to delays in allowing the Clerk/RFO access to the Council's Barclays Bank Account, a bank statement as at 31 March 2022 was not available and accordingly the overall Bank Reconciliation could not be confirmed with the End-of-Year accounts.

**Recommendation 2: The Council should obtain from Barclays Bank, as a matter of urgency, confirmation of the amount held in its Current Account to evidence the sums included in the Council's End of Year Accounts.**

**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 have been correctly prepared on a Receipts and Payments basis and were found to be in good 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 Clerk/RFO provides comprehensive financial reports to Council meetings, including available bank balances and details of CIL Funds. Payments are presented to the Council for approval. Councillors are provided with information to enable them to make informed decisions.

12.2 The Council's Minutes record that Scribe accounting reports are distributed to Councillors, including payments lists, cash book, bank reconciliation and a copy of bank statement to month end. Scribe accounting reports are checked by a non-Signatory Councillor and signed by the Chairman and the Clerk/RFO and approved by the Council.

12.3 The Clerk/RFO also confirmed to the Internal Auditor that:

- (a) The Clerk/RFO is the Service Administrator who initiates the payments to be made through internet banking, which are then authorised by two Councillors before payment is released.



- (b) Nominated Councillors have been specifically authorised to approve transactions generated by the Clerk/RFO.
- (c) The Approved Payments List, signed by the Authorising Signatories, is retained with the invoices and can be referenced to the bank statements.
- (d) The procedure for electronic payments has been documented in the Council's Financial Regulations (6.10 – 6.16).

12.4 Payments and Receipts are currently not listed in the Council's Minutes as part of the overall financial control framework. Financial Regulations item 5.2 provide that *'A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.'*

12.5 To improve the overall financial control framework and to ensure transparency, the schedule of invoices authorised by the Council for payment and significant items of income should be listed within the body of the Minutes or as an Appendix to the Council's Minutes.

**Recommendation 2: To fully apply Financial Regulations item 5.2, the schedule of invoices authorised by the Council for payment and any significant items of income should be listed within the Minutes or as an Appendix to the Minutes of the meetings of the Council.**

12.8 The Internal Audit report for the previous year (2020/21) was undertaken by SALC and was dated 30 June 2021. The Report, which stated that the Council had not met a number of internal control objectives, was received and noted by the Council at the meeting held on 14 February 2022.

12.9 The Clerk confirmed that the Council appointed the Internal Auditor for the 2021/22 year at its meeting on 12 April 2022.

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

13.1 The External Auditors' Report and Certificate for the year 2020/21 was dated 27 September 2021 and was noted and approved by the Council at its meeting on 11 October 2021. The External Audit Report highlighted some issues which had been raised in the earlier Internal Audit Report provided by SALC, which had drawn attention to significant weaknesses in relation to accounting records, supporting documentation, authorisation procedures, fixed asset register and bank reconciliations. The Council is continuing to work to address these issues.

#### **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.

14.3 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).

14.4 The Internal Auditor was able to confirm that the documents relating to the year 2020/21 were readily accessible on the Council's webpage:

<https://bildeston.org/parish-council/governance-processes-and-transparency/>

#### **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**

**16 May 2022**