

Report to Nacton Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2023

1. Introduction and Summary.

1.1 The Internal Audit work undertaken confirmed that during the 2022/23 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 currently maintains an effective framework of financial administration and internal financial control.

1.2 As at 1 October 2022 the Council amended the staffing arrangements by appointing Mr Brian Mansfield as the Council's Responsible Financial Officer (RFO) with Mrs Clare Lucas continuing to undertake the duties as Clerk to the Council but without RFO responsibilities.

1.3 By examination of the 2022/23 accounts and supporting documentation it was confirmed that the Council's Responsible Financial Officer, in liaison with the Clerk to the Council, is satisfactorily undertaking the administration of the Council's financial affairs and producing satisfactory financial management information to enable the Council to make well-informed decisions.

1.4 The Accounts for the year 2022/23 confirm the following:

Total Receipts for the year: £24,852.98
Total Payments in the year: £23,125.45
Total Reserves at year-end: £27,368.62

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

<i>Balances at beginning of year (1 April 2022):</i>	<i>Box 1: £25,641</i>
<i>Annual Precept 2022/23:</i>	<i>Box 2: £10,499</i>
<i>Total Other Receipts:</i>	<i>Box 3: £14,354</i>
<i>Staff Costs:</i>	<i>Box 4: £4,181</i>
<i>Loan interest/principal repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £18,944</i>
<i>Balances carried forward (31 March 2023):</i>	<i>Box 7: £27,369</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £27,369</i>
<i>Total fixed assets:</i>	<i>Box 9: £94,576 * Note 1</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

** Note 1: The comparative year entry of £78,203 should be notated as 're-stated' on the AGAR with an explanation that Assets are now displayed at the Fixed Assets Insurance Valuation Method (and no longer valued at cost), that the previous year has been re-stated in order that both years are comparable and are valued on a 'like for like' basis.*

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 will complete the Annual Internal Audit Report 2022/23 within the AGAR following agreement of this draft report with the Responsible Financial Officer.

1.7 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 11 May 2022. The first item of business was the Election of a Chairman, as required by the Local Government Act 1972. The Council also nominated Councillors to specific roles and representative duties for the forthcoming year.

2.2 A Responsible Financial Officer (RFO) was in place during the year 2022/23. Mrs Clare Lucas was the RFO at the beginning of the 2022/23 year but the duties of Clerk and RFO were divided as from 1 October 2022, when Mr Brian Mansfield was appointed the Council's RFO.

2.3 Standing Orders are in place. They were last reviewed and adopted by the Council at the meeting on 11 May 2022 and are based on the Model Standing Orders issued by the National Association of Local Councils (NALC). A copy has been published on the Council's website. NALC has published amendments at Section 18 of the model Standing Orders to reflect the changes in the thresholds for public service or supply and public works contracts. This amendment can be included at the Council's next review of Standing Orders.

2.4 Financial Regulations are in place. They were last reviewed and adopted by the Council at the meeting on 11 May 2022 and are based on the Model documents issued by the NALC. A copy of the Financial Regulations has been published on the Council's website. NALC has since advised that its Model Financial Regulations have been revised to reflect the changes in the thresholds for public service or supply and public works contracts. The amendment to the footnotes at the bottom of Section 11 to display the latest thresholds can be included at the Council's next review of Financial Regulations.

2.5 The Council demonstrates good governance practice by maintaining an Action Plan with measurable objectives. The Action Plan relating to the year 2022/23 has been published on the Council's website.

2.6 The Council's Minutes are generally well presented and provide evidence of the decisions taken by the Council in the year. The Minutes are consecutively numbered. However, the Minutes of the Extraordinary Meeting of the Council held on 29 June 2022 have not been published (Minute references 14 to 19 are accordingly missing from the Council's website).

Recommendation 1: In the interests of transparency and for the benefit of the local community, the Council should always ensure that Minutes of the Council's meetings are publicly available and published on the Council's website as soon as practicably possible after each meeting. The Minutes of the meeting of 29 June 2022 should accordingly be published on the Council's website.

2.7 The Council demonstrates good financial and management practice by adopting and maintaining a wide range of formal Policies, Procedures and Protocols. A Document Review Schedule is maintained listing the documents in place with the date of last review and date of next scheduled review. As part of this process, at the meeting on 11 May 2022 the Council reviewed and adopted the Complaints Procedure, the Filming at meetings Protocol and the Training and Development Policy (Minute 10 refers).

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 ZA064815 refers, expiring 27 July 2023).

2.9 A Cookie Policy and a Data Privacy Notice have been adopted by the Council and published on the Council's website.

2.10 The Council has adopted the General Power of Competence (GPoC). At its meeting on 22 May 2019 the Council confirmed that nine out of nine Councillors were elected on 2 May 2019 and the Clerk held the CiLCA qualification; accordingly, the required criteria had been met and the Council declared the General Power of Competence (Minute 7 refers). (Eligibility remained in place until May 2023 when, at the first annual meeting of the Council after the ordinary election, the GPoC can be re-applied if the eligibility criteria have been met).

2.11 The Council's website notes that the Council adopted the new LGA Code of Conduct for Councillors at its meeting on 11 May 2022. A copy has been published on the Council's website. The Code details the requirements and responsibilities placed upon each individual Councillor. The Clerk confirmed to the Internal Auditor that due to an oversight the Council's adoption of the LGA Code of Conduct was not included in the Minutes of the meeting on 11 May 2022.

2.12 In response to the Website Accessibility requirements, the Council's website host has published a Website Accessibility Statement which 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.

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 is well referenced and facilitates an audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the RFO.

3.2 The Cashbook was examined and, following some minor amendments made by the RFO, was seen to be in good order.

3.3 VAT payments are tracked and identified within the Cashbook Spreadsheet to assist reclaims to HMRC. Reclaims for VAT paid were submitted to HMRC as follows:

a) A reclaim of £3,452.97 for VAT paid in the period 1 April 2021 to 31 March 2022 was received at bank on 14 November 2022.

b) A reclaim of £145.32 for VAT paid in the period 1 April 2022 to 28 February 2023 was received at bank on 13 March 2023.

3.4 The RFO has prepared the Community Infrastructure Levy (CIL) Annual Report for the year 2022/23 which displays a balance of £5,687.74 with nil CIL receipts and nil CIL expenditure in the year 2022/23. The balance of £5,687.74 accordingly remains as at 31 March 2023. The Report has to be published on the Council's website and submitted to the District Council no later than 31 December 2023.

3.5 A Statement of Variances (explaining significant differences in receipts and payments between the years 2021/22 and 2022/23) has been prepared by the RFO for publication on the Council's website.

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

4.1 The RFO presents up to date bank statements to Parish Council meetings and a copy is signed by two Councillors in confirmation. The RFO has completed a reconciliation between the Accounts and the Bank Statements as at the Year End 31 March 2023 as follows:

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<i>Account Balance b/f as at 31 March 2022:</i>	25,641.09
<i>Add Total Receipts in the year:</i>	24,852.98
<i>Deduct Total Payments in the year:</i>	23,125.45

<i>Account Balance c/f as at 31 March 2023:</i>	<u>27,368.62</u>
<i>Represented by:</i>	
<i>Lloyds Bank Current Account (statement dated 31 March 2023):</i>	14,245.79
<i>Lloyds Bank Deposit Account (statement printed 28 March 2023):</i>	13,122.83

	<u>27,368.62</u>

5. 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).

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

6. Internal Control and the Management of Risk (Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly).

6.1 The Council's Parish Risk Assessment/Internal Control arrangements and the Asset Risk Assessment were reviewed and approved by the Council at its meeting on 11 May 2022 (Minute 10 refers). The risk assessments provide 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. A copy of the Parish Risk Assessment has been published on the website.

6.2 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.

6.3 Insurance was in place for the year of audit. The insurance cover was considered by the Council at its meeting on 28 September 2022, when payment of the annual insurance renewal of £746.19 for the period 1 October 2022 to 30 September 2023 was approved by the Council. The Employer's Liability cover and the Public Liability cover each stand at £10m. The Fidelity Guarantee (Councillor/Employee Dishonesty)

cover stood at £150,000 and meets the current recommended guidelines which provide that the Fidelity Guarantee cover should be at least the sum of the year-end balances plus 50% of the precept/grants received.

6.4 An Emergency Plan for the Village (dated August 2019) has been published on the Council's website and was under review during 2022/23. The Council noted at its meeting on 29 March 2023 that the update Plan was almost complete and would be considered by the Council after the May 2023 elections (Minute 85 refers).

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

7.1 Nacton Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://nacton.suffolk.cloud/>

7.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100
Published – Yes
- b) Annual Governance Statement, AGAR Annual Return, Section One:
Published (2021/22) – Yes
- c) End-of-year accounts, AGAR Annual Return, Section Two:
Published (2021/22) – Yes
- d) Annual Internal Audit report within AGAR:
Published (2021/22) – Yes
- e) List of councillor or member responsibilities:
Published – Yes
- f) Details of public land and building assets:
Published – Yes
- g) Minutes, agendas and meeting papers of formal meetings:
Published – Yes

7.3 The Council is meeting the requirements of the Transparency Code.

7.4 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 a notice was published on the Council's website but it was a copy of a form that has to be presented to the External Auditors by local councils subject to an External Audit review and not the formal form required for publication.

Recommendation 2: The official form 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' which displays the Date of the Announcement, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement, should be prepared for the 2022/23 year of account. A link to the form to be used is as follows:

<https://www.pkf-l.com/services/limited-assurance-regime/useful-information-and-links/>

- [Public rights Notice for exempt authorities](#)

7.5 The remaining 2021/22 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 at the date of the audit as being easily accessible on the Council's website.

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

Precept 2022/23: £10,499 (12 January 2022, Minute 65 refers).

Precept 2023/24: £10,960 (11 January 2023, Minute 68 refers).

8.1 The Budget and Precept for 2022/23 were considered and agreed by the Council at the meeting on 12 January 2022.

8.2 Similarly, at the meeting held on 11 January 2023, a proposed budget for 2022/23 was examined by the Council and a Precept of £10,960 was agreed.

8.3 The precepts were agreed in Full Council and the precept decision and amount have been clearly Minuted.

8.4 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 RFO confirmed that he provides Councillors with an Excel Workbook, comparing Actual Expenditure to the Budget, ahead of each Parish Council meeting, with appropriate explanations for variances.

8.5 As at 31 March 2023 the Overall Reserves stood at £27,369 of which £16,962 is noted in the End of Year Accounts as Earmarked/Restricted Funds as follows:

CIL Funds (Restricted Spend Reserve):	£5,688
Election expenses (casual vacancy):	£1,000
Insurance excess:	£250
Bus Shelter replacement:	£1,500
Victoria Field – new gate:	£1,500
Tree/Hedge Maintenance:	£500
Traffic Camera upgrade:	£2,000
Councillor training:	£500
Victoria Field – upgrade litter bin:	£500
Projects for 2023/24:	£3,524

8.6 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) amounted to £10,407 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 5.33 refers).

8.7 As at the 31 March 2023 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

9.1 Receipts recorded in the Cashbook consisted of Precept (£10,499), East Suffolk DC Funding for Fenland Leisure Trim Trail (£10,407.14) and VAT re-claims (£3,598.29).

9.2 The Receipts also included the reversal in the bank account of a Salary Payment made in error to the Clerk on 28 October 2022 (£323.70). As the reversal is not income 'per se', accounting practice provides that such a reversal is normally accounted for as a deduction from payments. It is noted however that the entry is not significant in the overall context of the Council's finances and does not impact upon the Council not being subject to an Intermediate Review by the External Auditor.

9.3 The Receipts were cross referenced with the bank statements on a test-check basis and were found to be in order.

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

10.1 No Petty Cash is held; an expenses system is in place, with cheques made out in the year for expenses incurred.

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

11.1 Payroll Services are operated in-house and the Council is registered with HMRC for PAYE purposes. P60 End of Year Certificates for the Clerk and the RFO were presented to the Internal Auditor.

11.2 Mrs Clare Lucas was the Clerk/RFO at the commencement of the year 2022/23 but agreed with the Council to continue solely as Clerk to the Council without RFO responsibilities with effect from 1 October 2022. The Internal Auditor was presented with an amended Contract of Employment prepared for Mrs Lucas (dated September 2022, signed only by Mrs Lucas and not by the Chairman of the Council) and confirms that salary is to be paid at SCP 15 for 4.5 hours per week.

11.3 At the meeting on 28 September 2022 the Council noted that recruitment of a RFO had been successful and Mr Brian Mansfield was offered the position at 6 working hours a month on a flexible basis. The Council resolved that the RFO is required to attend the meetings of the Finance Advisory Group and the Annual Meetings; his financial reports for the bi-monthly Council meetings would be presented to Council by the Clerk. The starting date was agreed as 1 October 2022.

11.4 On 28 September 2022 the Council agreed the following details:

a) Clerk – Salary at SCP15 £12.45 per hour (234 hours per year before annual leave entitlement). Annual cost £2,913.30

(Under the National Pay Award for Local Government Officers, SCP 15 was subsequently raised to £13.45 per hour, backdated to 1 April 2022)

b) RFO - £13.15 per hour (72 hours per year before annual leave entitlement, based on an average of 6 hours per month). Annual cost £946.80.

(The RFO's Contract of Employment refers to a salary of SCP 20 which, at the time of appointment, was £13.75 per hour (and not £13.15). SCP 20 subsequently rose to £14.75 per hour under the National Pay Award for Local Government Officers),

11.5 There is an apparent discrepancy in the Contract of Employment for the current RFO as the starting salary under NJC Scale Point 20 as at 1 October 2022 (prior to the 2022/23 national award) was £13.75 and not £13.15 as listed in the Contract.

Recommendation 3: The Council should examine the Contract of Employment in place for the Responsible Financial Officer (RFO) regarding the item that 'Your salary is in accordance with the SCP and starting point of SCP 20 and is calculated by pro-rata reference to the standard working week for local government staff of 37 hours giving you an hourly rate of £13.15 from 1 October 2022'. Scale Point 20 was at an hourly rate of £13.75 as at 1 October 2022 (and not £13.15 which is not a listed Scale Point). The conditions of Contract should be clarified to ensure that there is no ambiguity regarding the Scale Point and the hourly rate payable to the RFO.

11.6 With regard to the legislation relating to workplace pensions, the Internal Auditor has asked the RFO to identify when the most recent re-declaration of compliance under the Pensions Act 2008 was 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). If necessary, the RFO should contact the Pensions Regulator to ascertain if action by the Council is overdue.

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

12.1 The Asset Register was reviewed by the Council at its meeting on 11 May 2022 (Minute 10 refers).

12.2 The Council has moved from assets being displayed in 2021/22 at original purchase cost (or, in appropriate cases, at a nominal (community) value of £1) to a Fixed Assets Insurance Valuation Method. The Assets accordingly display a total insurance valuation of £94,576 as at 31 March 2023 and the valuation as at the end of the previous year (31 March 2022) has been re-stated in the AGAR as £78,203 to ensure that the Register complies with the current requirements which provide that each asset should be recorded and displayed at a consistent valuation, year-on-year.

12.3 The increase in the valuation between the two years reflect the addition of Playground Equipment (£10,000) and the valuation increase applied by the insurance company on renewal of cover (£6,373).

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 RFO provides financial reports to Council meetings to enable Councillors to make informed decisions. Payments and Receipts are listed in the Council's Minutes as part of the overall financial control framework.

13.2 Internet banking arrangements are in operation. The RFO advised the Internal Auditor that the Council operates a single signature authorisation arrangement for online payments on the Lloyds Bank accounts; that once the payment has received approval at a Parish Council Meeting (as listed in Minutes), the RFO will either pay the existing Payee on the system or set up a new Payee which is stored for future use. The RFO will then initiate the actual bank transfer.

13.3 Each payment will be listed in the Cash Book (which is circulated to all Councillors ahead of each meeting). The RFO annotates the monthly bank statements ahead of each meeting and provides the supporting invoices/vouchers (both of which are signed by two Councillors at the meeting). The Internal Auditor confirmed that supporting invoices and vouchers are being signed/initialled by Signatories in confirmation of the correctness of the payment.

13.4 If an urgent payment is required between meetings, the RFO sends an email to all Councillors setting out the details, asking for at least two Councillors to approve. As back-up, the RFO advised the Internal Auditor that Councillor Leeder and Chairman Hunt were available to step in during 2022/23 should the RFO have become unavailable.

13.5 Many local councils have internet banking procedures that require a final electronic authorisation by a Councillor, before payment is released, to secure an additional layer of financial control. This not only provides additional internal control for the Council but also avoids placing the RFO in a potentially vulnerable position as the single electronic authoriser for online payments.

13.6 Similarly, whilst the Council's online payment procedures are briefly outlined within Financial Regulations, many local councils construct and adopt an Internet Banking Policy which details and formalises the online payments procedure and provides definitive guidance and instruction to Councillors and Staff upon the action to be taken in all cases.

Recommendation 4:

a) The Council should examine the current single-authorisation internet banking procedure with the view of bringing into effect a second electronic authorisation by a Councillor before payment is released to increase the level of financial control operating in the Council.

b) During the course of the 2023/24 year the Council should also consider and adopt an Internet Banking Policy to formalise and confirm the detailed online banking procedures to be followed by Councillors and Staff.

13.7 Where cheques were used to make payments during the year of account, the number of the cheque was entered on the invoices/vouchers prepared for each payment to secure an audit trail to the Cashbook Spreadsheet.

13.8 Cheque book counterfoils are being initialled in compliance with the requirement under the Council's Financial Regulations item 6.5 that *'to indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil'*.

13.9 The Internal Audit report for the previous year (2021/22) was dated 25 June 2022. The Report was noted by the Council at its meeting on 27 July 2022. The Report had put forward the following two recommendations:

R1: *The Council should ensure that the 'Notice of Public Rights' with regard to the 2021/22 Accounts is correctly published in accordance with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.*

Update at 13 May 2023: As reported at item 7.4 above the Internal Auditor was able to confirm that a notice was published on the Council's website for the year 2021/22 but it was a copy of a form that is presented to the External Auditors by local councils subject to an External Audit review and not the formal form required for publication.

R2: *The Council should ensure that when cheques are signed by Signatories, the counterfoils of each cheque are also signed or initialled by cheque signatories as part of the overall financial control framework operating within the Council in accordance with the Council's Financial Regulations.*

Update at 13 May 2023: This issue has been addressed and cheque counterfoils are now being signed/initialled. Payments are now predominantly being made by internet banking.

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

14.1 An External Audit was not required in the year 2021/22. At the Council meeting held on 29 June 2022 the Certificate of Exemption from a Limited Assurance Review for that year was agreed and signed.

14.2 For the year 2022/23 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 Mr Brian Mansfield, the Council's RFO, and Mrs Clare Lucas, the Clerk to the Council, for their assistance during the course of the audit.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

16 May 2023