

Report to Roydon Parish Council

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

1. Introduction and Summary.

1.1 The Internal Audit for the year 2021/22 confirmed that the Council maintains 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. The Council displays many examples of good financial practice.

1.2 By examination of the 2021/22 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions. The Council's documentation and information were very well presented by the Clerk/RFO for the internal audit.

1.3 The Accounts for the year confirm the following:

Total Receipts for the year: £61,971.00
Total Payments in the year: £50,075.92
Total Reserves at year-end: £27,792.82

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2021/22 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £24,898</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £26,533</i>
<i>Total Other Receipts:</i>	<i>Box 3: £35,438</i>
<i>Staff Costs:</i>	<i>Box 4: £5,849</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £2,033</i>
<i>All Other payments:</i>	<i>Box 6: £51,194</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £27,793</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £27,793</i>
<i>Total fixed assets:</i>	<i>Box 9: £475,392</i>
<i>Total borrowings:</i>	<i>Box 10: £18,504</i>

1.5 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2021/22 within the AGAR.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the 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 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. Appointment of Committee members and other roles within the Council were also made at the meeting, including the nomination of bank signatories.

2.2 At its meeting on 12 January 2022 the Council demonstrated good governance practice by considering and adopting a Delegated Powers Policy, to ensure that the Council continues to function effectively at times of emergency including when it may not be possible to hold public meetings.

2.3 Active involvement continued to be taken in the progression of the Diss and District Neighbourhood Plan (DDNP) as part of the Council's overall development pathway, with detailed progress reports being presented to each meeting of the Council.

2.4 Standing Orders are in place. At its meeting on 23 March 2022 the Council reviewed, updated and approved the Standing Orders, which are based on the model document published by the National Association of Local Councils (NALC).

2.5 Financial Regulations are in place; they are also based on the model document published by NALC and were reviewed, agreed and adopted by the Council at its meeting on 23 March 2022 (Minute 9b refers).

2.6 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. The Clerk/RFO confirmed that all pages of the Minutes are signed by the Chair of the meeting at which the Minutes are approved.

2.7 At the meeting on 28 April 2021 the Council agreed to seek the approval of the Secretary of State for Housing, Communities & Local Government to apply for a PWLB loan of £20,500 over the borrowing term of 5 years for the upgrading of all Roydon Parish Council owned streetlights to LED. The Council noted that the annual loan repayments would be approximately £3,900 and that it was not intended to increase the tax precept for the purpose of the loan repayments (Minute 3 refers). The amount of £20,475 (£20,500 less administrative fee of £25) was received from the PWLB on 6 September 2021 and reported to Council on 28 September 2021.

Progress reports on the Streetlight Upgrade were made to the Council during the year 2021/22.

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 ZA556137, expiring 31 October 2022). To assist compliance with the General Data Protection Regulations (GDPR), the Council has a GDPR Policy in place.

2.9 As part of the response to the Freedom of Information requirements, the ICO's Model Publication Scheme has been adopted by the Council and is published on the Council's website. Similarly, a Guide to Information Published under the Model Publication Scheme is in place and has been published on the Council's website.

2.10 The Council has a Training and Development Policy, an Equality Policy and a Social Media Policy in place and published on the Council's website.

2.11 At its meeting on 23 March 2022 the Council considered and agreed the Councillors' Code of Conduct (Minute 9c refers) The Council demonstrates good practice by periodically reviewing the Code of Conduct, to emphasise the requirements and responsibilities placed upon each individual Councillor and for the purposes of discharging the Council's duty to promote and maintain high standards of conduct within its area. A copy of the Code has been published on the Council's website.

2.12 A Website Accessibility Statement has been published on the Council's website to assist with compliance with the Website Accessibility Regulations. The Statement details what the Council has done to ensure that as many people as possible are able to use the website, provides information regarding some older documents that may not meet present accessibility standards and lists contact details in the event of accessibility problems.

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 Clerk/RFO provided the Internal Auditor with a copy of the Cashbook Spreadsheet, which included details of the Payments List and the Receipts List. The Payments List revealed a total of £50,075.92 payments in the year of account. VAT payments are tracked and separately identified within the List to assist reclaims to HMRC. The Receipts List displayed a total of £61,971.00 receipts in the year of account.

3.2 Both the Payments List and the Receipts List in the Cashbook are well referenced and facilitate an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. The supporting vouchers, invoices and receipts were examined on a sample basis and found to be in good order.

3.3 Frequent reclaims are being submitted to HMRC for VAT paid. The re-claim of £1,145.21 VAT paid during the period October 2020 to March 2021 was received from HMRC on 16 April 2021 and reported to Council on 4 May 2021. Similarly, the VAT re-claim of £511.71 for the VAT paid to September 2021 is recorded in the Receipts List as received on 19 October 2021 and was reported to Council on 17 November 2021.

3.4 A VAT re-claim of £5,971.02 for VAT paid in the period October 2021 to November 2021 is recorded in the Receipts List as being received on 16 December 2021 and reported to Council on 12 January 2022.

3.5 The Clerk/RFO has advised the Internal Auditor that an outstanding amount of £376.80 was due from HMRC as at the year end 31 March 2022 and a claim was submitted to HMRC on 5 April 2022.

3.6 The Clerk/RFO has not completed a Community Infrastructure Levy (CIL) Report for the year 2021/22 as there was a Nil unspent balance brought forward as at 1 April 2021, with Nil CIL Receipts in the year and accordingly a Nil balance in the CIL Fund as at 31 March 2022.

3.7 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 submission to the External Auditors and 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 At the meeting on 12 January 2022 the Clerk/RFO presented to the Council the updated Internal Control Policy, which Councillors had been sent prior to the meeting, and explained the scope of the Council's responsibilities. The policy was adopted unanimously. Councillors then discussed and reviewed the effectiveness of the system of internal controls and agreed that the controls were being followed throughout the year in accordance with the Policy (Minute 9b refers).

4.2 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 management of risk, with the review suitably Minuted.

4.3 A comprehensive Risk Management document is also in place and was last reviewed in March 2020 with the next review date being in May 2023, the details being reviewed every 3 years.

Recommendation 1: The Risk Management document should be reviewed each year and updated as necessary alongside the Internal Control documentation in order to evidence that the Accounts and Audit Regulations 2015 are being complied with in full.

4.4 Insurance was in place for the year of audit. At its meeting on 4 May 2021 the Council approved the renewal of insurance under the three-year long-term agreement. The renewal premium of £555.79 was paid to BHIB (insurance brokers) on 20 May 2021, the cover being provided by Aviva Insurance for the forthcoming year (1 June 2021 to 31 May 2022).

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

4.6 The Council has previously accepted responsibility for the Village Hall Buildings Insurance and a 5-year long-term agreement is in place. At its meeting on 29 September 2021 the Council approved the payment for £915.20, being the renewal premium for 2021/22.

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

Precept 2021/22: £26,533

Precept 2022/23: £27,574

5.1 A proposed Budget and Precept for the year 2021/22 was discussed and agreed by the Council at its meeting on 5 January 2021. The Minutes clearly state the amount of the Precept agreed (£26,533) and notes that it represented a 6.1% increase from the previous year, mainly due to the required expenditure on the DDNP (Minute 6 refers).

5.2 The Clerk/RFO presented Quarterly Budget Monitoring Reports to the Council at the meetings held on 28 July 2021, 29 September 2021 and 12 January 2022. The Reports compared the Budget with expenditure and income for the 2021/22 year, displaying the budgetary headings and the % Budget spent. The reports are well-constructed and demonstrate that the estimates for 2021/22 were used effectively for financial control and budgetary control purposes in the year of account.

5.3 A proposed Budget and Precept for the year 2022/23 was discussed and agreed by the Council at its meeting on 12 January 2022. The Minutes 7d and 7e of the meeting clearly state the amount of the Precept agreed (£27,574).

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

5.5 The Overall Reserves at the year-end 31 March 2022 totalled £27,792.82. The Clerk/RFO has advised the Internal Auditor that the Council will be recommended to place into Earmarked Reserves: Allotments (£411) and Streetlights (£1,000).

5.6 The General Reserves (Overall Reserves less Earmarked Reserves) are in line with of 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).

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

6.1 Receipts were examined on a sample basis, with the bank statements being checked to the documentation made available to the Internal Auditor and all was found to be in order.

6.2 The Council receives income from Allotment Tenants. At its meeting on 1 September 2020 the Council undertook a review of Allotment Rents and water charges. The Council noted that it was probably more than 5 years since a rent increase had been made and during that time the running costs (water rates and maintenance) had increased. The Council accordingly agreed that a small increase in rent and water charge be imposed. The fees of £32 full plot (an increase of £1.50 rent and 50p water) and £16 half plot (an increase of 75p rent and 25p water) came into effect from October 2021 allowing for the required 1 year's notice within the renewal letters (Minute 9 refers).

6.3 The Council has a standing agenda item of Allotments Report. The Clerk/RFO provides details of the income received from Allotment Rents within the report of Payments/Receipts. The Clerk/RFO reports on the progress of rents received.

6.4 The Clerk/RFO confirmed that a Register of Allotment holders is maintained and includes details of payments and deposits made. The Clerk/RFO explained to the Internal Auditor that not all the tenants paid a deposit as those who have had a plot for a number of years were not asked to pay a deposit when they first took an allotment on and explains the reason why the number of plots and the deposits held do not equate exactly.

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

7.1 Payroll Services are operated in-house in accordance with HMRC requirements. Detailed payslips are produced and PAYE is in operation. A copy of the Clerk/RFO's P60 End of Year Certificate for the 2021/22 year was presented to the Internal Auditor.

7.2 The Council discussed and agreed a revision of the Clerk/RFO's salary at the meeting held on 17 November 2021 and agreed to advance the salary to Scale Point 23 on the NJC pay scale (Minute 19 refers).

7.3 The Contract of Employment for the Clerk/RFO confirms a starting date of 19 November 2018 and has been updated (revised date displayed as 18 November 2021) and confirms that the Clerk/RFO is paid for 8 hours each week at NJC Scale Point 23 (which is stated at the current rate of £14.67 per hour, the rate agreed by

NJC/NALC in March 2022 to apply from April 2021 under the national salary award 2021/22).

7.4 At its meeting on 23 March 2022 the Council noted the National salary award 2021/22, the National Joint Council for Local Government (NJC) having agreed a 1.75% increase for year beginning April 2021 (Minute 7c refers).

7.5 With regard to the meeting of legislation relating to workplace pensions, the Pensions Regulator confirmed on 16 September 2020 that the Council had completed a re-declaration of compliance under the Pensions Act 2008 on 15 September 2020. (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).

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

8.1 An Asset Register is in place and was reviewed by the Council at its meeting on 16 February 2022 (Minute 9c refers). It is good financial practice for a local council to review its Asset Register each year to confirm that all assets continue to be appropriately recorded and that any new acquisitions or any deletions from the Register can be formally approved.

8.2 As at 31 March 2022 the Register displays a total valuation of £475,392, a net increase of £8,309 over the valuation of £467,083 at the end of the previous year and includes (inter alia) the upgrade of Streetlights to LED in October 2021 (£8,400). The assets are largely valued at cost; some items are valued at a nominal/community value of £1.

8.3 The Village Hall and Village Hall Gates are valued overall at £352,000. The Clerk/RFO has previously advised the Internal Auditor that the valuation of the Village Hall was carried out by TW Gaze in 2017 when it was discovered that the Parish Council owned the premises and the deeds were put in the Council's name. The value was subsequently placed on the Asset Register.

8.4 The Council demonstrates good practice by closely checking the insurance cover against the Council's Asset Register to ensure that all items are adequately covered. The Clerk/RFO confirmed that when the Council renews the insurance cover a new copy of the updated asset register is submitted to the insurance company to ensure that the cover is adequate.

8.5 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

9.1 The Clerk/RFO routinely presents Bank Reconciliations to meetings of the Council. The Barclays Business Current Account and Barclay Savings Account statements as at 31 March 2022 reconciled to the End-of-Year accounts and agreed with the overall Bank Reconciliation.

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

10.1 A Petty Cash system is not in use; an expenses system is in place, with cheques being made out for expenses incurred.

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 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.

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

12.2 The Council demonstrates good financial practice by receiving details of the current financial position, including bank balances and a completed Bank Reconciliation and a Schedule of Payments to be authorised by the Council.

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

12.4 The Clerk/RFO confirmed to the Internal Auditor that invoices/vouchers are presented to Councillors at the time of signing the cheques.

12.5 The audit 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 Cheque Signatories in confirmation of the payment being correctly made.

(c) The cheque book counterfoils are initialled by Cheque Signatories in accordance with the requirements of item 6.5 in the Council's Financial Regulations.

12.6 At its meeting on 8 November 2020 the Council considered the tenders received relating to the Streetlight upgrade to LED project. The work had been advertised on the Contract Finder Website in accordance with the legal requirement on all contracts over £25,000, in accordance with the Council's Standing Orders. The Clerk/RFO presented reports to councillors prior to the meeting regarding the timeline, funding and tenders. The Council agreed to taking out a £20,500 loan (through PWLB, via the Norfolk Association of Local Councils) and to use the remainder of the CIL money, not already allocated. The outstanding capital balance of the PWLB loan as at 31 March 2022 stood at £18,503.84

12.7 The Internal Audit report for the year 2020/21 was dated 22 April 2021 and was received and accepted by the Council at its meeting on 4 May 2021 (Minute 8a refers). The Report put forward the recommendation that in order to comply with the Accounts and Audit Regulations 2015, the Council should, during the year 2021/22, review the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, and Minute the review to evidence the action taken. This matter was addressed by the Council at the meeting held on 12 January 2022 (Minute 9b refers).

12.8 The Council appointed the Internal Auditor for the year 2021/22 at its meeting on 12 January 2022 (Minute 10 refers).

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

13.1 The External Auditors' Report and Certificate for the year 2020/21 were dated 19 August 2021. No matters of concern had been raised. The External Auditors commented that '*AGAR Section 1, Assertion 5, has been incorrectly completed and should have been answered 'No'. In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to significant weaknesses in relation to risk assessment, since an annual review did not occur. The smaller authority must ensure that action is taken to address this area of weakness in a timely manner*'. The External Auditors were, in effect, confirming the recommendation put forward by the Internal Auditor in the 2020/21 Report and which the Council has since addressed satisfactorily (see item 12.7 above).

13.2 There is no record of the External Auditors' Report being formally reported to the Council. The Report should always be formally presented to the Council in order that the Council can consider the report, note any comments and recommendations, agree action upon them and Minute the action taken.

Recommendation 2: The External Audit Reports received by the Council should always be formally presented to the Council and recorded in the Minutes of the meeting of the Council.

13.3 As gross income/expenditure exceeded £25,000 in the year of account ending 31 March 2022, the Council is subject to a Limited Assurance Review for the year

2020/21 by the External Auditors, PKF Littlejohn LLP (AGAR Form 3 requires completion and submission to the External Auditors).

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.

To be published following 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).

14.2 The Internal Auditor was able to confirm that the above documents were readily accessible on the Council's webpage:

<https://roydon-disspc.norfolkparishes.gov.uk/finance/annual-return-2/2020-2021-returns-information/>

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 April 2022