

Report to Lindsey 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 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 2022/23 accounts and supporting documentation it was confirmed that the Clerk, in the role of 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.

1.3 The Accounts for the year confirm the following:

Total Receipts for the year: £4,949.00
Total Payments in the year: £4,915.89
Total Reserves at year-end: £4,037.59

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 2022/23 (rounded for purposes of the Return):

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| <i>Balances at beginning of year (1 April 2022):</i> | <i>Box 1: £4,004</i> |
| <i>Annual Precept 2022/23:</i> | <i>Box 2: £4,949</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: nil</i> |
| <i>Staff Costs:</i> | <i>Box 4: £2,941</i> |
| <i>Loan interest/capital repayments:</i> | <i>Box 5: nil</i> |
| <i>All Other payments:</i> | <i>Box 6: £1,975</i> |
| <i>Balances carried forward (31 March 2023):</i> | <i>Box 7: £4,037</i> |
| <i>Total cash/short-term investments:</i> | <i>Box 8: £4,037</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £1,016</i> |
| <i>Total borrowings:</i> | <i>Box 10: nil</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 2022/23 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 agreed 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 11 May 2022. The first item of business was the Election of a Chair, as required by the Local Government Act 1972.

2.2 The Council demonstrates good practice by maintaining a standing agenda item for 'Statutory Business'.

2.3 Standing Orders are in place and have been published on the Council's website and are based on the Model Standing Orders produced by the National Association of Local Councils (NALC).

2.4 Financial Regulations are in place and also published on the Council's website. The Financial Regulations are based on the Model Financial Regulations produced by NALC in July 2019 (with minor amendments notified in July 2020 and January 2022) for the purpose of its member councils and county associations.

2.5 At its meeting on 18 January 2023 the Council noted the review of Standing Orders and Financial Regulations with review dates of January 2023 and agreed to delegate responsibility to the Clerk/RFO to ensure that they are reviewed and amended in accordance with changes in legislation thereby ensuring that at all times they are fit for purpose. The Council noted that the Clerk/RFO would ensure that all relevant amendments are brought to the attention of full Council.

2.6 At the meeting on 8 September 2021 the Council considered the Paper submitted by the Clerk/RFO detailing the use of the General Power of Competence (GPoC) which gives eligible Councils the power to do anything that individuals may generally do. The Council fulfilled the eligibility criteria (two thirds of councillors elected at the last ordinary election and the Clerk holds one of the sector-specific qualifications). Having satisfied itself that it was eligible to use the power, the Council resolved that as from 8 September 2021 the Council would adopt the power and use it when there is no specific legislation to be used to carry out its functions (Minute 6 I refers). The Power remains in force until the next full election of the Council in May 2023 when it can be considered for renewal.

2.7 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council in the year. The pages of the Minutes are consecutively numbered and the Clerk/RFO confirmed that each page is signed/initialled by the Chairman of the meeting at which the Minutes are approved.

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 Z2744022 refers, expiring 17 July 2023).

2.9 Formal Data Protection Policies and Procedures have been adopted by the Council including a Data and Electronic Information Retention Policy, Data and Information Security Policy, Subject Access Policy and Subject Access Procedure, all of which were reviewed and adopted by the Council on 18 January 2023 and have been published on the Council's website. Details of the application of the General

Data Protection Regulations (GDPR) and the Lawful basis for Processing Data document are also displayed on the website.

2.10 A Privacy Policy, including an explanation of the lawful basis for processing personal data, is also held on the Council's website.

2.11 Similarly, the Council maintains a Freedom of Information (FOI) Act Publication Scheme and a FOI Policy and Procedures document. At its meeting on 8 March 2023 the Council reviewed the latest document and noted the amendments that had been made (Minute 6i refers).

2.12 The Council demonstrates good practice by maintaining and regularly reviewing a wide range of other formal Policies, Procedures and Protocols. At its meeting on 18 January 2023 the Council carried out the annual review and confirmed that the documents reviewed had been updated, were fit for purpose and agreed to adhere to them as written. The Policies maintained by the Council include the Internet Banking Policy and Procedure, Complaints Policy and Procedure, Disciplinary Rules, Dispensation Policy, Grant Awarding Policy, Grievance and Disciplinary Procedure, Reimbursement of Expenses Procedure, Training Policy, Statement for Reporting on Meetings in Person and Protocol for Reporting at Meetings in Person.

2.13 At its meeting on 11 May 2022 the Council resolved to adopt the Model Councillor Code of Conduct 2020, as produced by the Local Government Association (LGA), for the purposes of discharging its 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.

2.14 The Council has published a Website Accessibility Statement to assist its compliance with the current website accessibility legislation.

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. VAT payments are tracked and separately identified within the Cashbook.

3.2 The Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. The documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and was found to be in order, with supporting invoices and vouchers in place.

3.3 Relatively small amounts of VAT are paid each year. The most recent VAT re-claim received was for £75.95 for the period 1 April 2020 to 28 February 2022 and was received at bank on 28 March 2022.

3.4 The Council has comprehensive documentation and financial data in place. A Statement of Variances (explaining significant differences in receipts and payments between the years 2021/22 and 2022/23) has been prepared by the Clerk/RFO.

3.5 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2023 has been constructed by the Clerk/RFO and shows £2,015.37 brought forward at the end of previous year (31 March 2022), Nil CIL receipts received and Nil spent in the year 2022/23. Accordingly, the balance of £2,015.37 is displayed as retained as at 31 March 2023 (of which an amount of £881.70 has been allocated to the provision of Wi-Fi in the Village Hall). The CIL Annual Report has been published on the Council's website and has to be submitted to the District Council no later than 31 December 2023.

3.6 A Statement of Variances (explaining significant differences in receipts and payments between the years 2021/22 and 2022/23) has been prepared by the Clerk/RFO for submission to the External Auditors and has been published 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 its meeting on 8 March 2023, the Council reviewed the Statement of Internal Control and undertook a Review of Effectiveness of Internal Control for the year ending 31 March 2023 (Minute 9ii refers). The Council considered the controls in place were effective and appropriate for Lindsey Parish Council in its management of public finances and agreed that the system of internal control was sound and provides an adequate foundation to mitigate the risks associated with the operation of public money.

4.2 Similarly, at its meeting on 8 March 2023 the Council considered and adopted the Risk Management Strategy and, having reviewed the narrative document on the risks faced by the Council as part of its risk management process, acknowledged that the Council had taken appropriate steps to manage the risk and where able it has brought in an insurance service from an external body to transfer the identified risk.

4.3 The Financial Risk Assessment document was reviewed by the Council on 8 March 2023 (Minute 9ii a refers). The Council agreed, having reviewed the risk management procedures, that there were no regulatory or contractual issues that may impact on the Council for which a further risk assessment might be required. The document is comprehensive and provide details of identified risks, the level of risk, the internal control arrangements in place to mitigate the risks, the actions taken by the Council and Clerk/RFO and the frequency of the checks (Minutes 9i and 9ii refer).

4.4 The Council also reviewed at its meeting on 8 March 2023 the effectiveness of the internal audit arrangements and the scope of internal audit and agreed that the audit terms of reference and audit plan were appropriate for a parish the size of Lindsey (Minute 9ii e refers).

4.5 The Council accordingly complied with the Accounts and Audit Regulations 2015 and Financial Regulation 14.1 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.

4.6 At its meeting on 28 September 2022 the Council noted that the Clerk/RFO had carried out an annual review of the items under insurance comparing the renewal proposals against the asset register and that there were no matters forthcoming that required revaluation or additional premiums. It was also confirmed that the Council had not taken on any new activities that would signify an uplift in premiums.

4.7 The Council considered the quotations received for the renewal of the Council's insurance effective from 1 October 2022 and agreed the Clerk/RFO's recommendation to place cover with Royal & Sun Alliance Insurance (RSA) through Community Action Suffolk (CAS), being the continuation of a Parish Protect Scheme, at a cost of £146.56. The Council agreed that the cover being proposed by RSA was adequate and met the demands and needs of the council. Approval of the renewal premium in the sum of £146.56 was given with all noting that the Council would be in the final year of a long-term agreement with an expiry date of 30th September 2023 (Minutes 8 v and 8vi refer).

4.8 The Policy is provided by RSA provides Public Liability cover and Employer's Liability cover, both at £10m. The Fidelity Insurance (Councillor/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 2022/23: £4,949.00

Precept 2023/24: £5,185.00

5.1 A Draft Budget for 2022/23 was considered by the Council at its meeting on 10 November 2021 (Minute 8 iv refers). The Final Budget and the Precept for 2022/23 were agreed in Full Council and the precept decision and amount has been clearly Minuted (the Council's meeting on 19 January 2022, Minute 8vi refers).

5.2 Similarly, a Draft Budget for 2023/24 was considered by the Council at its meeting on 9 November 2022 (Minute 8 vi refers). The Council noted that this was an indicative budget prior to the release of tax base figures by the District Council. The Council considered and agreed a revised Final Budget 2023/24 at its meeting on 18 January 2023. The Precept for 2023/24 was agreed in Full Council and the precept decision and amount has been clearly Minuted (the Council's meeting on 18 January 2023, Minute 8vi refers).

5.3 The Council has sound budgetary procedures 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. The 2022/23 Budget papers were detailed and informative and ensured that Councillors had sufficient information to make informed decisions.

5.4 The Clerk/RFO presented Budget Monitoring Reports to the Council throughout the year and ensured that the estimates for 2022/23 were used effectively for financial control and budgetary control purposes. The Actual versus Budget analysis

for the period ending January 2023 was examined by the Internal Auditor and was found to be detailed and informative and confirmed that the Council's position showed a small underspend for the period under review.

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

5.6 A Reserves Policy is in place and a copy has been published on the Council's website. The Policy does not attempt to prescribe a blanket level but notes that current guidance states that the level of Reserves should be maintained between 3-12 months of budgeted expenditure.

5.7 At its meeting on 8 March 2023 the Council received the anticipated budget outturn for the year ending 31st March 2022 and noted the minor underspend for the year and that the reserve fund allocation for the year was achievable (Minute 8iv refers).

5.8 The Council's Overall Reserves at the year-end 31 March 2023 totalled £4,037.59 and included the CIL Restricted Reserve of £2,015.37. The General Working Reserves (Overall Reserves less Earmarked/Restricted Reserves) accordingly totalled £2,012.22 which continues the trend of increasing the level of General Reserves in line with the Council's commitment of ensuring that sufficient funds are held, within reason, to address unforeseen events that might arise. The General Reserves are in line with the Council's Reserve Policy and 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).

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

6.1 Receipts are reported to the Council by the Clerk/RFO as a matter of routine. The Receipts recorded in the Cashbook consisted of the Precept (£4,949),

6.2 The Receipt was cross referenced with the Council's Bank Statements and was found to be in order.

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

7.1 A Petty Cash system is not in use. An expenses system is in place, with online payments being made out for expenses incurred.

8. Publication Requirements and the Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000).

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

8.2 The Council's website is: <http://www.lindsey.suffolk.cloud/> The website is maintained to a high standard and is both informative and up to date.

8.3 Smaller authorities should publish on their website:

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

8.4 The Council is complying with the requirements of the Transparency Code.

8.5 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. At its meeting on 11 May 2022 the Council noted that the dates for Exercise of Public Rights had been set as commencing on 13 June until 22 July 2022. The Internal Auditor was able to confirm that the document for the year 2021/22 was readily accessible on the Council's website and displayed the Date of Announcement, Details of Person to contact to view the accounts and the Details of the person making the announcement.

8.6 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 Payroll Services are operated in accordance with HMRC requirements, detailed payslips are produced and PAYE is in operation. The End of Year Certificate P60 for the Clerk/RFO had yet to be produced.

9.2 At its meeting on 13 July 2022 the Council agreed that the Clerk's salary be set at LC1- SCP 17 effective from 1 April 2022 (Minute 8i refers) for a minimum of 4 working hours per week.

9.3 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to the Council on 8 July 2020 that a re-declaration of compliance under the Pensions Act 2008 had been submitted to the Pensions Regulator, effective from 23 May 2020 (Minute 8 vii refers). 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 and was reviewed and agreed by the Council at the meeting held on 11 May 2022 at the time of the consideration of the AGAR 2021/22.

10.2 As at 31 March 2023, the Asset Register displays a total valuation of £1,016, unchanged from the end of the previous year. The assets are valued at cost or at a nominal (community) value of £1 to ensure that the Council's ownership and responsibility are recognised and not lost or forgotten.

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 value has been correctly entered into Box 9 of Section 2 of the AGAR.

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

11.1 Bank Reconciliations are regularly completed during the year and presented to Council. The authorised Councillor Signatories review the bank reconciliation and sign the documentation submitted to secure a full audit trail.

11.2 The Barclays Community Current Account statement as at 31 March 2023 reconciled to 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/RFO provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 The Council demonstrates good financial practice by receiving at each meeting a Schedule of receipts received and expenditure incurred since the previous meeting. The Council also receives a Schedule of Verified Invoices awaiting authorisation and payment and details of the financial position of the Council, including the amount of funds held and a completed Bank Reconciliation.

13.3 On-line banking is in place. An Internet Banking Policy was considered and adopted by the Council on 19 January 2022 and a copy has been published on the Council's website.

13.4 The Council's procedure under the Internet Banking Policy for on-line payments provide that:

- 1. All orders for payment will be verified for accuracy by the Parish Clerk and included on the payment schedule.*
- 2. The schedule of all payments shall be prepared by the Parish Clerk and presented to each meeting of the Council together with any supporting invoices or other documentation for approval. The approved schedule will be signed by the Clerk as Responsible Financial Officer and two of the three authorised signatories.*
- 3. The Parish Clerk will initiate payment.*
- 4. One of the three authorised Councillors will confirm the payments online (from the list of authorised Councillors held by Barclays Bank). Councillors are expected to authorise payment requests within two days of the payment being initiated by the Parish Clerk.*
- 5. Where a councillor is to be reimbursed for expenditure, they should not be an authoriser (in the case of internet payments), or a signatory (in the case of cheque payments)*

13.5 A sample of online payments were examined and were found to be in order and compliant with the Council's Internet Banking Policy.

13.6 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. Invoices/vouchers for payment are initialled by signatories.

13.7 The Internal Audit Report for the previous year, 2021/22, was received and approved by the Council at its meeting on 11 May 2022 (Minute 9i refers). The Report had raised no matters of concern but put forward one recommendation:

R1: it was noted that the Clerk's salary scale (SCP10) is significantly below the salary level being paid to most Local Council Clerks working within similar sized councils to Lindsey, particularly bearing in mind the level of qualifications and experience that the current Clerk/RFO brings to the post. It is considered that the Council should review the salary paid to the Clerk to ensure that it is commensurate with the duties and responsibilities of the post and the skills and experience the current Clerk brings to the position.

With regard to the above, at its meeting on 13 July 2022 the Council considered the recommendation and agreed that the Clerk's salary be reviewed and set at LC1-SCP 17 effective from 1 April 2022 (Minute 8i refers).

13.8 At the meeting held on 8 March 2023 the Council reviewed the effectiveness and scope of Internal Audit, including the proposed terms of reference and the audit plan, and formally appointed the Internal Auditor for the year 2022/23 (Minute 9iif refers). Having reviewed internal audit in terms of independence, competence, proportionality and effectiveness, the Council complied with its duty under the 2015 Regulations and met the standards of audit provision. Similarly, by reviewing the terms of reference, the Council followed good practice in accordance with the Governance and Accountability Guide and recognised internal audit's function to test and report on the Council's internal control arrangements.

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

14.1 An External Audit was not required in the year 2021/22. At its meeting on 11 May 2022 the Council approved the completion of the Certificate of Exemption from a Limited Assurance Review for that year (Minute 9 viii refers). A copy of the Certificate has been published on the Council's website.

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 Clerk to the Council for her assistance during the course of the audit work. I would particularly like to commend the Clerk for the excellent presentation of the Council's documents for the audit.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

26 April 2023