

## **Report to Drayton Parish Council**

### **The End of Year Internal Audit Review 2021/22**

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

1.1 The Internal Auditor visited the Council offices on 3 May 2022 to complete the End-of-Year Internal Audit, which focussed upon an examination of the Accounts for the year 2021/22 and included a review of the adequacy of systems of internal control operating during the period January 2022 to March 2022. Mrs Sarah Hawken, the Council's Clerk and Responsible Financial Officer (RFO) and Mrs Anne Barnes (Locum Clerk) were in attendance during the audit.

1.2 This End-of-Year Review builds upon the Interim Internal Audit Review completed in January 2022 which examined the adequacy of the internal controls operating during the period April 2021 to December 2021.

1.3 The overall Internal Audit work undertaken in 2021/22 ensured that the Council was supported throughout the year in terms of receiving assurance upon the adequacy and efficiency of the key systems in place.

1.4 The Council faced significant administrative challenges during the 2021/22 year following an unprecedented number of changes in the position of Clerk and RFO. As to be expected, some administrative and other tasks were delayed during the first half of the year due to changes in key members of staff and the absence of the Finance Assistant. Mrs Barnes has provided support to the Council in the role of Locum Clerk, both in terms of acting as cover for the Finance Assistant (who has since retired from the Council) and providing tuition and support to Mrs Hawken, who took up her duties on 13 December 2021.

1.5 Mrs Barnes and Mrs Hawken are to be commended for the work they have undertaken for the Council since December 2021 in successfully undertaking the administration of the Council's financial affairs and providing appropriate financial management information to Councillors to enable them to make well-informed decisions.

1.6 As part of the Council's progression, Councillors are looking to build a framework for the future through its Committees and the Strategic Working Party which together aim to identify and to put forward medium-term Strategic Priorities and Action Plans to realise the Council's overall objectives.

1.7 The Council demonstrates effective management and financial control through the adoption and maintenance of a wide range of formal Policies, Procedures and Protocols. The Council is working within the Drayton Neighbourhood Plan for planning/development purposes with the Plan covering the years 2016 to 2026.

1.8 The Accounts for the year confirm the following:

*Total Income for the year:* £318,538.08 (Boxes 2 and 3 below)  
*Total Expenditure in the year:* £202,014.48 (Boxes 4 and 6 below)  
*Total Reserves at year-end:* £376,507.58 (of which £293,337.35 is earmarked)

1.9 The Annual Governance and Accountability Return (AGAR) to the External Auditors 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: £259,984</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £163,200</i>
<i>Total Other Receipts:</i>	<i>Box 3: £155,338</i>
<i>Staff Costs:</i>	<i>Box 4: £74,465</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £127,549</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £376,508</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £377,032</i>
<i>Total fixed assets:</i>	<i>Box 9: £752,298</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.10 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.

1.11 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan. The Interim Internal Audit Review undertaken in January 2022 supports and informs this End-of-Year Review, which overall is aimed to provide all necessary evidence to support the completion of the Annual Internal Audit Report within the 2021/22 AGAR.

1.12 The End-of-Year Accounts and supporting documentation were extremely well presented for the Internal Audit review. Comments and any recommendations arising from the End-of-Year 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 Council's overall governance arrangements were examined in detail during the Interim Internal Audit Review in January 2022. The Report had noted that the **Annual Parish Council meeting** took place on 6 May 2021. The **Membership for the Council's Committees** (the Governance Committee, the Staffing Committee, the Open Spaces & Property Committee and the Environment & Highways Committee) was approved by the Council at the meeting on 6 May 2021, when the appointment of Councillors to Working Parties and Representative Bodies was also agreed. The Committees' Terms of Reference were considered by the Governance Committee at its meeting on 17 March 2022.

2.2 The **Neighbourhood Plan** for Drayton was adopted in July 2016 with an intended lifespan to 2026. The Plan has 6 core objectives designed to address the issues identified as specific to Drayton including issues raised by the local community. The Council is using the Neighbourhood Plan as an overarching strategic planning document.

2.3 The Council has a **Strategic Working Group** in place (following an initial meeting on 24 June 2021) with the objective of setting out strategic objectives and priorities for achievement. Each Committee are to identify its priorities and report back to the Working Group. In this way a medium-term Strategic Plan can be constructed which can, in turn, inform detailed Action Plans to facilitate the meeting of agreed overall strategic objectives. The Council noted on 10 March 2022 that the main work of the Working Group was complete with individual Committees taking on the responsibility for moving the issues forward. The Group is due to meet again in September 2022 to review the updated actions listed on a Spreadsheet.

2.4 The Council has **Standing Orders** in place. At its meeting on 8 April 2021 the Council adopted the Standing Orders, which are in accordance with the latest Model Standing Orders issued by the National Association of Local Councils (NALC), tailored to meet the particular requirements of the Council. A copy has been published on the Council's website.

2.5 **Financial Regulations** are also in place. At its meeting on 3 February 2022 the Council approved updates to the Financial Regulations. A copy of the earlier Financial Regulations (approved in March 2021) is still displayed on the Council's website and requires updating.

2.6 The key position of **Clerk and Responsible Financial Officer (RFO)** has been subject to frequent change since 1 April 2021 and the Interim Internal Audit dated 16 January 2022 outlined the significant staffing changes within the Council during the year. Mrs Barnes has undertaken the role of Locum Clerk from 1 September 2021 and Mrs Sarah Hawken took up her role as Clerk/RFO from 13 December 2021 and the Council has agreed that Mrs Barnes should continue in her role at least until June 2022 to support the new Clerk/RFO.

2.7 At its meeting on 16 May 2019 the Council formally resolved to adopt the **General Power of Competence (GPOC)** until the next relevant Annual Meeting of the Council. The Council declared that it was an eligible Council to use GPOC, as it met the criteria of at least two-thirds elected Councillors and has a suitably qualified Clerk who has completed the relevant training and holds the Certificate in Local Council Administration. (Where the conditions cease to be met at any time, the Council can continue to be eligible until the next relevant annual meeting, normally following the election of the Council).

2.8 The **Minutes of the Council and the Committees** have been well presented during 2021/22 and provide evidence of the decisions taken by the Council and its Committees.

2.9 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 Z9181224 refers, expiring 14 November 2022).

2.10 To demonstrate compliance with the **General Data Protection Regulations** (GDPR) the Council has adopted and maintains a Data Protection Policy, a Document Retention Policy and Privacy Notices, all of which are published on the Council's website. Similarly, in response to the requirements of Freedom of Information legislation, a Publication Scheme is in place and was reviewed and adopted by the Council at its meeting on 6 May 2021.

2.11 The Council demonstrates good practice by maintaining a wide range of formal **Policies, Procedures and Protocols** in addition to those relating to data protection and these include the Tree Management and Risk Policy, Virtual Meeting Policy, Grants and Donations Policy and CCTV Policy and Media Policy (the latter two having been reviewed and approved by the Governance Committee on 16 December 2021 and adopted by Full Council on 6 January 2022.). The updated Grants Policy was received and approved by the Council at its meeting on 3 February 2022.

2.12 The Council has also adopted appropriate **Staffing Policies** including a Pension Policy, the Unplanned or Long-Term Absence Policy, a Return-to-Work Policy, a Grievance Policy and a Disciplinary Policy. A Sickness Absence Policy and a Staff Recruitment Policy were considered and approved by the Governance Committee on 17 March 2022.

2.13 The **Code of Conduct for Councillors** was considered and adopted by the Council at its meeting on 6 May 2021. A copy of the Code has been published on the Council's website.

2.14 A **Website Accessibility Statement** has been published on the Council's website to assist meeting the website accessibility regulations.

### **3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting*).**

3.1 The Council's Accounts are maintained on the **Scribe Accounting System**. Scribe is a cloud-based operating system, accessed by personal log-in and password, and can be accessed through any internet platform and connection. The Scribe Accounting System is providing appropriate and sufficiently detailed information to Councillors to enable them to make informed decisions.

3.2 The Interim Internal Audit in January 2022 confirmed that the accounting system was up to date as at 31 December 2021. The End of Year Accounts as at 31 March 2022 have been prepared on an Income and Expenditure basis. During the course of the 2021/22 year the Scribe system has operated on a Receipts and Payments basis and then applies Income and Expenditure accounting at the Year-End when the entry of Debtors, Creditors, Accruals and any Payments in Advance are brought into account.

3.3 The Scribe Accounting System is well referenced and overall provides a good audit trail to the supporting documentation. The Payments system was tested during the Interim Internal Audit in January 2022 by means of examination of a wide-ranging sample of transactions covering payments made in the period April 2021 to December 2021. This End of Year Internal Audit tested a sample of transactions in the period January 2022 to March 2022 and verified the clear audit trail from the underlying financial records to the Accounts, with supporting invoices and vouchers in place. VAT payments are tracked and identified within the system.

3.4 Mrs Anne Barnes (Locum Clerk) and Mrs Sarah Hawken (Clerk/RFO) are the current system administrators to the Scribe system and have principal access to all functions.

3.5 Mrs Hawken has received on the job training and tuition from Mrs Barnes on all aspects of the work of the Parish Council and local government finance and administration in general. Both Mrs Hawken and Mrs Barnes have received on-line training from Scribe to assist their knowledge of the system.

3.6 The Scribe operating system is effective in facilitating digital VAT returns to HMRC. Sample tests were undertaken by the Internal Auditor to ensure that the VAT element within payments is being clearly identified and appropriately accounted for within the Scribe system.

3.7 **VAT Returns** were submitted to HMRC as follows:

- a) £3,662.36 reclaim to HMRC for the period 1 March 2021 to 31 May 2021 (received at bank on 28 June 2021).
- b) £2,211.11 reclaim to HMRC for the period 1 June 2021 to 31 August 2021 (received at bank on 4 October 2021).
- c) £8,623.66 reclaim to HMRC for the period 1 September 2021 to 30 November 2021 (received at bank on 23 January 2022).
- d) £5,143.37 reclaim to HMRC for the period 1 December 2021 to 28 February 2022 was received at bank on 8 March 2022.
- e) The VAT Net Closing Balance of £1,182.73 is recorded in the Scribe accounting system as reclaimable as at 31 March 2022 and is shown as a Debtor in the Balance Sheet at that date.

3.8 Reclaims to HMRC have not previously been made on the Quarterly dates of 31 March, 30 June, 30 September and 31 December. The Clerk/RFO and the Locum Clerk plan to submit claims on dates that accord with the standard accounting Quarter-end dates (with the next claim being as at 30 June 2022) to assist in the processes under the Council's Income and Expenditure Accounting at the year-end.

**4. 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).**

4.1 The End-of-Year Accounts for the year 2021/22 were prepared on an Income and Expenditure basis from the Scribe accounting system. Test checks were made on the documents presented to the Internal Auditor. Supporting information was being held

within the Scribe system to evidence the entries. Sample audit trails were examined and were found to be in order.

4.2 An Income and Expenditure accounting system requires a Balance Sheet and Lists of Year-End Creditors and Debtors to be constructed and these were examined by the Internal Auditor. The Creditors totalled £1,707.29 and were correctly itemised and listed in the reconciliation between Box 7 and Box 8 in Section 2 of the AGAR. The Debtors consisted of the £1,182.73 VAT recoverable from HMRC as at 31 March 2022.

4.3 A Statement of Variances (explaining significant differences in income and expenditure between the years 2020/21 and 2021/22) has been produced from the Scribe accounting system with reasons for significant variances notated where appropriate. The Statement supports the submission of Section 2 (the Statement of Accounts) in the AGAR to the External Auditors and has to be published on the Council's website,

4.4 The Community Infrastructure Levy (CIL) Annual Report for the year ended 31 March 2022 shows £0 brought forward at the end of previous year (31 March 2021), CIL receipts of £151,719.31 and CIL payments of £30,956.16 in the year. The balance of £120,763.15 is displayed as retained as at 31 March 2022. The Annual Report has to be published on the Council's website and has to be submitted to the District Council no later than 31 December 2022. The CIL Officer at Broadland DC confirmed in an email dated 21 April 2021 that the CIL payment to the Parish Council was adjusted to take account of the CIL Facilities loan to the Parish Council which has now been repaid in full.

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

5.1 **Bank Reconciliations** and supporting details are regularly presented to meetings of the Council by the Clerk/RFO and formally noted by the Council.

5.2 The Internal Auditor examined in detail the Bank Reconciliation as at 31 March 2022. The Scribe accounting system displayed bank statements as at 31 March 2022 and these were confirmed as follows:

- a) Unity Current Account (£10,688.26). The on-line Bank statement was confirmed by the Internal Auditor.
- b) Unity Instant Access (Deposit) Account (£109,819.10) The on-line Bank statement was confirmed by the Internal Auditor.
- c) Cambridge Building Society (£85,029.67). A copy of the passbook page displaying the balance as at 31 March 2022 was presented to the Internal Auditor in confirmation.
- d) Broadland District Council (BDC) Investment Statement (£86,486.77). BDC had provided an investment statement and confirmed the balance as at 31 March 2022 on headed notepaper.
- e) Nationwide Instant Access Account (£85,008.34). The Statement as at 31 March 2022 from the Nationwide Building Society was confirmed by the Internal Auditor.

5.3 The Council is demonstrating good financial practice by spreading its financial risks in order to secure protection under the Financial Services Compensation Scheme (FSCS) as a smaller local council.

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

Precept 2021/22: £163,200.00

Precept 2022/23: £186,990.00

6.1 The Precept decisions and amounts were agreed in Full Council and have been clearly Minuted.

6.2 A **Draft Budget for 2021/22** was presented to the Governance Committee at its meeting on 10 December 2020. The Committee resolved to accept the budgets presented and to recommend to Full Council that the precept for 2021/22 should be set at £163,200. Full Council considered the recommendations regarding budget and precept requirement at its meeting on 18 January 2021 and agreed that the Precept should stand at £163,200 for 2021/22 (Minute 3 refers).

6.3 Similarly, a **Draft Budget for the year 2022/23** was considered by the Council, displayed under each Committee, at its meeting on 16 November 2021. The final Budget and precept for 2022/23 was considered and agreed by the Full Council on 6 January 2022 (Minute 10c refers). The Budget for 2022/23 is both detailed and informative and can act as a sound basis on which the Council can operate effective budgetary control and scrutiny during the 2022/23 year.

6.4 The Interim Internal Audit in January 2022 highlighted the importance of the Governance Committee and Council receiving regular reports of the income and expenditure in the year compared against the budget. In this way, Councillors have the opportunity to receive sufficient information and data to make informed decisions and, specifically, will be in a position to identify any significant variations from budget and recommend any remedial action to the Council as necessary. The Internal Auditor noted that due to staff changes these reports were not presented to Council at each meeting in the first half of the 2021/22 year but were provided to the Council from 6 January 2022 as part of the report relating to the Budget for 2022/23.

6.5 A Reserves Policy was considered and agreed by the Governance Committee on 17 June 2021. Under the item of Management and Control of Reserves, the Policy provides that the level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Council. The level of General Reserves to be held by the Council is set to be equal to between three and six months of predicted expenditure and Earmarked Reserves shall be reviewed on an individual basis. The Reserves Policy was considered and approved by the Council at its meeting on 3 February 2022.

6.6 The Overall Reserves available to the Council as at 31 March 2022 are recorded as £376,507.58. The Scribe Accounts recorded Earmarked Reserves as £293,337.35 as follows:

Community Infrastructure Levy:	£120,763.15
Village Hall Kitchen:	£3,000.00
3G Surface Replacement:	£24,000.00
KGV Access Posts:	£3,403.00
KGV Enhancements:	£21,700.00
KGV Rebuild:	£4,000.00
LED Floodlights:	£5,500.00
LD Refurbish Car Park:	£9,950.00
New Play Equipment:	£61,837.00
Safety Surfacing Longdale:	£440.20
Staffing Contingency:	£7,804.00
Election Reserve:	£2,500.00
Play Area Repairs:	£3,000.00
Buildings Maintenance Contingency:	£20,000.00
Tree Maintenance:	£5,440.00

6.7 The General Reserves (Overall Reserves less Earmarked Reserves) of £83,170.23 are in line with the Council's Reserves Policy and in accordance with 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).

6.8 As at 31 March 2022 the Council held sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

**7. 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. Identifying VAT payments and re-claims. Any previous audit recommendations implemented).**

7.1 Satisfactory documentation is being held within the Council to evidence the operation of adequate and effective internal financial controls. The financial control systems in place, including the read-only access to the Scribe accounting system used by the Chairman and Councillors, assists in maintaining adequate and effective internal financial control. The Clerk/RFO and the Locum Clerk are delivering efficient financial administration on behalf of the Council.

7.2 Councillors are currently being provided with financial information and advice to enable them to make informed decisions. The Council has a standing agenda item under which the Clerk/RFO presents Financial Matters including Bank Reconciliations and the Approval of Accounts.

7.3 The Minutes of Council meetings confirm that the Council receives and approves a **List of Payments and Receipts**. These are currently included in the published Minutes of the Council's meetings. The publication of the Lists evidence the Payments reported to and ratified by the Council and the Receipts reported to and noted by the Council. The publication of the financial information also demonstrates good practice in meeting the requirements of the Local Government Transparency

Code 2015 which provides that a local council which has gross annual income or expenditure (whichever is the higher) exceeding £200,000 must publish details of each individual item of expenditure that exceeds £500 other than detailed salary payments.

7.4 During the year 2021/22 a nominated Councillor has undertaken **Quarterly Internal Control checks**, a particularly important duty bearing in mind the staff changes and absence of key staff in the year. At its meeting on 5 August 2021 the Council noted that a Quarterly review had been undertaken. Similarly, the Governance Committee noted on 16 December 2021 that a Quarterly Internal Control Check had been completed by the nominated Councillor, who had put forward recommendations for action. The reviews can assist and inform the Council in its completion of the Annual Governance Statement at the year-end 31 March 2022.

7.5 There is a clear audit trail from the underlying financial records to the Accounts, with supporting documentation in place. The current arrangement in place provides that the Locum Clerk and the Clerk/RFO receive the invoice and any associated paperwork, enter the data onto the Scribe Accounting System and construct a Payments Awaiting Authorisation List, suitably notated for ease of reference. This List is submitted electronically to four authorised Councillor Signatories, any two of whom can complete the payment authorisation process through online Unity Banking. The careful review and confirmation/approval by the Councillor Signatories at this stage in the process is an important final element in protecting the Council's position in terms of control over payments. Most payments are now made on-line and very few cheques are now being prepared for payment.

7.6 Arrangements are in place for the Councillor Signatories to attend the Parish Council Office to examine/check the associated paperwork/invoices against the Payments Awaiting Authorisation List prior to authorising payment.

7.7 The Council appointed the **Internal Auditor for the 2021/22** year at its meeting on 5 August 2021. The Internal Auditor was directed to undertake two internal audit reviews in the financial year, an Interim Audit Review during the year and an End-of-Year Internal Audit Review following the completion of the accounts for the year.

7.8 The **Interim Internal Audit Report for 2021/22** was received by the Governance Committee on 17 March 2022. The progress being achieved in meeting the 10 recommendations put forward in the Report is outlined at **Appendix A** at the end of this Audit Report.

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

8.1 The Council's Payroll Services are operated in-house using HMRC's PAYE software platform. At its meeting on 16 December 2021 the Governance Committee considered the provision of Payroll Services and decided not to outsource the service.

8.2 All necessary calculations for Salary, Wages, PAYE, NI contributions and pension contributions are undertaken using the HMRC on-line Real Time Information system. An electronic copy of payslips and details of payments to be made is produced (displaying net salary/wage payments and the amounts due to HMRC) from which the Payments List (the Unity On-line Pending Transaction List) is prepared for authorisation by the Councillor Signatories. Electronic payments to staff are then made, in accordance with the approved procedure for accounts payable. The payments to staff by bank transfer are ratified at each meeting of the Council.

8.3 Mrs Catherine Moore undertook the role of Clerk/RFO from 3 August 2021 (at 10 hours per week) until 10 December 2021 during which she was supported by Mrs Anne Barnes (from 1 September 2021, also at 10 hours per week) in the role of Locum Clerk.

8.4 Mrs Sarah Hawken was appointed as Clerk/RFO with effect from 13 December 2021. The Locum Clerk, Mrs Anne Barnes, is continuing in her role to provide support and tuition to Mrs Hawken.

8.5 The Contracts of Employment for each of the above officers were examined by the Internal Auditor at the Interim Audit in January 2022. The Contract for the Clerk/RFO, Mrs Hawken confirms a salary at NJC SCP 30-35, starting at NJC SCP 30 for 32 hours per week pro-rata. The Clerk/RFO is required to undertake the CILCA examination and the Council will cover the cost of this examination unless the Clerk/RFO leaves the position during the course or within 12 months of completing the CILCA, in which case the Council's costs shall be refunded. There is a Probation Period of 6 months together with a pension scheme with Norfolk Pension Fund (LGPS).

8.6 A Contract of Employment is also in place for the Maintenance Operative. P60 End of Year Certificates for the Clerk/RFO, the Locum Clerk and the Maintenance Operative were made available to the Internal Auditor. The P45 for the Finance Assistant, Mr Kenneth Owen, whose employment ended on 31 March 2022, was also examined by the Internal Auditor.

8.7 The Internal Auditor undertook test checks on a sample of salary payments made and the items checked within the sample were found to be in order. The back pay due to staff under the national local government officers pay award 2021/22 has been applied to former employees where appropriate.

8.8 In terms of the requirements under the Workplace Pensions legislation, the Clerk/RFO confirmed that the necessary re-Declaration to the Pensions Regulator was completed on 31 March 2022. (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).

8.9 The Council currently retains the services of Personnel and Advice Solutions Ltd for support on Human Resource matters at a payment of £120 per month which includes (inter alia) construction and updating of employment contracts, staff handbooks and all necessary employment related documents and written procedures.

**9. Use of Credit Cards and Petty Cash (*Associated books and formally agreed systems in place*).**

9.1 A Unity Trust Bank Commercial Multipay Credit Card is in use. The credit limit for the Card stands at £3,000, as agreed by the Governance Committee on 7 May 2020. Settlement of the outstanding amount is made in full by monthly direct debit.

9.2 Two cards were used in 2021/22, one held by the Clerk/RFO (with two authorised users, the Clerk/RFO and the Locum Clerk) and the other is held by the Maintenance Operative. Both cards are under the overall control of the Clerk/RFO and are managed online within one account. No one item shall exceed £1,000 without the prior permission of the Clerk/RFO.

9.3 The Interim Internal Audit Report in January 2022 noted that Financial Regulations item 6.17 made reference to the use of the Credit Card at but did not reflect the current arrangements in place for the operation of the Credit Card with regard to limits being applied to the use of the card. The Report had recommended that written instructions for the operation of the credit card should be constructed, approved by the Council and issued to the relevant staff in order to protect both the interests of the Council and the staff members using the cards.

9.4 At its meeting on 3 February 2022 the Council received and approved the Credit Card Policy and the updated Credit Card Agreement for Employees (Minutes 10g and 10h refer). A copy of the Agreement was made available to the Internal Auditor and had been signed by the Clerk/RFO on 1 April 2022.

9.5 Credit card transactions are examined on a sample basis by the Councillor undertaking the Quarterly examination of internal controls to verify that transactions are in accordance with the instructions given to staff and are supported in each case by an invoice/voucher.

9.6 It was noted that Lloyds Bank continues to record the corporate card transaction lists under the name of a previous Clerk/RFO, Mr Jonathan Hall, and the Clerk/RFO and Locum Clerk are currently in contact with the bank to address this issue.

9.7 The Council does not operate a Petty Cash Account.

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

10.1 The Receipts system is operated within the Scribe Accounting System. There is a clear audit trail from the income recorded in the accounting system to bank account statements.

10.2 A sample of transactions in the period 1 January 2022 to 31 March 2022 was examined during this End of Year Audit to confirm that adequate records and documentary evidence in the Scribe accounting system are being retained to support the income received.

10.3 The Minutes of Council meetings confirm that the Council receives and approves a List of Receipts. These are currently included in the published Minutes of the Council's meetings. The publication of the Lists evidence the Receipts reported to and noted by the Council. The Internal Auditor confirmed that a Receipts List for the period 1 April 2021 to 31 December 2021 was included as an attachment to the published Minutes of the Council's meeting on 6 January 2022. The updated Lists were similarly included in the Minutes of the Council's meetings on 3 February 2022 and 10 March 2022.

10.4 The Council's routine sources of income (other than the Precept, CIL monies, VAT recovery from HMRC and Grass Cutting contributions from Norfolk CC) relate to income from leases with the Bowls Club and Absolute Sport and Leisure, the occasional Pavilion lettings, football and cricket pitch hire fees, donations and bank interest.

10.5 The Council regularly reviews and agrees the charges applied to Absolute Sport and Leisure, the football teams and the Cricket and Bowls Clubs. At its meeting on 15 July 2021, the Open Spaces and Property Committee resolved to increase the booking fees at King George V and Longdale Playing Fields for the 2021/22 season by 5%.

10.6 The Council continues to encourage debtors to pay directly into the Council's bank account in order to reduce the administration and costs associated with the handling of cheques and cash.

10.7 The List of Outstanding Sales (Debtors) as at 31 March 2022 from the Scribe system revealed that there were no debts outstanding to the Council. The only sums recorded as due for recovery as at the year-end were the VAT payments from HMRC which can be included in the next VAT reclaim.

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

11.1 An **Internal Control Document** is in place and was reviewed and agreed by the Governance Committee on 17 June 2021. The document is comprehensive and lists the Internal Controls, the risks identified, the current procedure, any potential for improvements and any action required to be taken. The Internal Control document was updated by the Council at its meeting on 3 February 2022 (Minute 10f refers).

11.2 Similarly, a **Financial Risk Assessment** document is in place, also having been reviewed and agreed by the Committee on 17 June 2021. The document is comprehensive and itemises the risks identified, a risk status of high, medium or low and the action being taken to manage and mitigate the risks. The Council received and approved the updates to the Financial Risks Assessment at the meeting on 3 February 2022 (Minute 10e refers).

11.3 At its meeting on 16 December 2021 the Governance Committee considered and approved a comprehensive document which outlined the Internal Control Environment and the Key Elements of the conducting the annual review of the

effectiveness of the system of Internal Control and Internal Audit. At its meeting on 3 February 2022 the Full Council subsequently received and approved the Annual Statement of Internal Control and the Review of the Effectiveness of Internal Audit (Minute 10l refers).

11.4 The Council received at its meeting on 10 March 2022 the findings of the Councillor Review of Internal Controls and noted that no further action was recommended (Minute 10c refers). The Checklists completed by the Councillor were presented to the Internal Auditor.

11.5 The Council accordingly complied with the Accounts and Audit Regulations 2015 (Section 4) 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.

11.6 As part of meeting its risk management responsibilities for the play equipment, on 15 July 2021 the Open Spaces Committee noted that the Annual RoSPA Playground Inspections had taken place at the at Florence Carter, Longdale and King George V children's play areas. The Report was considered and no further action required. The Committee noted that the Maintenance Operative was attending to all necessary minor items.

11.7 In June 2018 the Council entered into a five-year long-term agreement with Zurich Municipal Insurance for insurance cover. On 18 May 2021 the Parish Council insurance was renewed at a cost of £3,064.69 for the 2021/22 year.

11.8 The insurance cover held with Zurich Municipal covers the period 1 June 2021 to 31 May 2022 and includes Employer's Liability cover of £10m and Public Liability cover of £15m.

11.9 The Fidelity Guarantee (Employee and Councillor Dishonesty) cover currently stands at £500,000. The Council increased the cover from £250,000 in accordance with the recommendation in a previous Internal Audit Report. The cover meets the recommended guidelines for the level of Fidelity Guarantee which are that cover should be the total of year-end balances plus 50% of the precept/grants received (viz. that the insurance is adequate to cover the maximum level of cash resources held by the Council at any one time).

**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 has been integrated into the Scribe accounting system. The Asset Register records the value of assets at purchase cost or at a suitable proxy value where the purchase cost is not known. Community Assets are valued at a nominal value of £1.

12.2 The Governance Committee resolved at its meeting on 29 April 2021 that items valued at under £100 should be removed from the Asset Register unless the assets had been given a nominal £1.00 value. The Committee also asked the Clerk/RFO in

post at that time to review and amend the Asset Register and Insurance Schedule to ensure that both were accurate and up to date.

12.3 Since the Interim Internal Audit Report in January 2022 the Asset Register has been updated. As at 31 March 2022 the Register displayed the value of assets as £752,298, a net increase of £30,798 over the value of £721,500 as at 31 March 2021 and reflects the acquisitions of CCTV, 2 picnic benches and safety surfacing in the year 2021/22.

12.4 The Register was examined by the Internal Auditor to confirm that it complies with current requirements (which provide that each asset should be recorded on a consistent basis, year-on-year) and in order that appropriate certification can be made in the Annual Internal Audit Report within the AGAR for the year 2021/22.

12.5 The value of the assets as at 31 March 2022 has been correctly recorded in Box 9 of the AGAR 2021/22.

12.6 At its meeting on 6 January 2022 the Council noted that Broadland District Council (BDC) had confirmed the handover of streetlighting to the Parish Council with a projected date of 1 April 2022. A minimum sum of £49,157.04 would be awarded to assist in covering the associated costs including pending maintenance and upgrades (Minute 9a refers). At the time of this audit report further repairs have to be completed by the District Council before the Parish Council accepts the handover.

12.7 As part of the development of the governance functions relating to Asset Management, at its meeting on 4 June 2020 the Council agreed that the then Clerk/RFO should investigate the **Registration of Parish Council owned land**. The Council noted at its meeting on 6 August 2020 that Spire Solicitors LLP hold two conveyances and the Clerk/RFO in post at that time intended to apply for first registration of both areas and commence investigations to facilitate the registration of Florence Carter Memorial Park and Longdale. The Clerk/RFO reported to Council on this matter on 6 January 2022 and advised that the Land Registration was still to be completed. The matter remains in progress at the time of this audit report.

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

13.1 The External Audit Report and Certificate for the year 2020/21 was completed by PKF Littlejohn LLP on 7 September 2021. The Auditors drew attention to the issue that the authority did not have a review by Full Council of its system of internal control including the arrangements for the management of risk within the financial year 2020/21 and accordingly did not comply with the Accounts and Audit Regulations 2015. The External Auditors noted that the Council had set out steps to address this weakness.

### **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.

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).

14.2 At its meeting on 3 June 2021 the Council noted the dates of the Period for the Exercise of Public Rights (14 June 2021 to 23 July 2021).

14.3 The Internal Auditor confirmed that the required documents were readily accessible on the Council's webpage:

<https://www.draytonpc.info/finances>

## **15. Additional Comments.**

15.1 I would like to record my appreciation to Mrs Anne Barnes (Locum Clerk) and Mrs Sarah Hawken (Clerk/RFO) for their assistance and support during the course of this Internal Audit Review work undertaken during 2021/22.

15.2 I would particularly like to commend the Locum Clerk and the Clerk/RFO for the excellent presentation of the Council's documents for the audit.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**3 May 2022**

## Appendix A

### Update on actions taken following the recommendations in the Interim Internal Audit Report dated 16 January 2022

The Interim Internal Audit Report 2021/22 was considered and approved by the Governance Committee on 17 March 2022. The Committee received an update on the 10 recommendations that had been put forward, as follows:

***R1:** The National Association of Local Councils (NALC) has 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 Council's Financial Regulations should be updated with the appropriate amendment to item 11.1 (c) to accord with the Model Regulations and the Council's previously updated Standing Orders.*

***Progress:** The Clerk/RFO reported to Committee on 17 March 2022 that this action had been completed.*

***R2:** All staff who are responsible for undertaking essential tasks within the Scribe Accounting System should be provided with all necessary support and appropriate formal training in the operation of the Scribe System in order to ensure that there is adequate knowledge and expertise in all aspects of the accounting system being used by the Council. This is particularly important over the next two months leading into the completion of the 2021/22 Accounts.*

***Progress:** The Clerk/RFO reported to Committee on 17 March 2022 that the Scribe training had been undertaken.*

***R3:** The Council is recommended to support the Locum Clerk in ensuring that the VAT reclaims to HMRC are made on a Quarterly basis and as at the dates of 31 March, 30 June, 30 September and 31 December each year.*

***Progress:** The Clerk/RFO reported to Committee on 17 March 2022 that VAT will be reclaimed from HMRC on a Quarterly basis.*

***R4: (a)** The documentation currently held by the Council to confirm the balance of the investment with Broadland District Council is considered inadequate evidence. The Council should request that a formal statement or confirmatory letter is received from the Broadland District Council.*

***Progress:** The Clerk/RFO reported to Committee on 17 March 2022 that this action had been completed.*

**R4: (b)** *The Cambridge Building Society passbook should either be updated or a formal statement obtained from the Building Society at the year-end 31 March 2022 to confirm/evidence the balance of the investment for End-of-Year Accounting and Audit purposes.*

**Progress:** *The Clerk/RFO reported to Committee on 17 March 2022 that the Building Society details had been updated.*

**R5:** *The Council should confirm its agreement to the Reserves Policy put forward by the Governance Committee and formally adopt the Policy which sets out how the Council will determine and review the level of reserves.*

**Progress:** *This was addressed by the Council at its meeting on 3 February 2022, when the Reserves Policy was approved.*

**R6:** *The Locum Clerk advised the Internal Auditor that the arrangements regarding the scanning of associated paperwork/invoices can be extremely time consuming and can take a disproportionate amount of staff time. Accordingly, once any remaining national or local restrictions in the use of workplaces are lifted, the Council may wish to consider reverting back to the arrangement of Councillor Signatories attending the Parish Council Office to examine/check the associated paperwork/invoices against the Payments Awaiting Authorisation List prior to authorising payment.*

**Progress:** *The Clerk/RFO reported to Committee on 17 March 2022 that this recommendation had been addressed.*

**R7:** *Written instructions for the operation of the credit card should be constructed, approved by the Council and issued to the relevant staff in order to protect both the interests of the Council and the staff members using the cards.*

**Progress:** *This was addressed by the Council at its meeting on 3 February 2022 when the Council approved the Credit Card Policy and the updated Credit Card Agreement for Employees.*

**R8:** *The List of Outstanding Sales (Debtors) displayed in the Scribe system should be examined to determine whether appropriate follow up action has been taken with the debtors concerned or whether the debts should now be written off as unrecoverable.*

**Progress:** *The Clerk/RFO reported to Committee on 17 March 2022 that the Outstanding Debtors List had been reviewed and updated.*

**R9:** *The Council should formally review (before the end of March 2022) the Internal Control and Risk Management documentation agreed by the Governance Committee*

*with a suitable Minute taken to evidence the review. This will ensure compliance with Section 4 of the Accounts and Audit Regulations 2015.*

**Progress: This was addressed by the Council at its meeting on 3 February 2022 when the Council reviewed the Internal Control documentation. The Clerk/RFO reported to Committee on 17 March 2022 that the action had been completed.**

**R10: (a)** *The Asset Register needs to be updated as soon as practicably possible to ensure that all acquisitions in the 2021/22 year of account have been included.*

**R10 (b)** *The Asset Register should be reviewed by the Council prior to 31 March 2022 to verify the new entries and disposals listed in the Register and compare with Insurance Schedules in order to ensure that all assets, including new acquisitions, have adequate and appropriate insurance cover.*

**Progress: The Clerk/RFO reported to Committee on 17 March 2022 that the Asset Register for 2021/22 had been reviewed and updated.**