

## **Report to Drayton Parish Council**

### **The End of Year Internal Audit Review 2022/23**

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

1.1 The Internal Auditor visited the Council offices on 3 May 2023 to complete the End-of-Year Internal Audit, which focussed upon an examination of the Accounts for the year 2022/23 and included a review of the adequacy of systems of internal control operating during the period October 2022 to March 2023. Mrs Sarah Hawken (Clerk to the Council) and Miss Amy Gallant (Assistant Clerk and Responsible Financial Officer (RFO)) were in attendance during the audit.

1.2 This End-of-Year Review builds upon the Interim Internal Audit Review completed in October 2022 which examined the adequacy of the internal controls operating during the period April 2022 to September 2022. The overall audit work undertaken in the year aimed to provide all necessary evidence to support the completion of the Annual Internal Audit Report within the 2022/23 AGAR.

1.3 Shortly after the completion of the Interim Internal Audit Report, Miss Gallant took up her duties as RFO (from 21 November 2022). The audit work confirmed that Mrs Hawken and Miss Gallant are providing a high standard of support to the Council and are satisfactorily undertaking the administration of the Council's financial affairs, including the provision of appropriate financial management information to Councillors to enable them to make well-informed decisions.

1.4 In terms of strategic planning and development, the Council is working within the Drayton Neighbourhood Plan, which covers the period up to 2026. The Council is looking to build a framework for the future through a Strategic Working Group which, alongside the Council's Committees, is due to identify and put forward medium-term Strategic Priorities and Action Plans to realise the Council's overall objectives.

1.5 Effective management and financial control are demonstrated through the adoption and maintenance of a wide range of formal Policies, Procedures and Protocols.

1.6 The Council continues to make progress with the King George V Playing Field Pavilion project. The Feasibility Study was approved by the Council on 12 January 2023, when the S106 and Community Infrastructure Levy (CIL) payment options to fund the new Play Area on the Playing Field were considered and approved. The Council are due to receive a revised quotation and specification for the play area at the meeting on 3 May 2023 and the official opening is due to take place at the King's Coronation Event.

1.7 The Accounts for the year confirm the following:

*Total Income for the year: £549,283.55 (Boxes 2 and 3 below)*  
*Total Expenditure in the year: £309,396.56 (Boxes 4 and 6 below)*  
*Total Reserves at year-end: £616,394.57 (of which £504,757.21 is earmarked/  
restricted)*

1.8 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined and the following figures agreed with the Assistant Clerk/RFO for inclusion in Section 2 Accounting Statements 2022/23 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2022):</i>	<i>Box 1: £376,508</i>
<i>Annual Precept 2022/23:</i>	<i>Box 2: £186,990</i>
<i>Total Other Receipts:</i>	<i>Box 3: £362,294</i>
<i>Staff Costs:</i>	<i>Box 4: £73,932</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £235,465</i>
<i>Balances carried forward (31 March 2023):</i>	<i>Box 7: £616,395</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £703,613</i>
<i>Total fixed assets:</i>	<i>Box 9: £1,055,507</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.9 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.

1.10 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 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 October 2022. The Report had noted that the **Annual Parish Council meeting** took place on 5 May 2022. 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 5 May 2022, when the appointment of Councillors to Working Parties and Representative Bodies was also agreed.

2.2 The **Terms of Reference (ToR) for the Committees** were approved by the Council at its meeting on 14 July 2022.

2.3 The Council has a **Neighbourhood Plan** for Drayton in place. The Plan was adopted in July 2016 with an intended lifespan to 2026 and is being used as an overarching strategic planning document.

2.4 On 1 August 2022 the Council took over the ownership of **Streetlights** in the Parish from Broadland District Council. At the meeting on 10 November 2022 the Council confirmed it was in full ownership, that a contract was in place with NPower for the unmetered supply of energy and LED upgrades had been completed.

2.5 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 were charged 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 Working Group met on 20 February 2023 and is currently working with the Clerk to review updated actions and to move the issues forward.

2.6 The position of **Clerk and Responsible Financial Officer (RFO)** was held by Mrs Sarah Hawken from 13 December 2021 to 21 November 2022, when Miss Amy Gallant took up her duties as Assistant Clerk and RFO.

2.7 At the time of the Interim Internal Audit Report in October 2022, Mrs Hawken was being assisted by the Locum Assistant Clerk, Mrs Anne Barnes. The Interim Report had recommended that in view of the RFO responsibilities being removed from the Clerk to the Assistant Clerk, the relevant Financial Regulations, Standing Orders and formal Policies, Procedures and Protocols should be reviewed and updated to ensure that they accurately reflect the changed responsibilities in place and respective roles of the Clerk and Assistant Clerk/RFO. **Appendix A at the end of this report reviews the progress achieved regarding all the recommendations put forward in that report.**

2.8 A **Scheme of Delegation and Organisational Chart** was adopted by the Council at its meeting on 6 April 2023.

2.9 The Council has **Standing Orders** in place. At its meeting on 6 April 2023 the Council approved updated Standing Orders, which are in accordance with the latest Model Standing Orders and guidance 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.

2.10 **Financial Regulations** are also in place. At its meeting on 6 April 2023 the Council approved updates to the Financial Regulations. A copy has been published on the Council's website.

2.11 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 (at that time) had a suitably qualified Clerk who had completed the relevant training and held 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 full Council. The GPoC will cease to take effect from May 2023 if the qualifying conditions cannot be met.

2.12 The **Minutes of the Council and the Committees** have been well presented during 2022/23 and provide clear evidence of the decisions taken by the Council and its Committees.

2.13 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 2023).

2.14 To demonstrate compliance with the **General Data Protection Regulations (GDPR)** the Council has adopted and maintains a Data Protection Policy (reviewed and approved on 12 January 2023), a Document Retention Policy and Privacy Notices, CCTV Policy and Media Policy, all of which are published on the Council's website. Similarly, a Publication Scheme is in place in response to the requirements of Freedom of Information legislation.

2.15 In addition to the policies relating to data protection, the Council demonstrates good practice by maintaining a wide range of other formal **Policies, Procedures and Protocols** and these include the Grants Policy (reviewed and approved on 12 January 2023), a Tree Management and Hazard Risk Policy, Virtual Meeting Policy, Grants Policy, Credit Card Policy, Equality Policy, Safeguarding Policy and a General Reserve Policy.

2.16 The Council has also adopted appropriate **Staffing Policies** including a Pension Policy (reviewed and adopted by Governance Committee on 27 October 2022), a Long-Term Absence Policy, Grievance Policy, Disciplinary Policy and Lone Workers Policy, Sickness Absence Policy and a Staff Recruitment Policy. A revised Staff Appraisal Policy was reviewed and agreed by the Staffing Committee on 26 January 2023 and approved by Full Council on 9 February 2023.

2.17 The Clerk maintains a list of its Key Documents and Policies (copy published on the website) which identifies each document/policy, the legal basis under which it is held, the adoption date and the time when a review is scheduled.

2.18 At its meeting on 9 February 2023 the Council resolved to adopt the Model **Councillor Code of Conduct** as produced by the Local Government Association (LGA) and recommended by Broadland District Council, 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.

2.19 A **Website Accessibility Statement** has been published on the Council's website to assist compliance with the website accessibility regulations.

2.20 The National Association of Local Councils has recently recommended local councils to consider registering under an official .gov.uk domain name with councillor email addresses linked to that domain name. At its meeting on 6 April 2023 the Council agreed to purchase the domain name of [draytonparishcouncil.gov.uk](http://draytonparishcouncil.gov.uk).

**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 Council demonstrates good practice by providing Councillors with read-only access to the Scribe system in order that they may view/confirm information independently. Councillors have previously been offered and received training in this respect.

3.3 The Interim Internal Audit in October 2022 confirmed that the accounting system was up to date as at 30 September 2022. The End of Year Accounts as at 31 March 2023 have been prepared on an Income and Expenditure basis. During the course of the 2022/23 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.

3.4 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 by means of examination of a wide-ranging sample of transactions covering payments made in the period April 2022 to September 2022. This End of Year Internal Audit tested a smaller sample of transactions in the period October 2022 to March 2023 and verified the clear audit trail from the underlying financial records to the Accounts, with supporting invoices and vouchers in place.

3.5 Mrs Hawken (Clerk) and Miss Gallant (Assistant Clerk and RFO) are the current system administrators to the Scribe system and have principal access to all functions. Mrs Hawken and Miss Gallant have received on-line training from Scribe to assist their knowledge of the system.

3.6 VAT payments are tracked and identified within the system. 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) £2,698.40 reclaim to HMRC for the period 1 March 2022 to 31 May 2022 (received at bank on 14 June 2022).
- b) £3,656.29 reclaim to HMRC for the period 1 June 2022 to 30 June 2022 (received at bank on 4 July 2022).
- c) £114.61 reclaim to HMRC for the period 1 July 2022 to 31 July 2022 (received at bank on 26 August 2022).
- d) £7,369.02 reclaim to HMRC for the period 1 August 2022 to 31 October 2022 (received at bank on 15 November 2022).

- e) £4,903.39 reclaim to HMRC for the period 1 November 2022 to 31 December 2022 (received at bank on 13 January 2023).

3.8 The VAT Net Closing Balance of £4,002.80 is recorded in the Scribe accounting system as reclaimable as at 31 March 2023 and is shown as a Debtor in the Balance Sheet at that date.

**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 2022/23 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 Income and Expenditure Account and Balance Sheet were examined in detail and any queries arising from the review were resolved with the Assistant Clerk/RFO. Key supporting entries in the Balance Sheet as at 31 March 2023 included the following:

a) The Outstanding Debtors List (totalling £4,172.80) recorded as at 31 March 2023 consisted of £4,002.80 VAT recoverable from HMRC in respect of VAT paid in the final Quarter of 2022/23 and £170 owed from a hirer of the Pavilion at that date.

b) The Listed Creditors at the year-end totalled £91,391.20 and included (inter alia) the sums due to Sutcliffe Play for KGV Play Equipment (£77,443.33), Tree Maintenance (£5,897), Grass Cutting/Grounds Maintenance (£4,031.06) and Norse Commercial Services (£1,888)

c) There were no prepayments listed in the Balance Sheet on the basis that insurance payments, subscriptions and other payments (such as Energy and Scribe Accounting costs) will, in practice, even out over periods of account and may not be significant in the context of the overall finances of the Council to require each to be taken account of at the year end.

4.3 The Internal Auditor was able to confirm the reconciliation between Box 7 of the AGAR (Total Balances and Reserves Carried Forward) and Box 8 (Total Cash and Short-term Investments).

4.4 A Statement of Variances (explaining significant differences in income and expenditure between the years 2021/22 and 2022/23) has been constructed by the Assistant Clerk/RFO. 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,

4.5 A Community Infrastructure Levy (CIL) Report for the year 2022/23 has yet to be constructed by the Assistant Clerk/RFO. The Scribe Accounting data displays CIL

transactions for the year ended 31 March 2023 as £120,763.15 brought forward at the end of previous year (31 March 2022), CIL receipts of £245,005.80 and CIL payments of £30,585.94 in the year. The balance of £335,183.01 is displayed as retained as at 31 March 2023. The Annual CIL Report has to be published on the Council's website and has to be submitted to the District Council no later than 31 December 2023.

4.6 The End-of-Year Accounts and supporting documentation were well presented for the Internal Audit review.

**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 and formally noted in the Minutes.

5.2 The Internal Auditor examined in detail the Bank Reconciliation as at 31 March 2023. The Scribe accounting system displayed balances as at 31 March 2023 and these were confirmed to the bank statements as follows:

- a) Unity Current Account: £68,029.95. The on-line Bank statement was presented to the Internal Auditor.
- b) Unity Instant Access (Deposit) Account: £376,632.93. The on-line Bank statement was presented to the Internal Auditor.
- c) Cambridge Building Society: £85,372.12. A copy of the account displaying the balance was presented to the Internal Auditor.
- d) Broadland District Council (BDC) Investment Statement: £88,087.30 BDC had provided an investment statement and confirmed the balance as at 31 March 2023.
- e) Nationwide Instant Access Account: £85,490.67. The Statement from the Nationwide Building Society was presented to the Internal Auditor.

5.3 The total sums held in bank as at 31 March 2023 were accordingly £703,612.97 and have been recorded in Box 8 of the AGAR (rounded for purposes of the Return).

5.4 The amount held in the Unity Bank (approximately £444,662.88 as at 31 March 2023) is significantly in excess of the £85,000 protection under the Financial Services Compensation Scheme (FSCS) to the Council, as a smaller local council. Following recommendations put forward by the Governance Committee, the Council agreed on 6 April 2023 to spread the risk by opening accounts with Santander and the Skipton Building Society (Minute 13a refers).

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

Precept 2022/23: £186,990

Precept 2023/24: £186,990

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

6.2 The **Budget and the Precept for 2022/23** were considered and agreed by the Full Council on 6 January 2022 (Minute 10c refers). The Budget for 2022/23 was both detailed and informative and acted as a sound basis on which the Council could operate effective budgetary control and scrutiny during the year.

6.3 The Governance Committee and Full Council received reports of the income and expenditure in the year compared with the budget. In this way, Councillors had the opportunity to receive sufficient information and data to make informed decisions and, specifically, were in a position to identify any significant variations from budget and determine any remedial action as necessary. The Council received the 2022/23 First Quarter Report on 14 July 2022 and the Half Yearly Financial Statement 2022/23 at its meeting on 13 October 2022. The Third Quarter Report was presented to Council on 12 January 2023.

6.4 At its meeting on 15 December 2022 the Governance Committee received the Examining Councillor's Finance Review with no concerns raised under the Review.

6.5 A **Draft Budget for the year 2023/24** was considered by Full Council, displayed under each Committee, at its meeting on 24 November 2022. The Budget and precept of £186,990 for 2023/24 was agreed by the Council (Minute 4 refers). The Budget for 2023/24 is detailed and informative and can facilitate effective budgetary control and scrutiny during the year.

6.6 A Reserves Policy is in place and was considered and approved by the Council at its meeting on 3 February 2022. 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.

6.7 The Overall Reserves available to the Council as at 31 March 2023 are recorded as £616,394.57. The Scribe Accounts recorded Earmarked/Restricted Reserves as £504,757.21 as follows:

Community Infrastructure Levy:	£335,183.01 (restricted reserve)
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

6.8 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) of £111,637.36 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 5.33 refers).

6.9 As at 31 March 2023 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.

7.2 Councillors are 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 and the Assistant Clerk/RFO present Finance and Governance matters including Bank Reconciliations and the Approval of a List of Receipts and Payments.

7.3 At its meeting on 23 June 2022, the Governance Committee considered the presentation of payments and receipts to all Councillors prior to Council meetings and agreed that a Scribe Report would be presented to Councillors detailing the receipts and payments within a specified period. The report would be sent out to Councillors at the same time as the agenda to allow Councillors to review the proposed payments.

7.4 The Interim Internal Audit in October 2022 noted that Minutes of Council meetings confirm that the Council receives and approves a **List of Payments and Receipts**. The Council has agreed to include the List in the published Minutes of the Council's meetings. The publication of the financial information meets 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.

7.5 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 Clerk and Assistant 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. Payments are now made on-line and the Assistant Clerk/RFO advised the Internal Auditor that no cheques were prepared during the year 2022/23.

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

7.7 During the year 2022/23 a nominated Councillor has undertaken **Quarterly Internal Control checks**, a particularly important duty bearing in mind the changes in key staff in the year. At its meeting on 15 December 2022 the Governance Committee received the Councillor Internal Audit Control Quarterly Spot Checks for April to September 2022 with no concerns being raised. The Assistant Clerk/RFO advised the Internal Auditor that the Councillor's review of the remaining part of the year 2022/23 is shortly due to be undertaken and can assist inform the Council in its completion of the Annual Governance Statement 2022/23.

7.8 The Council appointed the **Internal Auditor for the 2022/23** year at its meeting on 26 September 2022. 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.

7.9 The **Interim Internal Audit Report for 2022/23** dated 27 October 2022 was received by the Governance Committee on 15 December 2022. The progress being achieved in meeting the 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 were operated in-house during 2022/23 using HMRC's PAYE software platform.

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 The Interim Internal Audit Report dated 27 October 2022 examined in detail the payroll operations during the period April to September 2022. At its meeting on 11 October 2022 the Staffing Committee agreed to recommend to Council the appointment of Miss Amy Gallant as Assistant Clerk and RFO. The Committee noted on 20 October 2022 that a starting date of 21 November 2022 had been proposed.

There is a probation period of 6 months and a pension scheme under the Norfolk Pension Fund Scheme attached to the post.

8.4 The Internal Auditor undertook test checks on a sample of salary payments made in the period October 2022 to March 2023 and confirmed that:

a) As at 31 March 2023 the salary paid to the Clerk was at SCP 30 for 22 hours per week.

b) The Contract for the Assistant Clerk/RFO was presented to the Internal Auditor and confirmed a salary of Scale Points (SCP) 20-23 in the NJC range of LC2 for 22 hours per week, commencing on 21 November 2022 at SCP 20 with a first increment payable on 1 April 2024. As at 31 March 2023 the salary being paid was at SCP 20 for 22 hours per week.

c) A Contract of Employment is in place for the Maintenance Operative at a maximum salary of SCP 4. As at 31 March 2023 the salary being paid was at SCP 4 at 20 hours per week.

8.5 The P60 End of Year Certificates for the Clerk, Assistant Clerk/RFO and the Maintenance Operative were made available to the Internal Auditor.

8.6 At its meeting on 6 April 2023 the Council agreed to outsource Payroll Services to Norfolk ALC as recommended by the Staffing Committee. The Assistant Clerk/RFO advised the Internal Auditor that the contract with Norfolk ALC is likely to commence from the June 2023 payroll.

8.7 In terms of the requirements under the Workplace Pensions legislation, the previous audit reported that the then Clerk/RFO had 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).

8.8 The Council currently retains the services of Personnel and Advice Solutions Ltd for support on Human Resource matters 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 2022/23, one held by the Clerk and the other held by the Maintenance Operative. Both cards are under the overall control of the Clerk and are managed online within one account. No one item shall exceed £1,000 without the prior permission of the Clerk.

9.3 At its meeting on 3 February 2022 the Council received and approved the Credit Card Policy and the updated Credit Card Agreement for Employees. A copy of the Agreement was signed by the then Clerk/RFO on 1 April 2022.

9.4 The Assistant Clerk/RFO confirmed that 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.

9.5 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 April 2022 to September 2022 was examined during the Interim Internal Audit and found to be in order. Similarly, a smaller sample of transactions in the period October 2022 to 31 March 2023 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 currently receives and approves a List of Receipts. The Lists are included within the published Minutes of the Council's meetings.

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, 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 16 June 2022, the Open Spaces and Property Committee resolved to maintain the base cost of the main pitch prices for the 2022/23 season. In addition, the Council resolved on 26 September 2022 to charge a reduced rate for registered charities.

10.6 At its meeting on 2 March 2023 the Open Spaces and Property Committee reviewed the ongoing contract with Absolute Leisure and agreed a Quarterly Charge increase to £1,449.25 in line with CPI as at December 2022.

10.7 It was noted that the Bowls Club's lease of the clubhouse and green extends to November 2024 but is due for review from November 2023 to provide clarity for the future for both parties.

10.8 The Council considered and approved the Hire Charges for 2023/24 at its meeting on 9 March 2023.

10.9 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.

10.10 The List of Outstanding Sales (Debtors) as at 31 March 2023 from the Scribe system revealed that there was a debt of £170 owing to the Council in respect of the hire of KGV Pavilion and £4,002.80 VAT payments due for recovery from HMRC.

**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. 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.

11.2 Similarly, a **Financial Risk Assessment** document is in place, 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.

11.3 The documents were reviewed and agreed by the Governance Committee (under its Terms of Reference) on 17 March 2022 and the Minutes of the Committee were reviewed and agreed by the Council at its meeting on 7 April 2022 under the reporting mechanism in place (Minute 14a refers). It is considered that the Council accordingly complied with the Accounts and Audit Regulations 2015 (Section 4) which require a review by the Full Council at least once each financial 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.

11.4 In June 2018 the Council entered into a **Five-year long-term agreement with Zurich Municipal Insurance for insurance cover**. On 5 May 2022 the Parish Council insurance was renewed at a cost of £3,185.03 for the 2022/23 year.

11.5 The insurance cover currently held with Zurich Municipal covers the period to 31 May 2023 and includes Employer's Liability cover of £10m and Public Liability cover of £15m.

11.6 The Fidelity Guarantee (Employee and Councillor Dishonesty) cover currently stands at £1,000,000 and meets the recommended guidelines which provide that insurance cover should be adequate to meet the maximum level of cash resources held by the Council at any one time. The appropriate figure is normally taken as the cash balances as at 31 March plus 50% of the Precept which would normally be received in April each year (in the Council's case this amounts to £703,613 plus £93,495 being 50% of Precept) = £797,108).

11.7 On 13 July 2022 the Council secured insurance cover for the Streetlights under its ownership with an additional premium of £641.28 being made to Zurich Municipal.

11.8 The Assistant Clerk/RFO confirmed that as part of meeting its risk management responsibilities for the play equipment, the Council had arranged for the Play

Inspection Company to undertake an Annual RoSPA level Playground Inspection at Florence Carter, Longdale and King George V children's play areas.

**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 and 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 Interim Internal Audit in October 2022 noted that the Asset Register had been brought up to date as at 30 September 2022 and included the Street Lighting £216,200 (188 Streetlights at £1,150 each, acquired as at 1 August 2022) and a Bench Seat (£615.02) and Picnic Benches (£3,469.37) acquired as at 10 May 2022). The Asset Register had also been reviewed alongside the Insurance Schedule to ensure that both were accurate, consistent and up to date.

12.3 As at 31 March 2023 the Register displayed the value of assets as £1,055,507, a net increase of £303,209 over the value of £752,298 as at the end of the previous year, 31 March 2022 and reflected the acquisitions listed in 12.3 above plus (inter alia) new KGV Play Equipment (£79,624). . The Assistant Clerk/RFO is to document the reasons for the difference in the values between the two years in the Statement of Analysis of Variances to be submitted to the External Auditor.

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 2022/23.

12.5 The value of the assets as at 31 March 2023 has been correctly recorded in Box 9 of the AGAR 2022/23.

12.6 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 held 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 2021/22 was completed by PKF Littlejohn LLP on 14 September 2022. No issues of concern were raised by the Auditors. A minor amendment was made to Section 2 of the AGAR following the External Audit review.

13.2 The External Auditors' Report and revised AGAR was received and noted by the Council at its meeting on 26 September 2022 (Minute 9c refers).

#### **14. Publication Requirements.**

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website:

- Notice of the period for the exercise of Public Rights
- AGAR - Sections 1 and 2.

14.2 The Internal Auditor confirmed that the required documents were readily accessible on the Council's webpage <https://www.draytonpc.info/finances>.

14.3 At its meeting on 9 June 2022 the Council noted the dates of the Period for the Exercise of Public Rights (13 June 2022 to 22 July 2022).

14.4 Following the completion of the External Audit, the Regulations provide that the authority must publish on its website no later than 30 September each year:

- The Notice of Conclusion of Audit
- AGAR - Section 3 (the External Audit Report and Certificate)
- AGAR - Sections 1 and 2 (to display any amendments as a result of the Limited Assurance Review).

14.5 At the time of the Interim Internal Audit (27 October 2022) the above documents had not been published and accordingly the requirements of the Accounts and Audit Regulations 2015 (publication date no later than 30 September each year) had not been met. Whilst the Council has, overall, provided the opportunity during the year 2022/23 for the exercise of electors' rights, item 4 of the Annual Governance Statement 2022/23 and Item N of the Annual Internal Audit Report for 2022/23 must be notated to indicate the late publication of the Notice of Conclusion of Audit and AGAR Section 3.

#### **15. Additional Comments.**

15.1 I would like to record my appreciation to Mrs Sarah Hawken (Clerk/RFO) and Miss Amy Gallant (Assistant Clerk/RFO) for their assistance and support during the course of this End of Year Internal Audit.

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

*Trevor Brown*

**Trevor Brown, CPFA  
Internal Auditor  
23 May 2023**

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## Appendix A

### Update on actions taken following the recommendations in the Interim Internal Audit Report dated 27 October 2022

The Interim Internal Audit Report 2022/23 was considered and approved by the Governance Committee on 15 December 2022. During the End of Year Internal Audit Review, the Internal Auditor examined the progress in meeting the Recommendations, as follows:

**Recommendation 1:** *In view of the RFO responsibilities being removed from the Clerk as from 21 November 2022 (when the Assistant Clerk/RFO takes up her duties) the relevant Financial Regulations, Standing Orders and formal Policies, Procedures and Protocols should be reviewed and updated to ensure that they accurately reflect the changed responsibilities in place and respective roles of the Clerk and Assistant Clerk/RFO.*

**Update as at 3 May 2023:** The Assistant Clerk/RFO and Locum Clerk reported to the meeting of the Governance Committee on 15 December 2022 that the review of Standing Orders and Financial Regulations were scheduled for the meeting of the Committee in March 2023. The review took place on 6 April 2023.

**Recommendation 2:** *The Council should note that the sums currently held within Unity Bank are significantly in excess of the £85,000 protection under the Financial Services Compensation Scheme (FSCS) as a smaller local council. The Council should continue to review this issue under the risk management processes in operation at the Council.*

**Update as at 3 May 2023:** At its meeting on 15 December 2022 the Governance Committee noted that the Unity Trust Bank had reserves in excess of £85,000 and the Committee agreed to investigate two additional banking options to spread the overall sums held. At the meeting on 23 March 2023 the Committee agreed to recommend the Council to open accounts with Santander and Skipton Building Society. This recommendation was agreed by the Council on 6 April 2023.

**Recommendation 3 (a):** *The List of Payments and Receipts evidence the transactions reported to and ratified by the Council and should in future be included in the published Minutes for each Council meeting in every case as required by the Council. The publication of the financial information also meets 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.*

**Update as at 3 May 2023:** The Lists of Payments and Receipts are now included in the published Minutes for each Council meeting.

**Recommendation 3 (b):** *The Quarterly Internal Control checks by a nominated Councillor of the Council's control systems is a particularly important duty in 2022/23 bearing in mind the staff changes in the year and should be completed and reported to Council as soon as possible after the end of each Quarter.*

**Update as at 3 May 2023:** At its meeting on 15 December 2022 the Governance Committee received the Examining Councillor's Finance Review for the 6 months ending 30 September 2022.

**Recommendation 4:** *The current Contract of Employment for the Clerk should be corrected as soon as practicably possible to display the correct salary payable to the Clerk. (The Locum Assistant Clerk confirmed to the Internal Auditor that as from 6 September 2022 the Clerk/RFO has been paid the correct salary rate at 22 working hours and not at the 32 working hours rate displayed in the Contract).*

**Update as at 3 May 2023:** The Assistant Clerk/RFO and Locum Clerk reported to the meeting of the Governance Committee on 15 December 2022 that this had been actioned.

**Recommendation 5:** *In view of the RFO responsibilities being removed from the Clerk as from 21 November 2022 (when the Assistant Clerk and RFO takes up her duties) the relevant Financial Regulations and formal Credit Card Policies and Procedures should be reviewed and updated to reflect the changed responsibilities in place.*

**Update as at 3 May 2023:** The Assistant Clerk/RFO and Locum Clerk reported to the meeting of the Governance Committee on 15 December 2022 that this had been actioned.

**Recommendation 6:** *The publication of the List of Receipts provides evidence of the sums received and reported to and noted by the Council. Many of the receipts, particularly CIL funds, are significant and can impact upon decisions taken by the Council and should in future be included in the published Minutes for each Council meeting.*

**Update as at 3 May 2023:** The Assistant Clerk/RFO and Locum Clerk reported to the meeting of the Governance Committee on 15 December 2022 that this had been actioned. The Council currently receives and approves a List of Receipts which are included within the published Minutes of the Council's meetings.

**Recommendation 7:** *The Full Council should formally review (before the end of March 2023) the Internal Control and Risk Management documentation with a suitable Minute taken to evidence the review. This will ensure compliance 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.*

**Update as at 3 May 2023:** The Internal Control and Risk Management documentation was reviewed and approved by the Council on 6 April 2023, during the 2023/24 financial year.

**Recommendation 8:** *The Council should note that the cash resources currently held (approximately £595,665) are significantly in excess of the £500,000 Fidelity Guarantee insurance cover. The Council should:*

- a) advise the insurers of the position with the view of increasing the cover to meet the recommended guidelines that Fidelity Guarantee insurance is adequate to cover the maximum level of cash resources held by the Council at any one time and*
- b) continue to monitor this issue under the risk management processes in operation at the Council.*

**Update as at 3 May 2023:** At its meeting on 15 December 2022 the Governance Committee noted that the Fidelity Guarantee insurance cover had now been increased to £1,000,000 at no cost to the Council. It was also noted that there would be a slight increase to the premium at the point of renewal should the Council wish to continue at the increased limit.

**Recommendation 9:** *The Council should publish on its website as soon as practicably possible the documents listed at item 13.4 of the Interim Internal Audit Report and in future years ensure that they are published no later than 30 September in order to comply with the Accounts and Audit Regulations 2015.*

**Update as at 3 May 2023:** The Notice on Conclusion of Audit and AGAR Section 3 were published on 31 October 2022 and the Assistant Clerk/RFO reported to the meeting of the Governance Committee on 15 December 2022 that this had been actioned.