

## Report to Saffron Walden Parish Council

### Annual Internal Audit of the Accounts for year ending 31<sup>st</sup> March 2023

The primary objective of Internal Audit is to independently review, appraise and provide assurance upon the control environment, making sure that controls are mitigating the Council from increased risk exposure, and to achieve this, the internal auditor will adopt a predominantly systems-based approach to audit.

The Accounts for the year ending 31<sup>st</sup> March 2023 can be summarized as follows:

Income for year:	£ 1,598,610(rounded)
Expenditure for year:	£ 1,674,279 (rounded)
Precept figure:	£ 1,233,629 (rounded)
General Reserve:	£ 297,715 (rounded)
Earmarked Reserve:	£ 539,459 (rounded)

The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the scope previously approved by the Council with particular emphasis upon the following:

- Review and assess the soundness, adequacy, effectiveness and reliability of financial and performance management systems
- Review and assess the efficiency and effectiveness of internal control arrangements and working practices and make recommendations to improve these where appropriate
- Review and assess the adequacy of procedures to ensure the Council's assets and interests are adequately protected and risks are identified and effectively managed
- Check for compliance with legislation and the Council's integrity and ethical standards, policies and procedures

Comments and any recommendations arising from the review are made overleaf.

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Subject & tests carried out	Comments/Recommendations
<p><b>1. Proper book-keeping.</b>  <b>Examination of</b></p> <ul style="list-style-type: none"> <li>• <b>Cashbook</b></li> <li>• <b>Reconciliations of cashbook</b></li> </ul>	<p>The council continues to use the Rialtas accounting package which produces reports on an Income and Expenditure basis. The software is now cloud based allowing for the software to be accessed via a browser with centrally managed back-ups and upgrades. Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance. The cashbook is reconciled on a monthly basis, regularly verified against bank statements and contains entries from day to day of all sums of money received and expended by the council along with matters to which the income and expenditure relates. In accordance with good practice, the accounting records also contain a record of income and expenditure in relation to claims made for contribution, grant or subsidies from a government department or other public body.</p> <p><i>Comment: The Responsible Financial Officer (RFO) continues to be mindful of Proper Practices, by ensuring that effective procedures are in place to accurately and promptly record all financial transactions, and that the accounting records are kept up to date throughout the year, together with all necessary supporting information.</i></p> <p>Spot checks were made and were found to be correct. Journal entries between cost codes for the year under review were seen and verified with supporting documentation reviewed. The RFO has ensured that the cash book is the focus for day-to-day accounting and is aware that the balancing off and reconciliation to the bank statement remains the most important control over the accounting system.</p> <p><i>Comment: Council continues to follow Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance. As previously identified, for further transparency and scrutiny, the RFO, in accordance with best practice, has referenced all payments and receipts with a description as to the expenditure and income being incurred to ensure the integrity of data being input and processed.</i></p>
<p><b>2. Standing Orders and Financial Regulations:</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• <b>Compliance</b></li> <li>• <b>Annual Review</b></li> <li>• <b>Adherence</b></li> <li>• <b>Appointment of Responsible Financial Officer</b></li> </ul>	<p>The Standing Orders, as seen on the Town Council's website show a review date due of May 2022 and are based on the latest model published by the National Association of Local Councils (2018). The minutes of the Town Council of 9<sup>th</sup> May 2022 show that the current Standing Orders were adopted with nil amendments. As such they are compliant with legislation and have been adapted (where they are not statutory requirements) to ensure that they are relevant to the town council.</p>

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	<p><i>Comment: Council is aware of the requirement to ensure that the SOs are fully tailored to the council and that in accordance with proper practices they need to be regularly reviewed, fit for purpose and adhered to.</i></p> <p>Financial Regulations (FR), as seen on the Town Council’s website show an adopted date of May 2022 with a review date of October 2023 and are based on the NALC Model Financial Regulations 2019 and tailored to the Town Council. Council is aware of the requirement to ensure that its Financial Regulations, in accordance with Proper Practices are regularly reviewed, fit for purpose and adhered to and has shown good practice by ensuring that it has in place appropriate measures governing how it operates, provisions for securing competition and regulating the manner in which tenders are invited. The minutes of 9<sup>th</sup> May 2022, show that Council reviewed the adopted Financial Regulations with amendments to paragraph 14.5 which details that “all assets with a value greater than £500 shall be recorded” and proposed that this is changed to £1,000. This change and the policy was unanimously agreed for adoption.</p> <p><i>Comment: at the next annual review, Council might wish to also review the Procurement Thresholds amendments (SI 2022/139) of the Public Contracts (Amendment) Regulations 2022 which came into force on 21st December 2022 and make the changes to the contract value limits from £25,000 to £30,000 for non-central government authorities. The contract value limits are to be calculated inclusive of VAT (effective from 1<sup>st</sup> January 2022).</i></p> <p>The Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, has employed a Responsible Financial Officer (RFO) who is responsible for the financial administration of the authority ensuring that it is legally compliant with such duties.</p>
<p><b>3. Payment controls.</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• <b>Understanding of the process involved for reclaiming VAT</b></li> <li>• <b>Expenditure controls</b></li> <li>• <b>Internet Banking controls</b></li> <li>• <b>Procurement controls</b></li> <li>• <b>General power of competence</b></li> <li>• <b>Public Works Loans</b></li> <li>• <b>Tourist Information Centre</b></li> </ul>	<p>VAT is identified in the cash book and reclaimed on a quarterly basis. The VAT Assessment File for the third and fourth quarters, as produced by the accounting package operated by the RFO were reviewed and verified. Settlement of the accounts for the third quarter in the sum of £20,521.25 was evidenced from the Council’s bank statements. The year-end figure of £34,411.92 is verified and evidenced on the Trial Balance and is still to be settled.</p> <p><i>Comment: VAT has been appropriately identified in relation and correctly coded according to the Council’s business and non-business activities within the financial records of the software used by council and the Council has robust arrangements in place for handling its responsibilities regarding VAT.</i></p> <p>A selection of random payments were cross checked against cheque book/payment authorisation slips, cash book, bank statement and invoices and all were found to be recorded/ authorised in accordance with Proper Practices. A further spot check of items paid via the BACS/Direct Debit system from the Council's Accounts were cross checked against cashbook,</p>

	<p>bank statements and invoices. All were found to be in order. A spot check of payments made under contractual terms were further analysed and all were found to be in accordance with agreed schedules and sums approved.</p> <p><i>Comment: in accordance with Financial Regulation 5.6, for each financial year the Clerk and RFO has drawn up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively) Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which council or a duly authorised committee, may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of council or Finance Committee.</i></p> <p>In accordance with its scheme of delegated powers, as agreed by full Council, all expenditure is presented to Finance and Establishment on a monthly basis for review. Council has ensured that, for the settlement of its invoices by both cheque and BACS, and in accordance with Financial Regulation 6.8, there is a two-tier authorisation system which ensures that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories. A review of the procedures followed for receipt of invoices, agreement of invoice detail and confirmation of goods or services delivery along with approval for payments was undertaken on 20 individual payments in the period between 1st September 2022 and 31st March 2023 and it is confirmed that Council is therefore operating within Financial Regulations 5.2; 6.8 and 6.9.</p> <p><i>Comment: this system continues to protect the RFO as well as fulfilling an internal control objective to ensure the safeguarding of public money thereby allowing Council to ensure that it has maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.</i></p> <p>Council continues to show good practice by ensuring that, on receipt of invoices, verification that the relevant goods or services have been received is obtained and invoices checked to ensure that the arithmetic is correct, agreed discounts have been deducted and everything is acceptable regarding reclaiming the VAT.</p> <p>The Council’s Purchase Order file for items ordered in accordance with Council’s own Financial Regulations was reviewed during the internal audit visit. A random sample of orders placed during the period under review shows that Council has operated within its own Financial Regulations within the limits set for the purchase of goods and services above which three estimates or quotes should be invited from persons or firms competent to do the work.</p> <p><i>Comment: Council continues to follow good practice by ensuring that an official order is issued for all work, goods and services unless a formal contract is to be prepared or an official order</i></p>
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	<p><i>would be inappropriate. Council further demonstrates good practise by understanding that official orders both commit a supplier to a price and help prevent unauthorised credit being granted in the authority’s name. In accordance with proper practises, on receipt of invoices, verification that the relevant goods or services have been received is obtained and invoices are checked to ensure that the arithmetic is correct, agreed discounts have been deducted and everything is acceptable regarding reclaiming the VAT. The Purchase Order file is numerically held and controlled by the Clerk.</i></p> <p>Council continues to be mindful of guidance covering the procedures for the management of capital projects which are covered by Council’s Standing Orders, and which should require payments only against certified completions under a planned and approved programme of works governed by a properly negotiated contract supervised by a named authority officer.</p> <p>Council, having previously declared that it fulfilled the eligibility criteria to use the power (at least two-thirds elected members and a qualified Clerk (CiLCA or higher)), is eligible to use the general power of competence until the next relevant Annual Council Meeting (post May 2023). Council operates a Grants Policy with grants being awarded under the following categories: Small Grants Scheme; Youth Partnership; Resilience Funds and Hall Hire Grants. Separate grants are awarded to the Citizens Advice Bureau and the Uttlesford Community Transport in accordance with the Annual Budget set. The grants offered as Small Grants and Hall Hire Grants during the year ending 31<sup>st</sup> March 2023 were seen on the Council’s website.</p> <p><i>Comment: the Council operates the above grants within the remit of its Grants Policy which aims to ensure that funding is distributed to those who need it most, whether it is working with disadvantaged groups, health, social inclusion, sports events, charitable events, a trip or new initiatives and projects. The Policy is adhered to, regularly reviewed and considered fit for purpose.</i></p> <p>The council has the following Public Works Board Loan:  Town Hall £200,000 which was drawn down in March 2017 PW505280. Interest repayments are to be made twice yearly on the nearest working day to 20 March &amp; 20 September and the rate of 2.28% has been applied. The half yearly annuity payments of £6,254.30 were made on 20<sup>th</sup> September 2022 and 20<sup>th</sup> March 2023. Balance outstanding as at 31<sup>st</sup> March 2023 was seen and verified as £149,201.54</p> <p>Details of the profit and loss account, monthly report and shop sales for the Tourist Information Centre are received and noted by the Finance &amp; Establishment Committee on a monthly basis. An examination of the accounting records relating to the Tourist Information Centre and the</p>
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	<p>submission of invoices for payment to the Town Council was carried out during the internal audit visit. Purchases are made against invoices which are submitted against an order and reconciled by the Manager prior to presenting same to the Town Council for payment. A sample of the weekly sales receipts as received were reviewed and verified against relevant costs codes and statements. The procedures for cash and cheques as operated by the Tourist Information Centre are clearly referenced within the Town Council’s Risk Assessment and Procedures and fully implemented by the Tourist Information Centre staff.</p> <p><i>Comment: these examinations undertaken do not constitute a full audit but during the visit there were no matters which came to the Internal Auditor’s attention suggesting that further investigative work be carried out to enable a proper understanding of the accounts as submitted.</i></p>
<p><b>4. Risk Management</b></p> <ul style="list-style-type: none"> <li>• <b>Annual Review and Minuted</b></li> <li>• <b>Review of risks associated with</b> <ul style="list-style-type: none"> <li>➤ <b>Financial Management</b></li> <li>➤ <b>Cemetery</b></li> <li>➤ <b>Allotments</b></li> <li>➤ <b>Building/ Assets</b></li> </ul> </li> <li>• <b>Fidelity Guarantee Cover Insurance</b> <ul style="list-style-type: none"> <li>➤ <b>Adequate</b></li> <li>➤ <b>Reviewed</b></li> </ul> </li> <li>• <b>Internal Controls documented and regularly reviewed</b></li> <li>• <b>Insurance Policy reviewed, cover appropriate and adequate</b></li> </ul>	<p>Overall, the risk assessment documentation submitted for Internal Audit provides details of the risks associated with the functioning of a smaller authority and the measures that the Council will undertake to mitigate such risks. The risk assessment and procedures for the year under review were adopted by full Council at its meeting of following a review by the Finance and Establishment Committee on 16<sup>th</sup> May 2022 and are contained within the Council’s Risk Assessment and Procedures documentation as evidence by the report published on the Council’s website. Agreement was forthcoming for the following amendments to be included: IT and cyber insurance; malicious intent to include comments regarding anti-virus software; disaster recovery to allow a disaster to be quantified and the requirement to refer back to existing policies and references to be made to the employee handbook. Council has ensured that its risk assessment focuses on the safety of the parish council’s assets and in particular its money. Council has ensured that there is evidence that it has taken actions to identify and assess those risks and has considered what actions or decisions it needs to take during the year to manage in order to avoid financial or reputational consequences.</p> <p><i>Comment: Council might wish to insert the following on its Risk Assessment and Procedures: (which would follow the good practice already employed by Council for its adopted policies) version number; date reviewed; minute reference and review date.</i></p> <p>The Council’s Insurance documents showing cover under a Commercial Combined Insurance with Aviva as purchased through the Council’s insurance brokers James Hallam Ltd for the period 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2023 were reviewed and interrogated. The following were verified as being in place: Core Cover Public and Products liability cover is £10million; Hirer’s Liability cover is £2million; Employer’s liability cover is £10million. Fleet Rated Commercial Motor Insurance is also in place covering the motorised vehicles including machinery under the Council’s control. Fidelity Guarantee cover is replaced by Management Liability and is limited to £250,000 for Officials and Officers.</p>

	<p><b>Recommendation:</b> whilst the Management Liability might be of suitable risk for day-to-day banking arrangements, Council should note guidance that states that the cover for Fidelity Guarantee (Management Liability) should be at least the sum of the year-end balances plus 50% of the precept/grants to be received in the following April/May. Council should ensure that balances and cash flow are monitored to ensure that cover is appropriate as balances increase.</p> <p>Comment: it has been confirmed that this matter will be reviewed at the next internal audit review which is scheduled for June 2023.</p> <p>The RFO’s report as submitted to the Finance and Establishment Committee of 19<sup>th</sup> July 2022 provided clarity on the increased premiums given the state of the current insurance market and drew Council’s attention to the premium being in excess of that which was budgeted for which was in line with national trends. The report concludes that the overspend of these budget headings will remain as negatives and that shortfalls in expenditure budgets may be offset by income streams exceeding budgets with any net overspend to be taken from General Reserves. <i>Comment: Council should ensure that balances and cash flow are monitored to ensure that Fidelity Guarantee cover is appropriate should balances significantly increase or decrease.</i></p> <p>In accordance with the Regulation 6 of the Accounts and Audit Regulations 2015, the Finance and Establishment Committee carried out a review of the effectiveness of the system of internal control for the year 2022-2023 at its meeting of 16<sup>th</sup> May 2022. The Council’s Internal Control Monitoring Documents as adopted at the meeting of the Finance and Establishment Committee Meeting, has identified the risks involved with and the potential for improvements to its arrangements to protect public money. Safe and efficient arrangements are in place to cover how the council orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts. <i>Comment: As part of its review of governance and internal control measures, Council has adopted an Internal Control Statement which covers the purpose of the system of internal control; the personnel involved with the internal control regime, internal and external audit remit, review of effectiveness of internal control along with an action plan to address issues raised within the internal control process. Council has also been mindful to ensure that all payments are carried out with reference to its own Financial Regulations 6, and that reference to online banking for the use of the settlement of accounts is included within the Council’s overall Risk Assessment Documentation.</i></p>
<p><b>5. Budgetary controls.</b> <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• <b>Verification of process of setting of budget</b></li> </ul>	<p>At the meeting of 10<sup>th</sup> January 2022, Council resolved to adopt the budget for 2022 - 2023 in the sum of £1,996,311 which allowing for budgeted income would equate to a precept request in the</p>

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<ul style="list-style-type: none"> <li>• <b>Monitoring of budget</b></li> <li>• <b>Reporting of expenditure and variances</b></li> <li>• <b>Monitoring reserves</b></li> </ul>	<p>sum of £1,233,629. The minutes demonstrate that this would equate to a 2% increase on Band D to £179.70 (against a tax base of 6,865.09) .</p> <p>A review of the budget including detailed income and expenditure position was reported throughout the year at the Finance and Establishment Committee Meetings with corrective actions being approved and evidenced within the minutes of each relevant meeting and such minutes being adopted at the next relevant full Council meeting. Evidence was seen of budget to actual reports with committed expenditure and funds available breakdown. Expenditure breakdown by heading is provided to Finance and Establishment Committee Meeting with detailed income and expenditure by account for currently funded projects thereby allowing further analysis in showing percentage of income / expenditure against budget.</p> <p>The Council maintains a rolling 4-Year Business Plan (2019-2023) which details the Council’s overall vision and objectives, strategic planning/key projects, communication/engagement, a listing of specific actions with measurable outcomes and areas of active involvement. Assessment of the projects identified is regularly reviewed in terms of suitability, feasibility, acceptability and risk. At the meeting of full Council of 11<sup>th</sup> April 2022, the Plan being a ‘living’ document was reviewed and updated with agreement forthcoming that appropriate and proportionate resourcing should be allocated to specific tasks if the Council is to successfully deliver on all of its objectives along with the requirement to ensure that Council is appropriately equipped and resourced to deliver on all of the outcomes. The updated action allows for the evidencing the progress of major projects and activities.</p> <p><i>Comment: Council continues to show good practice by following the recommended key stages as to the budgetary process to be followed for the year.</i></p> <p>Council continues with the practice of ensuring that virements between budgets are considered by the Finance and Establishment Committee and recommended for approval to the Town Council as and when they arise, subject to FR 4.2 which states that “No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate (‘virement’). The Clerk and RFO are authorised to vire monies within budgets to a maximum of £4,000 per item.</p> <p>A scan of the minutes did not give rise to any unusual financial activity and there were no actions of a potentially unlawful nature being considered.</p>
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	<p>Council’s Financial Regulations as adopted by full Council details under FR4.5 the expenditure on revenue items that may be authorised by the clerk on behalf of the council which in the clerk’s judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £50,000.00. The Clerk shall report such action to the chairman of the council as soon as possible and to the council as soon as practicable thereafter.</p> <p><i>Comment: Council follows best practice by ensuring that such an action is evidenced by a minute or by an authorisation slip duly signed by the Clerk and where necessary also by the appropriate Chair.</i></p> <p>The Council, at year-end, had overall reserves totalling £837,174 broken down as General Reserves at £297,715 and agreed Earmarked Reserves of £539,459. Full Council are expected to approve the breakdown of the Earmarked Reserves at its Council Meeting of 15<sup>th</sup> May 2023, following a review by the Finance and Establishment Committee on 17<sup>th</sup> April 2023 with agreement forthcoming that the £61,352 nett balance (being the difference between budgeted net income/expenditure from 2022/23 and actual net income/expenditure) be allocated to EMR priorities as per the Town Council’s priority listing.</p> <p><i>Comment: Council is aware of the guidance as issued by Proper Practices which states that the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves (EMR). Council follows proper practices by annually reviewing its Reserve Policy noting that the level of general reserves is regarded as a matter of judgement and as such the policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget and will form part of the medium-term financial strategy of the Council.</i></p> <p>Whilst there is no upper or lower limit to EMRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting) Council has ensure that they are separately identified and enumerated and that they are held for genuine and intended purposes and their level is subject to regular review and justification.</p>
<p><b>6. Income controls.</b>  <b>Examination of:</b>  <ul style="list-style-type: none"> <li>• Precept</li> </ul> </p>	<p>Council received precept in the sum of £1,233,629 from Uttlesford District Council for the period under review in April and September, both having been reported to the Finance and Establishment Committee in accordance with Council’s own Standing Orders. Evidence was</p>

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<ul style="list-style-type: none"> <li>• <b>Other income</b> <ul style="list-style-type: none"> <li>➤ <b>Allotment fees</b></li> <li>➤ <b>Hall hire fees</b></li> <li>➤ <b>Market fees</b></li> <li>➤ <b>Burial and associated fees</b></li> </ul> </li> <li>• <b>Aged Debtor Listings</b></li> </ul>	<p>provided showing a full audit trail from Precept being discussed and approved at the meeting of 21<sup>st</sup> January 2022 to being served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council’s Bank Account.</p> <p>Further spot checks during the year-end internal audit visit on further items paid under BACS / Direct Credit into the Council’s Accounts were cross checked against cashbook, bank statements and invoices raised by the Parish Council. All were found to be in order with a clear underlying audit trail. Income is recorded in accordance with Financial Regulations and reported to the Finance and Establishment Committee on a monthly basis which is broken down by budget code with a year to date including comparison of income year to date against previous years.</p> <p>In accordance with Proper Practices the Council has ensured that as a Burial Authority, it maintains a formal burial register which is up-to-date and accurately held. A review of a sample of interments and memorials were appropriately evidenced, and the review ascertained that fees had been charged at the correct approved rate and recovered within a reasonable time.</p> <p>A review of the Council’s schedule of fees charged are due to be submitted to full Council later in the year for implementation in the following year.</p> <p>The outstanding sales ledger invoices for the period ending 31<sup>st</sup> March 2023 was seen and verified. The RFO has advised that there are no irrecoverable accounts for consideration as bad debts and appropriate follow up action is in place.</p> <p><i>Comment: Council is aware that Proper Guidance states that uncollectible amounts, including bad debts, should only be written off with the approval of members, or under delegated authority by the RFO and that such approval should be shown in the accounting records.</i></p>
<p><b>7. Petty cash/expenses procedure.</b></p> <p><b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• <b>System of control</b></li> <li>• <b>Supporting documentation</b></li> </ul>	<p>Petty cash is operated and managed in accordance with Council’s own Financial Regulation 6.18a. All petty cash payments are supported by receipts and are entered into the petty cash book. Petty cash reconciliations are carried out on a monthly basis and cheques raised to ensure sufficient funds to allow the float to be adequately maintained. A spot check of items recorded in the cash book were checked against receipts and cash book sheets and found to be in order. The petty cash funds are kept in a locked drawer.</p> <p><i>Comment: in accordance with Proper Practises, the petty cash float is adequate in size to meet small items of expenditure and does not require reimbursement more frequently than once a month. Adequate records of the receipts and payments have been maintained for each float, including a VAT analysis, and regular reconciliations are performed. The RFO has ensured that the petty cash system is operated in accordance with FR 6.18 for the purpose of defraying operational and other expenses.</i></p>

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<p><b>8. Payroll controls.</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• Management of payroll</li> <li>• PAYE/NIC system in place</li> <li>• Compliance with HMRC procedures</li> <li>• Records (relating to contracts of employment)</li> <li>• Mayoral Allowance</li> </ul>	<p>The council's payroll service is outsourced and has been operated properly and overseen by the council as an employer. The council is a member of the Local Government Pension scheme (LGPS). At year-end, Council had 29 employees on its payroll, 19 of which are members of the Local Government Pensions Scheme as operated by Essex County Council and for all staff, a formal employment contract is in place together. Where appropriate, confirmatory letters setting out any changes to the contract are issued.</p> <p>Cross-checks were completed on a sample of items each of salary, PAYE and pension contributions and these were all found to be in order. Salaries are paid in accordance with contracted hours worked and timesheets for office staff and labour including those for overtime were seen. Gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours. Overtime paid to employees is implemented as per Financial Regulation 7.1.</p> <p>PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs and Essex County Council on or before the dates prescribed.</p> <p><i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation and has met its pension obligations.</i></p> <p>Within the annual budget set is a sum for the Mayor's Allowance which for the year 2022-2023 was set at £3,000. Expenditure incurred totalled £299 for the year under review,  <i>Comment: Council is aware that section 15(5) of the LGA 1972 provides that Parish (and Town) Councils may for its Mayor "for the purpose of enabling them to meet the expenses of their office such allowance as the council think reasonable".</i></p>
<p><b>9. Asset control.</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• Asset Register</li> <li>• Checks on existence of assets</li> <li>• Recording of fixed asset valuations</li> <li>• Cross checking on insurance cover</li> </ul>	<p>The Asset Register for the period ending 31<sup>st</sup> March 2023 as uploaded to the website and within the files submitted for internal audit currently details assets over £1,00 to a total value of £4,178,605. The RFO has confirmed that the Council has a full operational asset list of all assets within the remit of the Town Council. At the meeting of full Council of 13<sup>th</sup> June 2022, following a recommendation from the Finance and Establishment Committee of 16<sup>th</sup> May 2022, Council approved setting the base register for reporting purposes at £1000. The RFO has confirmed that as this did not prove to cause a significant variance in year on year comparison, there will be no need to provide guidance notes as to the reasoning behind the move and restate the prior year's figures in Line 9 of the Annual Governance and Accountability Return.</p>

	<p>A full review of the asset register along with a spot check of a number of assets against insurance valuations was undertaken at the annual review following a review of the register by Council’s Officers. The Asset Register details assets held by the Council which have been defined as Fixed Assets broken down into Community Assets, Equipment, Fixture and Fittings and Vehicles. There are appropriate measures in place to allow for the tracking of additions and disposals from the previous year to the current year. The approved itemised list as at 31<sup>st</sup> March 2023 will form the basis of Box 9 of the Annual Governance and Accountability Guide.</p> <p><i>Comment: the council has understood the guidance issued ensuring that it maintains a formal asset register which is routinely updated to record new assets at historic cost price, net of VAT and to remove any disposed of / no longer serviceable assets.</i></p> <p>The Asset Register was reviewed during the Internal Audit Visit and a spot check of assets against insurance valuations was undertaken and found to be in order. All assets were found to be appropriately insured or where appropriate, self-insured, by the Council. Where assets have been gifted or where there is no known value, assets have been given the proxy value of £1. This value has also been applied to a number of Community Assets, which, in accordance with guidance, are treated in the same manner as gifted assets.</p> <p><i>Comment: This current valuation for assets commonly known as community assets is in line with requirements for smaller authorities to record each asset at its original purchase cost or where the original purchase cost is unknown at the time of first recording on the asset register, a current value is recorded, which acts as a proxy value to the original cost and will remain unchanged until disposal.</i></p>
<p><b>10. Bank reconciliation.</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>● <b>Reconciliations</b></li> <li>● <b>Cashbook</b></li> <li>● <b>Bank Statements</b></li> <li>● <b>Monitoring of investments</b></li> <li>● <b>Approval of new investments</b></li> </ul>	<p>Bank reconciliations are completed on a regular basis and reconcile with the cash sheets. Overall there is regular reporting of bank balances within the detailed financial reports submitted to the Finance and Establishment Committee and as reported in the minutes of the Committee submitted to full Council. Detailed Balance Sheets along with Detailed Profit and Loss Account Reports are also submitted in accordance with the timescales prescribed within Council’s Standing Orders and form part of the minutes that are retained in hard copy by the Council.</p> <p><i>Comment: Council continues with the implemented system whereby the monthly reconciled bank accounts are presented to the Finance and Establishment Committee and follows good practice by ensuring that the reconciliation of the cash book to bank statements is reported to members, and the full reconciliation made available for scrutiny each time it is done. Approval of the bank reconciliation by the authority or the chair of the committee or another authority nominee is not only good practice, but is also a safeguard for the RFO and will fulfil one of the authority’s internal control objectives.</i></p>

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	<p>Bank balances as at 31<sup>st</sup> March 2023 agree with the year-end bank statements: £1,021,282.50 which are broken down as follows:                  Current Account: £50,000.00                  30 Day Deposit Account: £970,641.08                  o/s Cheques: £429.50                  Uncredited income: £1070.92  <i>Comment: Council operates with a sweep account which is linked to its investment account and automatically transfers funds when the balances is above or below a preset minimum. This allows excess to be moved into a higher interest account where it will earn more money than an ordinary bank account.</i></p> <p>At its meeting of 3<sup>rd</sup> March 2023, Council, mindful that under statute it is required to maintain adequate financial reserves to meet its needs, reviewed its adopted Investment Policy which was deemed to be appropriate and suitable for the coming financial year. In accordance with Council’s own Investment Policy &amp; Procedures, authorisation for investments is given by the Chair and Vice-Chair of the Finance and Establishment Committee in conjunction with the Responsible Financial Officer and such actions are reported at the following meeting of the Committee  <i>Comment: Council might wish to note guidance that states that long-terms investments (i.e. those for more than 12 month terms) should be reported as Assets in the AGAR Section 2 Box 9.</i></p>
<p><b>11. Internal Audit:</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• Reporting of Previous Internal Audit Reports</li> <li>• Review of internal audit</li> <li>• Appointment of internal auditor</li> </ul>	<p>The narrative Internal Audit Report to accompany the Annual Internal Audit Report (from the Annual Governance and Accountability Return) for the period ending 31<sup>st</sup> March 2022 was considered at a meeting of the Finance and Establishment Committee of 16<sup>th</sup> May 2022 with formal adoption of the report by Full Council at its meeting of 13<sup>th</sup> June 2022.</p> <p>The narrative Interim Internal Audit on the Council’s financial transactions and internal control system for the period ending 30<sup>th</sup> September 2022 was presented to and noted by the Finance and Establishment Committee at its meeting of 21<sup>st</sup> November 2022 with the report noted as being accepted at the meeting of Full Council of 5<sup>th</sup> December 2022.</p> <p>The following recommendations having been considered by the Finance and Establishment Committee, have been / are in the process of being implemented:</p> <ol style="list-style-type: none"> <li>1. Publication of the annual audit letter or report by 30<sup>th</sup> September 2022 along with Section 3 of the AGAR and the Notice of Conclusion.</li> </ol> <p>Mrs Waples was appointed to act as the parish council’s independent internal auditor for the year 2022 – 2023 at the meeting of the Finance and Establishment Committee of 16<sup>th</sup> May 2022</p>

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	<p>whereby approval of the documents and process covering the work of the internal auditor, risk assessments and internal control measures was given.</p> <p><i>Comment: Council, in accordance with the Accounts and Audit Regulations 2015, has noted the requirements to formally reviewed the scope and effectiveness of its internal audit arrangements following receipt of the audit plan proposed and considered that such arrangements were appropriate for the council and that the audit plan properly took account of all of the risks facing the Council.</i></p>
<p><b>12. External Audit Examination of:</b></p> <ul style="list-style-type: none"> <li>• Reporting of External Audit Report</li> <li>• Publication of final certificate</li> </ul>	<p>The External Audit Report and Certificate for the year ending 31<sup>st</sup> March 2022 having been received by the Council in January 2023 was submitted to and noted as having been approved by the External Auditor by Finance and Establishment Committee on 20<sup>th</sup> February 2023. Whilst the minutes of the Finance and Establishment Committee are received by Full Council, there is no minutes to demonstrate that Council formally received and adopted the meeting.</p> <p>Whilst there were no matters which came to the attention of the external auditor that gave cause for concern that relevant legislation and regulatory requirements that have not been met the following comments are to be noted:</p> <p>Except for the matters reported below, on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.</p> <p>“The AGAR was not accurately completed before submission for review. Budgeted amounts and accruals for the following year have been incorrectly included in box 6 and in the reconciliation between boxes 7 &amp; 8.”</p> <p>Other matters not affecting our opinion which we draw to the attention of the authority:</p> <p>“The authority answered No to Section 1, Assertion 4 based on the failure to make proper provisions during the year 2021/22 for the exercise of public rights. This is consistent with the prior year’s external audit reports recommendation and the current year’s Annual Internal audit report. The AGAR was not accurately completed before submission for review. The AGAR had to be sent back for amendment”</p> <p><i>Comment: as has been previously advised, Council should note Regulation 20 (in part) which states that the annual audit letter received from the auditor must be considered by the authority as a whole. Council is advised that this should not be relegated to a Committee of the Council.</i></p> <p>The Internal Auditor is able to verify that the external auditor report, certificate, conclusion of the external audit along with the interim certificate have been published on the Council’s website. Details as to how copies may be purchased have also been included.</p> <p><i>Comment: in order to comply with the Regulation 16 of the Accounts and Audit Regulations 2015, Council has demonstrated that it is aware that, as soon as it is reasonably practical after the</i></p>

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	<p><i>conclusion of the audit, it should publish a statement saying that the audit has been concluded, giving the details of the public’s rights of inspection under section 25 of the 2014 Act (Local Audit and Accountability Act 2014) and saying where and when those rights may be exercised.</i></p>
<p><b>13. Year-end procedures.</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• Appropriate accounting procedures used</li> <li>• Bank Statements and Cash Book agree</li> <li>• Debtors and Creditors properly recorded</li> <li>• Has the appropriate end of year AGAR documents been completed?</li> <li>• Intermediate level review procedures</li> <li>• Where an authority certified itself exempt in 2021/22 did it met the exemption criteria and correctly declared itself exempt?</li> <li>• Was there the opportunity provided for the exercise of electors’ rights during Summer 2022?</li> <li>• Have the publication requirements been met in accordance with the Audit &amp; Accounts Regulations of 2015 for the year ending 31<sup>st</sup> March 2022.</li> </ul>	<p>The Internal Auditor confirms that having reviewed the year-end files, it is confirmed that the financial detail to be reported at Section 2 of the AGAR accurately reflects the detail in the accounting records maintained for the financial year. As the Council’s annual turnover exceeds £200,000 appropriate records were maintained throughout the year on an income and expenditure basis and that appropriate accounting arrangements were in place to account for debtors and creditors during the year and at the financial year-end.</p> <p>Year-end balances agree with cash book and bank reconciliations:</p> <p>Debtors: £2,933.30  VAT Account: £34,411.92  TIC Stock: £8,853.73  Bank Accounts: £1,021,282.50  less  Creditors: £122,920.38  Accruals: £91,060.16  PAYE/NI: £16,327.29  Represented by:  Total Reserves: £837,173.62</p> <p><i>Comment: Council is aware that its balance sheet provides a snapshot at a given point in time of the council’s net worth thereby identifying its assets and liabilities and that year-end procedures will allow the Council to ascertain the result of either a surplus or a deficit for the year under review.</i></p> <p>The Council on 31<sup>st</sup> March 2023, had overall reserves totalling £837,173.62 General Reserves stood at £287,814.26 with agreed Earmarked Reserves of £549,359.36.</p> <p>As the Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5million it will be required to complete Part 3 of the AGAR. The draft Accounting Statements from the accounting software were submitted for internal audit review and it was confirmed that these have been transposed onto Section 2 Accounting Statements of Part 3 of the AGAR to be presented to full Council for approval prior to submission to the External Auditors. Section 2 has been signed by the RFO in preparation for submission to the Finance and Establishment Committee (and full Council) and the Internal Auditor has completed the Annual Internal Audit Report of the AGAR.</p>

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	<p>It should be noted that given its level of income, the Council meets the requirement for an intermediate level review. Details of the additional submission requirements for those meeting this level of review can be found within the <a href="#">Detailed Instructions Update for the year ending 31st March 2023</a>.</p> <p>As the Council was a smaller authority with gross income and expenditure exceeding £25,000 during the year 2021/2022, it was not able to certify itself as an exempt authority.</p> <p>Members of the Finance and Establishment Committee approved the dates for the notice of public rights and the publication of the unaudited AGAR at its meeting of 16<sup>th</sup> May 2022, with the minutes confirming the dates set as 20<sup>th</sup> June to 29<sup>th</sup> July subject to ratification of the accounts by Full Council at its meeting of 13<sup>th</sup> June 2022. The internal auditor is also able to confirm that she was able to view the notice on the website and confirm the dates set.</p> <p><i>Comment: Council has positively demonstrated that it has provided for the exercise of elector’s rights and that the dates set are in accordance with the period specified within the Accounts and Audit Regulations 2015 and has followed advice that states it is good practise to not only publish the dates set but to also record in the minutes the agreed dates. Evidence of the proper provision for the exercise of the public rights is usually by means of publication of the supplied form on the Council’s website and a minute reference at the meeting at which the RFO confirms the dates set.</i></p> <p>Following a review of the documentation on the Council’s website, the internal auditor is able to verify that the following are to be found on the Council’s website, published in accordance with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31<sup>st</sup> March 2022:</p> <p>Section 1 – Annual Governance Statement of the AGAR          Section 2 – Annual Accounting Statements of the AGAR          Section 3 – External Audit Report and Certificate          Notice of the period for the exercise of public rights          Annual Internal Audit Report of the AGAR</p> <p>Year-end documentation seen allows verification to be given that all were in order with further analysis showing that the year-end balances agreed with the cash book and bank reconciliations. The trail balance shows no entries of concern.</p>
<p><b>14. Transparency Code. Examination of:</b></p>	<p>Council is continuing to ensure compliancy with the minimum datasets that should be published on a quarterly basis as per the requirements as set out in the Local Government Transparency</p>



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<ul style="list-style-type: none"> <li>• <b>Transparency code requirements</b></li> </ul>	<p>Code (2015), with a range of documents relating to the current year being able to view on the Council’s website. For Saffron Walden Town Council, the publication requirements include the publication of quarterly reporting of spending transactions valued over £500; quarterly reporting of invitation to tender for contracts over £5,000 and the quarterly publication of details of every transaction on a government procurement card.</p>
<p><b>15. Publication Scheme</b></p>	<p>The Freedom of Information Act requires every public authority to have a publication scheme, approved by the Information Commissioner’s Office (ICO), and to publish information covered by this scheme. Council has such a scheme, which sets out the Council’s commitment to make certain classes of information routinely available, such as policies and procedures, minutes of meetings, annual reports and financial information and is annually updated.</p>
<p><b>16. Additional comments.</b>  <b>Examination of:</b></p> <ul style="list-style-type: none"> <li>• <b>Annual Meeting</b></li> <li>• <b>Signing of Declaration of Acceptance of Office</b></li> <li>• <b>Adoption of Code of Conduct 2020</b></li> <li>• <b>Members Interests</b></li> <li>• <b>Minutes</b></li> <li>• <b>Openness of Local Government Bodies Regulations 2014</b></li> <li>• <b>Policies – annually reviewed and relevant</b></li> <li>• <b>Compliance with the General Data Protection Regulation requirements</b></li> <li>• <b>Website Accessibility Regulations 2018</b></li> <li>• <b>Cookie and Disclaimer Notices on Websites</b></li> <li>• <b>Secure email system and gov.uk</b></li> </ul>	<p>The Annual Meeting of the Parish Council was held on 9<sup>th</sup> May 2022 with the first item on the agenda being the election of the Chair (Mayor) in accordance with the Local Government Act of 1972 15(1). In accordance with section 83(4) of the 1972 Act, Council has ensured that the Chair and Vice-Chair (Mayor and Deputy-Mayor), on being elected to office, have signed their declaration of acceptance of office. At the same meeting, Council approved the election of the Leader of the Council for a two-year period. Council also reviewed, at the meeting of 9<sup>th</sup> May 2022, its Terms of Reference for its Standing Committees: Assets and Services, Finance and Establishment, Planning and Road Traffic as well as associated appointments.</p> <p>At the meeting of 9<sup>th</sup> January 2023 Council resolved to adopt the Model Councillor Code of Conduct 2020 with changes in line with the Local Government Association (LGA) Model Template for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. The Code adopted also includes specific sections for the Town Council regarding sensitive interests and dispensation procedures.</p> <p><i>Comment Council has also noted guidance that the Code, once adopted, should be published on the Council’s website.</i></p> <p>During the year under review, the Town Council signed up to the Civility &amp; Respect Pledge and agreed to start a culture change for the local council sector. The pledge and Council’s Certificate number (215) was seen on the website.</p> <p>Evidence was seen on the Town Council’s website of the Register of Interests for all current Town Councillors (pre May 4<sup>th</sup> 2023).</p> <p><i>Comment: Council has noted the requirement that, whilst the monitoring officer of the District Council must arrange for the parish council’s register of members’ interests to be available for inspection in the district and must be published on the district council’s website, where the parish (town) council has its own website, its register of members’ interests must also be published on</i></p>

	<p><i>that website. (Openness and transparency on personal interests - A guide for councillors – August 2012).</i></p> <p>In accordance with the Local Government Act 1972 Schedule 12 para 41 (1), Council has ensured that the looseleaf minutes and associated documents of the parish council are initialled and signed by the person chairing the meeting at the time of signature which ensures their lawful providence.</p> <p>The Openness of Local Government Bodies Regulations 2014 were enacted on 5<sup>th</sup> August and came into force on 6<sup>th</sup> August 2014. These regulations allow for the filming and recording of Council meetings (and other specified public bodies) and provide for access to records (e.g. of decisions made by officers).</p> <p><i>Comment: Council has reviewed the provisions of the 2014 Regulations to ensure that, by publishing a range of information online, it is compliant with the provisions of the 2014 Act.</i></p> <p>Council has continued with ensuring compliancy with the General Data Protection Regulations (GDPR) and within its suite of policies, provides clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR. Appropriate Data Protection policies and procedures are in place along with the lawful basis for the processing of data covered by the regulations as well as policies that deal with the effective management of its records thereby demonstrating that the Council has acted in compliance with its legal and regulatory obligations. The Council’s Data Protection and Data Retention Policy, which was able to view on the website, details the framework that the public can expect for the handling of requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party and the periods for the retention of such data. Contained within this document are also procedures for data breaches and subject access requests.</p> <p><i>Comment: Council has implemented a schedule to ensure that all policies are reviewed on an annual basis and brought before the relevant committee and/or full Council for recommendations and amendments in line with Terms of Reference as produced by the Council. Any such policy or policies relating to record management also include a review of council documentation on an annual basis.</i></p> <p>The Regulations of the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 was enacted on 23rd September 2018. The regulations aim to ensure public sector websites and mobile apps are accessible to all users, especially those with disabilities. The Accessibility Statement should detail how information will be produced on a</p>
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	<p>website and how to gain access to content that is readily accessible to view. Council has a website accessibility statement on its website detailing the technical information of the website along with the methods used for testing the website; the steps being taken to improve accessibility and how the site is being improved to ensure that content meets the WCAG 2.1 Standard under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018. Council has ensured that at the very minimum it has published on its website, a Website Accessibility Statement, which has identified the areas which are not accessible and shows that Council has a forward plan so that it can make changes to improve this.</p> <p>The rules on cookies are covered by the Privacy and Electronic Communications Regulations 2003 (PECR). PECR also covers the use of similar technologies for storing or accessing information, such as 'Flash cookies' and device fingerprinting. The ICO is responsible for enforcing these rules and recommends that organisations have clear and comprehensive information about the way they use cookies, and ensure that for any cookie not strictly necessary for their website, they give you an appropriate means of consenting to that cookie being set on your device. Detailed information about cookies and consent is contained within the Council's Privacy Policy as seen on its website.</p> <p>Council has a GOV.UK domain for its council website which also supports a secure and digitally managed email system. Council is aware of the importance of ensuring that it uses a secure e-mail system with a gov.uk address thereby identifying that it has local government status and demonstrating authenticity when building trust and credibility with the public. Council has also adhered to the guidance contain within proper practices which recommends that a GOV.UK domain name be used to support council's official email accounts for officers and councillors. In accordance with guidance issued, the RFO is able to add and remove member and staff email accounts via the Council's nominated IT company.</p>
<p><b>17. Summary</b></p>	<p>The Internal Auditor offers her appreciation for the assistance given by the Town Clerk, Responsible Financial Officer and Officers in completing this audit.</p> <p>Council has continued to maintain effective governance arrangements and can show evidence of strong governance and good financial practice. The internal audit review, undertaken on the documentation provided during the visit to the Council's Offices as well as from that found online via the Council's website, has provided evidence of the overall adequacy of the financial arrangements in place within the council.</p> <p><i>For further information on the changes to Proper Practises for the year effective 1<sup>st</sup> April 2023 please refer to Governance and Accountability for Smaller Authorities in England - A Practitioners'</i></p>

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	<i>Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements - March 2023.</i>
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*Victoria S Waples*

**Date of Internal Audit Visit: 25.10.22 & 16.05.2023**

**Date of Year-end Internal Audit Report: 16.05.2023**

**Victoria S Waples, PSLCC, CiLCA, BA(Hons),  
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