

Report to Thaxted Parish Council
Annual Internal Audit of the Accounts for the Period Year Ending 31st 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 Interim Accounts for the period ending 31st March 2023 can be summarized as follows:

Income for year:	£162,364
Expenditure to date:	£156,314
Precept figure:	£128,520
Current Year Fund:	£ 40,235
Earmarked Reserve:	£347,818

The following Internal Audit work was conducted 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

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

Subject & tests conducted	Comments/Recommendations
<p>1. Proper book-keeping. Examination of</p> <ul style="list-style-type: none"> • Cashbook • Reconciliations of cashbook 	<p>The Council uses the Scribe Accounting Financial Package which is a purpose-built accounting system for town and parish councils and is able to produce reports on an Income and Expenditure basis.</p> <p>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 and the Responsible Financial Officer (RFO) has used the full suite of accounting and reporting tools associated with the package to produce clear financial management information to the Council on both a monthly and annual basis.</p> <p><i>Comment: 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.</i></p> <p>Spot checks were made and were found to be correct. Cash books are reconciled on a monthly basis. Spot checks were made and found to be correct.</p> <p><i>Comment: The RFO continues with the best practise of ensuring, for further transparency and scrutiny, that all payments and receipts are referenced with a description as to the expenditure and income being incurred to ensure the integrity of data being input and processed.</i></p>
<p>2. Payment controls. Examination of:</p> <ul style="list-style-type: none"> • Understanding of the process involved for reclaiming VAT • Expenditure controls • Internal Banking controls • Procurement controls • General power of competence • Payment of Chairman's Allowance 	<p>VAT is identified in the cash book and reclaimed on a regular basis. The VAT Assessment File for the three quarters to 31st December 2022 were seen as produced by the accounting package operated by the Responsible Financial Officer. Settlement of the account submitted for these quarters was seen and verified within the cashbook and was evidenced from the Council's bank statements. The year-end balance stands at £2406.06.</p> <p><i>Comment: in accordance with Proper Practices for authorities reporting on an income and expenditure basis the RFO has ensured that the amounts of VAT collected from customers, paid to suppliers, and payable to, or repayable by, HMRC is posted to a Creditor Account which has resulted in a balance due from HMRC.</i></p> <p>A selection of random payments were cross checked against 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</p>

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	<p>the BACS/Direct Debit system from the Council's Accounts were cross checked against cashbook, 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: The Parish Council shows good practise by ensuring that Standing Order Payments and Direct Debits incurred for the month are submitted to full council in accordance with Council's Own Standing Orders and Financial Regulations.</i></p> <p>Council continues with its procedure, in accordance with Council's Financial Regulation 6.8, of retaining a two-tier security system for payments which are settled by the BACS system. The system ensures that the instructions for each payment are signed by two authorised bank signatories.</p> <p><i>Comment: This not only protects the RFO but fulfils an internal control objective to ensure the safeguarding of public money.</i></p> <p>Council follows 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>Full Council, confirmed, at its meeting of 6th June 2019 that it fulfilled the eligibility criteria to use the power (at least two-thirds elected members and a qualified Clerk (CiLCA or higher)) for the next four years – in accordance with the Localism Act 2011, and that it was eligible to exercise the GPC as at least two thirds of the total number of councillors were elected at the ordinary election on 2nd May and that the Clerk holds the Certificate in Local Council Administration (CILCA). Council resolved that having met the above conditions, it was eligible to use the general power of competence for the next four years.</p> <p>Council operates a community grants programme which is aimed at providing financial support to organisations undertaking activities for the benefit of the residents of Thaxted.</p> <p><i>Comment: the Council operates the grants or donations within the remit of its eligibility Criteria and Funding Priorities as outlined on its website. Grants approved for the year under review can be seen on the Council's website within the minutes for the year.</i></p> <p>Approval was given at the meeting of the Finance and Establishment Committee of 9th August 2022, for the Chair's Allowance (with reference to LGA 1972 s145) to be paid.</p>
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	<p><i>Comment: Council is aware that section 15(5) of the LGA 1972 provides that Parish (and Town) Councils may, for the Chair set a reasonable allowance which will be for the purpose of enabling them to meet the expenses of their office.</i></p>
<p>3. Standing Orders & Financial Regulations</p> <p>Examination of:</p> <ul style="list-style-type: none"> • Compliance • Annual Review • Adherence • Appointment of Responsible Financial Officer 	<p>The Standing Orders, as seen on the Parish Council's website shows an adopted date of 7th June 2018 with a review date of June 2020 and are based on the latest model published by the National Association of Local Councils (2018). These were however reviewed at the meeting of 12th October 2021 and on 9th August 2022 and are compliant with legislation and have been adapted (where they are not statutory requirements) to ensure that they are relevant to the Parish Council.</p> <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. Council might also wish to note the Procurement Thresholds amendments (SI 2022/139) of the Public Contracts (Amendment) Regulations 2022 which came into force on 21st December 2022 (see below).</i></p> <p>Financial Regulations (FR), as seen on the Council's website show a review date of 21st November 2019 having been reviewed at the meeting of 9th November 2021 and again on 9th August 2022 and are based on the NALC Model Financial Regulations 2019 with provisions included as outlines under LTN 87 - Procurement – March 2022.</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 1st 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.</p>
<p>4. Risk Management.</p> <ul style="list-style-type: none"> • Annual Review and Minuted • Review of risks associated with <ul style="list-style-type: none"> ➤ Financial Management ➤ Cemetery ➤ Allotments ➤ Building/ Assets • Fidelity Guarantee Cover Insurance 	<p>At the meeting of 9th August 2022, the Finance and Establishment Committee, under delegated powers, formally reviewed its Risk Management Document and Procedure for the year 2022-2023 and resolved that no changes were required for the internal controls in place for the coming year. Council is aware that its risk assessment needs to focus on the safety of the parish council's assets and in particular its money, it needs to demonstrate on an annual basis that it has taken actions to identify and assess those risks and that it has considered what actions or decisions it needs to take during the year to manage in order to avoid financial or reputational consequences.</p>

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<ul style="list-style-type: none"> ➤ Adequate ➤ Reviewed • Internal Controls documented and regularly reviewed • Insurance Policy reviewed, cover appropriate and adequate 	<p><i>Comment: whilst Council has ensured that it has annually reviewed the risks associated with the functioning of a smaller relevant body are assessed and considered, given its current level of finances, Council is still advised to ensure that measures in place are fully explored throughout the year to provide assurance to members that there is a robust system in place which is effective and adequate for preventing members from approving or authorising fund transfers that are not supported by appropriate documentation.</i></p> <p>A review of the Council’s financial risk assessment documentation shows that there are in place specific control procedures for payments made by direct bank transfer, which, if reviewed on a regular basis, will provide reassurance that the Council has taken steps to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.</p> <p><i>Comment: Council has noted that in accordance with Regulation 6 of the Accounts and Audit Regulations 2015, it should conduct a formal review of its system of internal control and should have in place monitoring documents which would identify the risks involved with and the potential for improvements to its arrangements to protect public money. Council is advised to consider regular reviews by a non-signatory, thereby separating the roles of overview from that of authorisation, of the effectiveness of its system of internal control to ensure that it has mitigation measures in place to address the risks associated with the management of public finances.</i></p> <p>Whilst Council is operating within its own internal control, there is no formal evidence (via a minute reference) to reflect that Council formally reviewed the effectiveness of its review its Internal Control Arrangement Statement for the Year 2022 – 2023.</p> <p><i>Comment: whilst the Council has considered specific control procedures for payments by bank transfer or other electronic means and a process and mitigating action to protect the Council against payment of invoices which may show fraudulent bank account details, Council needs to undertake a formal review of its Control Statement and associated the documentation to demonstrate that it has taken steps to identify, assess and record the control mechanisms in place to ensure that all reasonable steps are taken to safeguard and protect public finances.</i></p> <p>The minutes of the meeting of 17th May 2022, demonstrate that Council reviewed the new updated insurance policy documentation and confirmed the adequacy of cover following a review of the current level of cover. Council noted that, at renewal it was in year 3 of a pre-agreed 3-year term which expires in May 2023 and that the current</p>
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	<p>insurer had indicated that they would no longer be able to support the Council’s needs and as such a new quotation was being sourced for consideration by Council’s Officers. Council’s Insurance Document was seen during the time of internal audit and the following were verified: Public / Products liability cover is £15million, Employer’s Liability cover is £10million, Business Interruption cover is £30thousand and Fidelity Guarantee is £500thousand. <i>Comment: Fidelity Guarantee (Employee’s Dishonesty) cover at £500,000 is in accordance with guidance, which provides that the cover 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 has ensured that balances and cash flow are monitored to ensure that cover is appropriate as balances increase.</i></p> <p>Premises cover is shown for six identified premises with all risk cover for items listed under generic headings for those located within the boundaries of Thaxted. Specified cover is listed for garden and maintenance machinery, defibrillator and office equipment such as laptop computers and portable electronic equipment. <i>Comment: in accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance. Overall Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money.</i></p> <p>Within the Council’s Financial Regulations, Council has ensured that it continues to abide by the Debit Card Usage system in place which details the maximum single transaction value unless authorised by council or finance committee in writing prior to any order being placed and that the card is specifically restricted to the Clerk and/or RFO.</p>
<p>5. Budgetary controls. Examination of:</p> <ul style="list-style-type: none"> • Verification of process of setting of budget • Monitoring of budget • Reserves 	<p>Full Council approved the budget for 2022-2023 at its meeting of 14th December 2021 with the revenue budget being £141,735 to be funded by precept and known income streams.</p> <p>Recommendation: whilst Council is aware that the preparation of an annual budget is one of the key statutory tasks to be undertaken by an authority, for clarity and transparency it should ensure that the level of budget is clearly evidenced in the Council’s minutes. Council is also advised to ensure that the minutes show the actual figures being approved so that there is clarity on the budget, precept and implications for Band D Council Tax.</p>

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	<p><i>Comment: Council might wish to reference the impact that the precept to be set has on a Band D equivalent when compared to the previous year.</i></p> <p>A review of the budget including detailed income and expenditure position is reported to the Finance and Establishment Committee in accordance with Council’s own Standing Orders. Evidence was seen of budget report to actual with committed expenditure and funds available breakdown. At the monthly meetings, the RFO provides expenditure breakdown by heading to full Council which ensures detailed information is received for currently funded projects.</p> <p><i>Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none">• <i>decide the form and level of detail of the budget;</i>• <i>review the current year budget and spending;</i>• <i>determine the cost of spending plans;</i>• <i>assess levels of income;</i>• <i>bring together spending and income plans;</i>• <i>provide for contingencies and consider the need for reserves;</i>• <i>approve the budget;</i>• <i>confirm the precept or rates and special levies; and</i>• <i>review progress against the budget regularly throughout the year.</i> <p>Council continues with the practise of ensuring that virements between budgets are considered by full 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 is authorised to vire monies within budgets to a maximum of £4,000 per item.”</p> <p>The Council, as at 31st March 2023, had overall reserves totalling £388,053.47 General Reserves stood at £40,235.42 with agreed Earmarked Reserves of £347,818.05. The Reserve Transfer Report for the year-end internal audit review as produced from the financial system used by the council was reviewed and transactions verified with the status of each earmarked reserve being noted as an active account.</p>
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	<p><i>Comment: Council is aware of the guidance as issued by Proper Practices which states that it is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 12 months of Net Revenue Expenditure and should ensure that the level of general reserves adopted is in accordance with its General Reserve Policy. There is no upper limit for Earmarked Reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually).</i></p> <p>Recommendation: Council should note guidance as issued under the Practitioners Guide March 2022 which states that an authority needs to adopt, as a general reserve policy, the level of reserves that are appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained.</p>
<p>6. Income controls. Examination of: ➤ Precept ➤ Other income • Debtors</p>	<p>Council received precept in the sum of £128,520 from Uttlesford District Council for the period under review on 30th April and 30th September 2022 as reported to full Council within its Financial Reports at its meetings in April and September 2022. Evidence was provided showing a full audit trail from Precept being discussed and approved 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><i>Comment: Whilst the precept was approved at the meeting of 14th December 2021 by full Council, it is recommended that the minutes, to ensure clarity and transparency, record the amount being set and whether this would equate to an increase on a Band D property. The minutes might wish to reflect the increase per household per year and the ensuing Band D Property Tax Bill for the coming year.</i></p> <p>Spot checks 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.</p> <p>Grants awarded to the Council during the year under review were verified against approval as minuted and coded within the accounting system of the Council. Council received grants for works to the Guildhall with further grants such as the Cost-of-Living Grant and Grants for the Platinum Jubilee Celebrations used to / will be used to provide amenities, facilities and celebratory events for the parish of Thaxted.</p> <p>Currently all regular users of the market holders pay their rents via the Banking Automated System direct into the Council's bank account. There is only one market rent that continues to pay by cash to the Parish Council Office. Whilst the RFO provides a</p>

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	<p>receipt for such monies and arranges for the prompt banking of the cash received it is considered that generally there is an insufficient audit trail for the treatment of all transactions arising from market rents.</p> <p>Recommendation: Council is advised to ensure that appropriate controls procedures and documentation are in existence for the renting of market stalls to allow for a clear audit trail through invoicing and recovery of all such income.</p> <p>A cross check of money received via the banking system against a list of Allotments Holders was conducted and found to be in order. Annual invoices are raised against the appropriate signed tenancy agreements and debtors are adequately monitored.</p> <p>A review of the “Aged debtor” listings was undertaken with assurances given that appropriate follow up action is in place for the outstanding accounts with the parish council.</p> <p>At the meeting of 22nd October 2020, the Finance and Establishment Committee in its consideration of annual rent review resolved to set a price for new allotment holder rent and to a nil increase for existing tenants. All other rents, hire of the Recreation Ground and rent for market pitches were also agreed to be kept at the same level with no rise for 2021/22. From a review of the minutes for the year 2022/23 there does not appear to have been any formal review of the charging schedule of fees for the above income stream.</p> <p>Recommendation: Council might wish to ensure that where it has self-generated income (other than the precept) it should consider situations that may lead to a loss of revenue as well as increased costs and ensure that appropriate measures are put in place to account for significant impacts to this revenue stream. Council should be mindful of its own Financial Regulation 9.3 which requires all fees and charges to be reviewed on an annual basis.</p>
<p>7. Payroll controls. Examination of:</p> <ul style="list-style-type: none"> • Management of payroll • PAYE/NIC system in place • Compliance with HMRC procedures • Records relating to contracts of employment • Compliance with Pensions Duties 	<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) as administered by Essex County Council.</p> <p>At the period end Council had three employees on its payroll, one of which is a member of the Local Government Pensions Scheme as operated by Essex County Council. The payroll function is carried out by J & M Payroll Services and is operated in accordance</p>

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<p>• Treatment of expenses</p>	<p>with HM Revenue and Customs guidelines. Cross-checks were completed on a sample of payments covering salary, PAYE and pension contributions and these were all found to be in order. In accordance with Proper Practices, 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: There are robust 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>Salaries are paid in accordance with contracted hours worked and timesheets for office staff and labour including those for overtime were seen.</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.</i></p> <p>At the meeting of the Finance and Establishment Committee Meeting of 20th October 2022, Council approved a Flexible Working Request as a change to the Clerk’s permanent contract and approved the business case for the role of Assistant Clerk. Employment to this role was confirmed as commencing 31st January 2023.</p> <p>Council is aware of its pension responsibilities with one member of staff being member of the Essex County Council Local Government Pensions Scheme.</p> <p><i>Comment: Council is aware that every three years an employer must put certain staff back into a pension scheme. This is known as ‘re-enrolment’. This is an employer’s legal duty and Council’s must let the Pension Regulator know when they have completed the task by completing and submitting a re-declaration of compliance. The Council’s date for re-enrolment is noted as 11th April 2023.</i></p> <p>During the internal audit review, it was noted that Council is considering the adoption of an Expenses Policy with a section for Care Costs/Allowances for Carers.</p> <p><i>For consideration: Council should note that whilst Regulation 7, of The Local Authorities (Members’ Allowances) (England) Regulations 2003 provides for payment of a dependants’ carers’ allowance, under Regulation 3 it is limited to certain types of authorities and does not include parish councils. Reference: https://www.legislation.gov.uk/uksi/2003/1021/contents/made. Should the Parish Council approve an allowance, in accordance with the provisions of the Act, it should note</i></p>
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	<p><i>that the amount of that allowance payable must be to each member of the authority and should be the same for each member. This may be different to the allowance paid to the Chair to offset any costs incurred in the carrying out their role. If the parish council decides to pay a parish basic allowance, whether to its chairman only or to each of its members, it must have regard, in setting the level or levels of such allowances, to the recommendations which have been made in respect of it by a parish remuneration panel in accordance with Regulation 28.</i></p>
<p>8. Petty cash/expenses procedure. Examination of:</p> <ul style="list-style-type: none"> • System of control • Supporting documentation 	<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 in the petty cash book. Petty cash reconciliations are conducted 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 off site.</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.</i></p>
<p>9. Bank reconciliation. Examination of:</p> <ul style="list-style-type: none"> • Reconciliations • Cashbook • Bank Statements 	<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 Parish Council and Finance and Establishment Committee Meetings.</p> <p><i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flow which aids decision-making, particularly when there are competing priorities. In accordance with Proper Practices.</i></p> <p>Council is reminded of Proper Practices which state that bank reconciliations should be prepared routinely, subject to independent scrutiny and signed by members. Section 5.18 states that “It is a requirement of the current model financial regulations that bank reconciliations be prepared regularly, approved by members and signed as part of the regular minute record”.</p> <p><i>Comment: as previously advised, Council should consider the benefits of implementing a system whereby the Chair of the Finance and Establishment Committee independently reviews the bank reconciliation and confirms, via a minute reference, that such a review has taken place. This is not only good practice but is also a safeguard for the RFO and fulfils one of the authority’s internal control objectives.</i></p>

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	<p>Reconciled bank balances as at 31st March 2023 agree with the year-end bank statements and the data obtained from the financial accounting system used by the RFO and stand at £390,333.39 which are broken down as follows: Current Account: £12,163.90 Direct Savings Account: £378,044.84 Petty Cash: £124.65</p> <p>Recommendation: Council’s Investment Policy, as seen on the website has an adoption date of November 2017 and Council should consider reviewing the current policy during the coming year ensuring that Council follows guidance on its investments as issued by the Secretary of State under section 15(1)(9) of the LGA 2003 (third edition) which states that all councils that have investments in excess of £100,000 should have in place an investment strategy.</p>
<p>10. Asset control. Examination of:</p> <ul style="list-style-type: none"> • Asset Register • Checks on existence of assets • Recording of fixed asset valuations • Cross checking on insurance cover 	<p>The Asset Register for year-end reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. The Asset Register currently stands at £1,195,030 (rounded) which shows nil movement during the year. A number of assets have been stated as at the Insurance Value and where assets have been gifted or where there is no known value 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 were 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>The minutes of the Finance and Establishment Committee of 9th August 2022 confirmed that work was underway to integrate the register digitally with an existing software provider in a rolled-out approach throughout 2022/23. The register, as integrated with the Council’s existing financial software was reviewed during the internal audit with evidence seen that overall the register has been fully integrated.</p> <p>At the Annual Meeting of the Council in May 2022, confirmation was given of the adequacy of cover of insurance for the ensuing year with the minutes of the meeting of the Finance and Establishment Committee of 9th August 2022 demonstrating that the committee would be tasked with the exercise of future control over the insurance of its property and liabilities, specifically the costs associated with council’s insurance policy.</p>

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<p>11. Internal Audit: Examination of:</p> <ul style="list-style-type: none"> • Reporting of Previous Internal Audit Reports • Review of internal audit • Appointment of internal auditor 	<p>The Internal Audit Report for the period ending 31st March 2022 was formally considered and approved by the Parish Council at the meeting of 14th June 2022 at which the RFO was authorised to conduct necessary actions in accordance with the recommendations raised within the report.</p> <p>The following recommendations as raised in the internal audit report for the period ending 31st March 2022 having been considered by the Finance and Establishment Committee and are in the process of being implemented:</p> <ol style="list-style-type: none"> 1. Annual reviews all of internal controls and financial regulations to ensure that the risks associated with the functioning of a smaller relevant body are assessed and considered. 2. Formal review of the effectiveness of the system of internal control and implementation of monitoring documents which would identify the risks involved with and the potential for improvements to its arrangements to protect public money. 3. Adoption of a General Reserve Policy as recommended under the Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices March 2022. 4. Treatment of Apologies <p>In accordance with the Accounts and Audit Regulations 2015, the Parish Council formally reviewed the scope and effectiveness of its internal audit arrangements within the meeting at which the independent internal auditor was appointed for the year under review.</p> <p>Mrs Waples was appointed to act as the parish council's independent internal auditor, for the year 2022-2023 at a meeting of full Council of 14th June 2022. At the meeting of 8th November 2022, Council approved the recommendation to have an interim internal audit in January / February to provide assurance that the financial and management systems of the council were sound and adequate and internal control arrangements were efficient and effective. A letter of engagement has been provided to the Council detailing the provision of audit services for the year 2022-2023 covering both the interim and annual internal audit.</p> <p><i>Comment: Council has understood that it should have a letter of engagement detailing roles and responsibilities for internal audit, audit planning and timing of visits, reporting requirements; access to information; period of engagement and remuneration.</i></p>
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	<p>The interim internal audit as carried out on 21st March 2023 is still to be presented to full Council and accordingly the comments and recommendations of that report have been incorporated into this report and combined as one overall report.</p>
<p>12. External Audit Examination of:</p> <ul style="list-style-type: none"> • Reporting of External Audit Report 	<p>The External Auditor’s Certificate and Report for the year ending 31st March 2022 was considered by the Parish Council at its meeting of 27th September 2022. A review of the External Audit Certificate on the Council’s website notes that whilst the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to their attention giving cause for concern that relevant legislation and regulatory requirements have not been met, the following are to be noted:</p> <p>“The AGAR was not accurately completed before submission for review. Please ensure that amendments are corrected in the prior year comparatives when completing next year’s AGAR:</p> <ul style="list-style-type: none"> • Trust fund transactions and balances have not been excluded from the figures in Section 2. Boxes 1 and 7 for the current year should read £377,476 and £383,682 respectively”. <p>The report further states that whilst there were no matters which necessitated the issuing of a separate report, the following comment was also made:</p> <p>“The smaller authority has confirmed that it has not complied with the governance assertion in Section 1, Box 5, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified. This is consistent with the Internal Auditor’s response to Internal Control Objective C.”</p> <p>In accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, it is confirmed that the Council did comply with the requirements of the Accounts and Audit Regulations 2015 for the year ending 31st March 2022 as it published the following on its website:</p> <p>Annual Internal Audit Section 1 - Annual Governance Statement Section 2 - Accounting Statements Section 3 - The External Auditor Report and Certificate Notice of the period for the exercise of public rights and other information required by Regulation 15(2) Accounts and Audit Regulations 2015.</p> <p><i>Comment: Council might wish to note that there is a requirement to ensure that Sections 1, 2 and 3 are published and remain available for public access for a period of not less than 5 years from the date of publication.</i></p>

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<p>13. Year-end procedures. Examination of:</p> <ul style="list-style-type: none"> • Appropriate accounting procedures used • Bank Statements and Cash Book agree • Debtors and Creditors properly recorded • Has the appropriate end of year Annual Governance and Accountability Return (AGAR) documentation been completed? • Intermediate level review procedures • Where an authority certified itself exempt in 2021/22 did it met the exemption criteria and correctly declared itself exempt? • Was there the opportunity provided for the exercise of electors’ rights during Summer 2022? • Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015. 	<p>Accounts are produced on an income and expenditure basis. All were found to be in order. There is an underlying financial trail from financial records to the accounts produced. Debtors and creditors have been properly recorded. Council has ensured that its records detail the assets and liabilities of the authority including the asset and investment register and record of loans and other debts.</p> <p>Year-end balances agree with cash book and bank reconciliations: Debtors: -£60.00 Prepayments: £1085.00 VAT Account: £2,406.06 Bank Accounts: £390,333.39 Total Assets: £393,764.45 Creditors: £5,710.98 Represented by: Total Reserves: £388,053.47</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.</p> <p>The AGAR is still to be formally presented to full Council for approval prior to submission to the External Auditors although it is noted that the Draft Annual Accounts were submitted to full Council at its meetings of 11th May and 8th June 2023. The annual accounts as produced by the financial accounting software was examined and the following figures agreed with those submitted by the RFO for inclusion in Section 2 Accounting Statements 2022 – 2023 (rounded for purposes of the Return) and it is upon these figures that the internal audit review was completed. The Internal Auditor has completed the Annual Internal Audit Report 2022/23 within the AGAR.</p> <table border="1" data-bbox="884 1117 1871 1484"> <tr> <td>Balances brought forward (01.04.22)</td> <td>Box 1</td> <td>382,004</td> </tr> <tr> <td>Annual Precept 2022/23</td> <td>Box 2</td> <td>128,520</td> </tr> <tr> <td>Total Other Receipts</td> <td>Box 3</td> <td>33,844</td> </tr> <tr> <td>Staff Costs</td> <td>Box 4</td> <td>40,988</td> </tr> <tr> <td>Loan Interest / Capital Repayments</td> <td>Box 5</td> <td>0</td> </tr> <tr> <td>Total Other Payments</td> <td>Box 6</td> <td>115,326</td> </tr> <tr> <td>Balances Carried Forward</td> <td>Box 7</td> <td>388,053</td> </tr> <tr> <td>Total Cash and Investments</td> <td>Box 8</td> <td>390,333</td> </tr> <tr> <td>Total Fixed Assets (<i>as amended</i>)</td> <td>Box 9</td> <td>1,195,030</td> </tr> <tr> <td>Total Borrowings</td> <td>Box 10</td> <td>0</td> </tr> </table>	Balances brought forward (01.04.22)	Box 1	382,004	Annual Precept 2022/23	Box 2	128,520	Total Other Receipts	Box 3	33,844	Staff Costs	Box 4	40,988	Loan Interest / Capital Repayments	Box 5	0	Total Other Payments	Box 6	115,326	Balances Carried Forward	Box 7	388,053	Total Cash and Investments	Box 8	390,333	Total Fixed Assets (<i>as amended</i>)	Box 9	1,195,030	Total Borrowings	Box 10	0
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	<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>It is noted that for the year 2021-2022, whilst Council provided for the exercise of elector’s rights during Summer 2022 and whilst the dates set were in accordance with the period specified within the Accounts and Audit Regulations 2015, 20th June to 29th July 2022, the date of the notice is not less than 1 day before the commencement date of 20th June 2022.</p> <p><i>Comment: Council is advised to ensure that it follows guidance on the setting of the dates and ensure that the date of notice is as per instructions which state that the date of placing of the notice must be not less than 1 day before the date upon which the period commences.</i></p> <p>The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 and published the following for the year 2021/22 on a publicly accessible website: Annual Internal Audit Report of the AGAR Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – The External Auditor Report and Certificate Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</p>
<p>14. Transparency Code. Examination of:</p> <ul style="list-style-type: none"> • Transparency code requirements 	<p>To ensure full compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), Council should be aware of the following publication timescales:</p> <p>quarterly: individual items of expenditure that exceed £500 (currently published on an annual basis); Government Procurement Card transactions; Invitations to tender for contracts over £5,000; Details of contracts that exceed £5,000;</p> <p>annually: details of all land and building assets; Grants to Voluntary, Community and Social Enterprise Organisations; Organisational Chart</p> <p><i>Comment: this Code applies to local authorities, including parish councils with annual income or expenditure (whichever is the higher) over £200,000 and are mandatory provisions. Whilst Thaxted Parish Council is not subject to the Local Government Transparency Code 2015, in light of its commitment to openness and transparency, Council is advised to consider maintaining and monitoring the Council’s website so that it is updated regularly with the above information.</i></p>
<p>15. General Data Protection Regulations (GDPR). Examination of:</p>	<p>The Council is correctly registered with the Information Commissioner’s Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Council has taken</p>

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<ul style="list-style-type: none"> • ICO Registration • Compliancy with GDPR requirements 	<p>active steps to ensure compliancy with the GDPR requirements and has produced a comprehensive suite of policies that provide clear responsibilities and obligations of Thaxted Parish Council in respect of the collecting, using and protecting of personal information in accordance to the provisions of the GDPR.</p> <p><i>Comment: The documentation on the Parish Council’s website covers the framework that the public can expect for dealing with 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.</i></p>
<p>16. Responsibilities as a Trustee Examination of</p> <ul style="list-style-type: none"> • Council’s role and responsibilities under Charity’s Acts • Submission of returns to Charity Commission 	<p>The Council acts as a sole trustee for the Recreation Ground Charity (Charity Number 301411). The Council however does not hold separate meetings to discuss matters covering the Trust’s transactions. It is noted that the accounts for the year ending 31st December 2022 was filed with the Charity Commission’s Register of Charities on 4th August 2022.</p> <p>Recommendation: Council should note that the Charity Meetings and Accounts should be recorded separately from those of the council and an annual review should be undertaken of the level and activity of the charity along with an independent examination (Sections 1.41 and 5.110-5.115 of the Practitioners Guide 2022 refers). Council is advised to take appropriate action to separate the Charity’s accounts from that of the Parish Council.</p> <p>It is noted that at the meeting of 8th November 2022, full Council agreed to the separation of Guildhall Finance from the Parish Council accounts by the end of the financial year. However at the meeting of 13th December 2022, the Clerk reported that a Dissolution clause had been requested on 15th November 2022 to be added to ensure proper accounting of the charitable trust. It is understood that this has still to be confirmed by the Charity Commission.</p> <p>Recommendation: As council has not separated the financial accounts of the Trust from those of the parish council, it is recommended that it answers in the negative to 11b and provides an explanation to the external auditor indicating that the accounts are combined and that a Dissolution clause has been so submitted.</p>
<p>17. Additional comments. Examination of:</p> <ul style="list-style-type: none"> • Annual Meeting • Signing of Declaration of Acceptance of Office • Register of Interests 	<p>Council held its Annual Meeting of the Parish Council on 17th May 2022 with the election of the Chair the first item on the agenda in accordance with legislation. At the same meeting Council reviewed and agreed all of its committee titles including membership numbers, Chairs of and appointments to its Standing Committees: Finance and Establishment Committee; Assets & Services Committee; Planning Committee; Guildhall</p>

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<ul style="list-style-type: none"> • Minutes • Openness of Local Government Bodies Regulations 2014 • Policies • Accessibility for websites and Mobile Applications • Use of secure email 	<p>Management Committee and Thaxted Local Plan Committee. Appointments were also made to Working Groups set up for specific projects and appointments made for Council representatives to the committees or organisations upon which the Council had a seat. <i>Comment: in accordance with legislation, council has delegated the performance of a number of its statutory and legal responsibilities to a number of its committees in accordance with section 101(1) of the 1972 Act ensuring that each committee is acting for and on behalf of the council.</i></p> <p>In accordance with section 83(4) of the 1972 Act, Council has ensured that all Councillors, on being elected to office, have signed a declaration of acceptance of office in the presence of another councillor or the clerk. This was done before or at the first meeting of the council after the election, and where permitted by the council at that meeting, by a later date fixed by the council.</p> <p>Evidence was seen on the Town Council’s website of a direct link to the District Council’s website for the Register of Interests for all current Town Councillors.</p> <p>In accordance with the Local Government Act 1972 Schedule 12 para 41 (1), Council is aware that the looseleaf minutes and associated documents of the parish council should be initialled and signed by the person chairing the meeting at the time of signature which ensures their lawful providence. During the year under review, at each meeting the Council has approved the minutes and given further approval for the minutes to be digitally signed after the meeting. <i>Comment: Council might wish to note that LGA 1972 Schedule 12, paragraph 41 allows for the minutes of the proceedings of meetings of a local authority to be recorded on loose leaves consecutively numbered and consideration should be given for the implementation of such a system.</i></p> <p>Whilst the minutes show apologies given (where applicable), there is no formal record to show that Council has approved the apologies submitted. <i>Comment: it is noted that this is an outstanding recommendation from 31st March 2022 and Council is reminded of the provisions of s85 of the 1972 Act. NALC LTN 5 provides further clarity on this matter including the good practice of seeking approval for an apology in writing. NALC also includes ‘Apologies and approval of absences’ in their sample agenda on page 161 of Local Councils Explained and addresses the process in paras 27-29 of LTN 5.</i></p>
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	<p>The Openness of Local Government Bodies Regulations 2014 were enacted on 5th August and came into force on 6th 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>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.</p> <p><i>Comment: Council has reviewed the provisions of the Regulations to ensure that it is compliant and has produced an Accessibility Statement detailing how information will be produced on its website and how to gain access to content that is not readily accessible.</i></p> <p>A review of the Council’s adopted policies as seen on the website was undertaken during the internal audit review. As previously reported, Council agreed that all policies are to be reviewed on a two-yearly basis unless legislation requires otherwise. It is expected that a number of policies will be brought back for review during the year 2023-2024.</p> <p><i>Comment: To ensure clarity on the relevance of each policy, Council might wish to add review details on each document thereby demonstrating that they are regularly reviewed, fit for purpose, and adhered to.</i></p> <p>Council has a .co.uk domain for its council website which also supports a secure and digitally managed email system.</p> <p><i>Comment: Council is aware of the importance of ensuring that it uses a secure e-mail system 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 such a domain name be used to support council’s official email accounts for officers and councillors.</i></p>
<p>18. Summary</p>	<p>The Internal Auditor offers her appreciation for the assistance given by the Clerk in completing this audit. Acknowledging that the primary role of the internal auditor is to provide independent, objective assurance to Members and management that key risks are being managed effectively, a number of comments and recommendations have been made in the light of the year ending 31st March 2023 with areas identified that should be expanded to provide independent assurance that the Council’s risk</p>

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	<p>management, governance and internal control processes are operating effectively.</p> <p><i>For further information and for the year effective 1st April 2023 please refer to Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements - March 2023.</i></p> <p>Whilst it is for the Council to determine how to handle the appointment of its officers to ensure that they carry out the proper discharge of their functions, given the level at which the Council is operated and with reference to current workloads, Council might wish to consider whether it might be beneficial to split the role of Clerk and Responsible Financial Officer (RFO). In parishes of a similar size, given the specific roles and responsibilities of each post, the role of Clerk and RFO are often split into two separate functions. Council might wish to explore whether it might be beneficial to appoint an RFO to support the council in relation to internal controls, account auditing and budgetary preparation along with the day-to-day financial administration and statutory obligations.</p>
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Victoria S Waples

Date of Internal Audit Visits: 21.03.23 & 20.06.23

Date of Internal Audit Report: 20.06.2023

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