

Report to Hacheston Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2021

1. Introduction and Summary.

1.1 The Internal Audit for the year 2020/21 was undertaken during a period of time when many restrictions were still in place following the covid-19 pandemic; there were continuing restrictions on people meeting and working away from home and social distancing was still in place.

1.2 Accordingly, the essential information required for the completion of the Internal Audit was e-mailed by Mrs Jane Page, the Council's Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. This detailed Audit Report, and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR), were completed accordingly. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the reports in order that they can be addressed at a later date, either at the next scheduled internal audit or when circumstances permit.

1.3 The Internal Audit work undertaken confirmed that during the 2020/21 year the Council continued to maintain effective governance arrangements including a robust framework of internal control. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.4 By examination of the 2020/21 accounts and supporting documentation it was confirmed that the Clerk, in the role of the Council's RFO, satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

1.5 The Accounts for the year confirm the following:

Total Receipts for the year: £9,629.49
Total Payments in the year: £12,105.99
Total Reserves at year-end: £6,336.09

1.6 The Annual Governance and Accountability Return was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £8,813</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £7,300</i>
<i>Total Other Receipts:</i>	<i>Box 3: £2,329</i>
<i>Staff Costs:</i>	<i>Box 4: £3,432</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £8,674</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £6,336</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £6,336</i>
<i>Total fixed assets:</i>	<i>Box 9: £9,593</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.7 The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within the AGAR.

1.8 The following Internal Audit work was carried out on the adequacy of systems of internal control. Comments and any recommendations arising from the review are made below.

2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation).

2.1 The Annual Parish Council meeting was held on 11 May 2020 and was conducted electronically through the Zoom platform due to the covid-19 pandemic. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972. The Council provided delegated authority to the Clerk/RFO to sign documents on a case-by-case basis as a result of the covid-19 emergency (Minute 5.1 refers).

2.2 New Regulations brought into effect as a result of the covid-19 pandemic enabled local councils to hold remote meetings (including by video and telephone conferencing) until May 2021. The Council accordingly continued to hold video conferencing meetings during 2020/21.

2.3 The Council demonstrates good practice by publishing a description of its overall governance arrangements on the Council's website.

2.4 The Council appointed Mrs Jane Page CiLCA, as Clerk and Responsible Financial Officer (RFO) at its meeting on 3 September 2018 (Minute 5.3 refers). Mrs Page commenced her duties with effect from 17 September 2018.

2.5 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. The Council confirms in its Minutes that the Minutes of the previous meeting have been approved and signed.

2.6 Standing Orders are in place, having been adopted by the Council at its meeting on 5 March 2018 (Minute H2018015 refers). A copy of those Standing Orders has been published on the Council's website. In July 2020 the National Association of Local Councils (NALC) published up-dated Model Standing Orders (entitled Model Standing Orders 2018 for England - revised 2020). The Clerk/RFO has advised Internal Audit that these latest model Standing Orders have been adopted by the Council although a Minute confirming the adoption was not made at the time of adoption.

2.7 Financial Regulations are similarly in place, the Council having adopted, at its meeting on 11 May 2020, the Model Financial Regulations published in August 2019 by NALC (Minute 5.5 refers). A copy of the Regulations has been published on the Council's website. The more recent up-date to the footnote of Financial Regulations item 11.1(c) can be included at the Council's next review of Financial Regulations.

2.8 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under Data Protection legislation (Registration ZA428414 refers, expiring 4 July 2021). The Clerk/RFO reported to Council on 13 July 2020 on the renewal of the registration (Minute 9 refers). The Council's contact address for the Council's Data Protection Officer on the ICO Registration displays the contact details for the previous Clerk in The Street, Hacheston. The Clerk/RFO has confirmed that the ICO has been advised of the current details.

2.9 At its meeting on 14 May 2018 the Council approved a Data Protection Policy to demonstrate compliance with the General Data Protection Regulations (GDPR) which took effect from 25 May 2018. At the meeting held on 18 June 2018 the Council agreed a Resolution that provided for a Privacy Policy to be created as an addendum to the Data Protection Policy (Minute 4.2 refers). The Clerk/RFO has advised the Internal Auditor that the Data Protection Policy and Privacy Notice will be provided to the webmaster for publication on the Council's website in order to inform residents and to enable transparency in the Council's response to GDPR.

2.10 The Council agreed to adopt the revised Suffolk Local Code of Conduct at its meeting on 7 July 2014 (Minute item 11.2 refers). At the meeting on 13 July 2020 the Council was advised that a new model Code of Conduct for Councillors was being consulted upon and it was agreed that the Clerk/RFO would complete the on-line consultation on behalf of the Council (Minute 5.3 refers).

2.11 A Community Infrastructure Levy (CIL) Annual Report for 2020/21 has been completed by the Clerk/RFO and published on the Council's website. The Report confirmed the total CIL Receipts as £5,290.38 and total CIL Expenditure as £5,154.60, being applied to the Speed Indicator Device (£3,381.60) and the Bus

Shelter Renovation (£1,773). A balance of £135.78 (displayed as £135.38) is retained at the year end 31 March 2021.

Recommendation 1: The Community Infrastructure Levy (CIL) Annual Report 2020/21 requires a minor correction to the balance retained as at 31 March 2021 prior to its submission to the District Council by 31 December 2021.

2.12 New website accessibility regulations came into effect from 23 September 2020. It is good practice for local councils to publish a Website Accessibility Statement to detail what the Council has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible, or where there would be a disproportionate burden to secure full accessibility, with contact details to report accessibility problems.

Recommendation 2: The Council should consider constructing and publishing a Website Accessibility Statement which will include website navigation and accessing information and disclose any areas which are exempt from the Regulations or may involve a disproportionate financial burden to achieve full accessibility.

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

3.1 The Cashbook Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO.

3.2 The Spreadsheet provides detailed evidence in support of the receipts and payments in the year. As a result of the Internal Audit for 2020/21 being conducted remotely/electronically, the supporting vouchers, invoices and receipts were not examined in detail and a sample of the 2020/21 transactions should be undertaken at the next scheduled audit or when circumstances permit. The Clerk/RFO has confirmed to Internal Audit that payments made in 2020/21 were supported by invoices/vouchers.

3.3 Payments made under the Local Government Act 1972 Section 137 in the year of account are separately identified in the Cashbook and the End-of-Year Accounts. A total amount of £1,519.96 has been recorded under Section 137 payments, within the maximum limit of £8.32 per registered elector.

3.4 VAT payments are similarly tracked and identified within the Cashbook and End-of-Year Accounts to assist future re-claims to HMRC. The Clerk/RFO reported to Council on 13 July 2020 that the VAT re-claim of £36.05 had been received from HMRC (Minute 9 refers).

3.5 A Statement of Variances (explaining significant differences in receipts and payments between the years 2019/20 and 2020/21) has been prepared by the Clerk/RFO for publication on the Council's website.

Recommendation 3: The Statement of Significant Variances requires careful review as the entries in the 'Variance' Column and the '% Variance over 10%' Column in respect of Expenses, Training, Section 137 and Miscellaneous need minor corrections before publication on the Council's website.

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

4.1 The bank statements for the Barclays Bank Community Account (dated 24 March 2021) and the Barclays Bank Business Premium Account (also dated 24 March 2021) reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

Recommendation 4: As the bank statements used in the Bank Reconciliation are dated 24 March 2021, the Council will need to confirm whether any transactions passed through the bank accounts during the period 25 March 2021 and 31 March 2021 which will require the accounts and the bank reconciliation to be amended in any way.

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

5.1 The Council continues to ensure that its internal control and internal audit procedures are regularly reviewed. A comprehensive Risk Assessment document is maintained. At the meeting held on 8 March 2021 the Council undertook a formal and detailed review of Internal Control policies and procedures and the arrangements for Internal Audit (Minutes 5.2 - 5.5 refer).

5.2 The Council accordingly complied with the Accounts and Audit Regulations 2015 which require a formal review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, which includes the arrangements for management of risk, with the review being Minuted accordingly.

5.3 Insurance was in place for the year of account. Insurance cover was considered by the Council at its meeting on 14 September 2020, when it was agreed to take out a 3-year long-term agreement ending 30 September 2023 (Minute 5.2 refers). The renewal payment of £186.74 to CAS Insurance was approved by the Council at its meeting on 9 November 2020 (Minute 9 refers). The insurance policy includes cover for Public Liability and Employer's Liability (£10m. cover for each) The Fidelity (Fraud and Dishonesty) cover stands at £25,000, which meets the current recommended

guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants received.

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

6.1 Hacheston Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://hacheston.onesuffolk.net> on which the Council's information is being published.

6.2 Smaller authorities should publish on their website:

- a) *All items of expenditure above £100. Payments are included within the Council's published Minutes.*
- b) *Annual Governance Statement: 2019/20 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2019/20 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report: within 2019/20 AGAR Annual Return. Published on website.*
- e) *List of councillor or member responsibilities. Published on website.*
- f) *The details of public land and building assets (Asset Register). Published on website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

6.3 The Council is meeting the requirements of the Transparency Code.

6.4 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 required the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. The Internal Auditor was able to confirm that the document for the year 2019/20 was readily accessible on the Council's website and displayed the Date of Announcement, Details of Person to contact to view the accounts and the Details of the person making the announcement.

6.5 It was noted, however, that the period when the documents were made available was 20 August 2020 to 20 September 2020, a total of 21 working days (under the Regulations, working days do not include weekends and bank holidays). The regulations require at least 30 working days are made available for public inspection. Accordingly, the Internal Auditor will be required to enter 'No' against assertion M in the Annual Internal Audit Report in the AGAR. Similarly, the Council will be required to enter 'No' against assertion 4 in Section One of the Annual Governance Statement in the 2020/21 AGAR.

Recommendation 5: The Council should ensure that all requirements of the Public Rights of Inspection, including the statutory number of working days for inspection, are met in respect of the 2020/21 Accounts.

6

TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tcbrown01@yahoo.co.uk

6.6 The Internal Auditor has to certify within the AGAR Annual Internal Audit Report 2020/21 that the Council complied with the publication requirements for the 2019/20 AGAR (listed under the AGAR page 1 Guidance Notes). The Internal Auditor was unable to identify from the Council's website that the Certificate of Exemption, Analysis of Variances and Bank Reconciliation for the 2019/20 year had been published.

Recommendation 6: The Council should ensure that all the publication requirements for the 2020/21 AGAR (listed under the AGAR page 1 Guidance Notes) are met in respect of the 2020/21 Accounts.

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

Precept 2020/21: £7,300.00 (13 January 2020, Minute 5.2 refers).

Precept 2021/22: £7,600.00 (13 January 2021, Minute 5.1 refers).

7.1 The precepts were agreed in Full Council and the precept decision and amounts have been clearly Minuted. Budget papers were prepared to ensure Councillors had sufficient information to make informed decisions. The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves.

7.2 Good budgetary procedures are in place. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. A Preliminary Budget for the year 2020/21 was considered and agreed by the Council at its meeting on 4 November 2019 (Minute 5.1 refers). The Budget was confirmed by the Council at its meeting on 13 January 2020, when the Precept was formally agreed.

7.3 Similarly, a Preliminary Budget for the year 2021/22 was reviewed by the Council at its meeting on 9 November 2020 (Minute 5.1 refers). The Budget was confirmed by the Council at its meeting on 13 January 2021, when the increase in the Precept was formally approved.

7.4 The Reserves of £6,336.09 available to the Council at the year-end were appropriate. As at 31 March 2021 the Council maintained sufficient general reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

8. Income Controls (*regarding sums received from Precept, Grants, Loans and other income*).

8.1 The Receipts recorded in the Cashbook Spreadsheet consisted of Precept (£7,300), the VAT Reclaim (£36.05), CIL Receipts (£2,292.88) and Bank Interest (£0.56).

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

9.1 No Petty Cash is held; an expenses system is in place, with cheques prepared for expenses incurred.

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

10.1 The Council noted at its meeting on 8 March 2021 that the Payroll Services Provider, Lynn Sheppard of Ladywell Accountancy Services was retiring. The Council agreed that Payroll Services would be carried out by the Suffolk Association of Local Councils (SALC) following Lynn Sheppard's retirement (Minute 5.8 refers).

10.2 At its meeting on 9 November 2020 the Council agreed the increase in the Clerk/RFO's salary to £14.42 per hour from 1 April 2020 (SCP 23) and for the appropriate budget to be provided (Minute 5.1 refers). Detailed pay slips, itemising the salary payments and any PAYE and NI payments that become due, were completed by Ladywell Accountancy Services, which undertook the necessary pay calculations.

10.3 The P60 End of Year Certificate for the Clerk/RFO was presented to the Internal Auditor for examination.

10.4 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to the Council at its meeting on 2 September 2019 that a re-declaration of compliance under the Pensions Act 2008 had been made, as required by the Pensions Regulator (Minute 9 refers). (The re-declaration of compliance confirms to the Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

11. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).

11.1 The Council confirmed at its meeting on 13 January 2020 that the Asset Register was last reviewed in July 2019 and is kept up to date (Minute 5.6 refers). It is good financial practice for the Asset Register to be presented to the Council each financial year to confirm and approve the entries in the Register.

11.2 As at 31 March 2021 the Asset Register displays a total value of £9,593.94, an increase of £2,818 from the end of the previous year, 31 March 2020, and reflects the acquisition of a Speed Indicator in September 2020.

11.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent value, year-on-year. The Register records the original purchase cost (or a proxy cost where the original cost is not known).

11.4 The value of the Assets has been correctly placed in Box 9 of Section 2 of the AGAR (rounded for purposes of the Return).

12. Year End procedures (*Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate*).

12.1 End-of-Year accounts are prepared on a Receipts and Payments basis. A number of minor items were corrected by the Clerk/RFO during the audit, following which the accounts were found to be in good order. Sample audit trails were undertaken and were found to be in order.

13. Internal Financial Controls, Payments Controls and Audit Procedures (*Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented*).

13.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides detailed financial reports to Council meetings, including bank account balances. Councillors are provided with information to enable them to make informed decisions.

13.2 Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework. The Clerk/RFO has confirmed that all Cheque Book counterfoils and paid invoices/vouchers are initialled by cheque signatories as a matter of routine. This area of control was not examined due to the Internal Audit being conducted remotely/electronically but can be test-checked at the next scheduled audit or when circumstances allow.

13.3 The Internal Audit report for the previous year (2019/20) was received by the Council at its meeting on 11 May 2020 (Minute 5.4 refers). The report had raised no matters of concern.

13.4 The Council formally appointed the Internal Auditor for the 2020/21 year at its meeting on 13 January 2021 (Minute 5.7 refers).

14. External Audit (*Declaration of Exemption completed or recommendations put forward/comments made by External Audit following the annual review*).

14.1 An External Audit was not required in the year 2019/20. At its meeting on 11 May 2020 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year (Minute 5.3 refers).

14.2 Similarly, as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2021, the Council is able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Clerk/RFO has accordingly prepared a draft Certificate of Exemption from a Limited Assurance Review for the year 2020/21, for approval by the Council and for submission to PKF Littlejohn LLP.

15. Additional Comments.

15.1 I would like to record my appreciation to Mrs Page, the Clerk to the Council, for her assistance and for providing the essential financial and other information electronically in order that the Internal Audit could be undertaken.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

6 April 2021