

## **Report to Hacheston Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2022**

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

1.1 The Internal Audit for the year 2021/22 was undertaken in November 2022. The Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) has to be completed by the Council's appointed Internal Auditor. The information required for the audit had largely to be constructed by the Council's current Clerk/RFO, Mrs Lydia Kirk, as a result of the limited financial and other information in the year being made available to her.

1.2 It is clear that Mrs Kirk has had to undertake a significant amount of work to prepare the Council's accounts and other essential information and data for audit examination. Following her work, this detailed Internal Audit Report, and the Annual Internal Audit Report within the AGAR, were able to be completed.

1.3 For the year of account 2021/22, contrary to legislative requirements, the Council failed to submit to the External Auditors, PKF Littlejohn LLP, by the required date of 30 June 2022 a Certificate of Exemption or completed Sections 1 and 2 of the AGAR 2021/22. As a consequence, PKF Littlejohn LLP issued a notice to the Council on 4 November 2022 to advise that the Council should submit the approved AGAR or Certificate of Exemption (if appropriate) for the year ended 31 March 2022 for the External Auditors' review within 7 days of a public meeting required as a result of the notice. The issue of such a notice is rare and should be avoided by local councils as it can be reputationally damaging to the Council concerned and can lead to increased costs applied by the External Auditors.

1.4 The Accounts prepared by Mrs Kirk for the year 2021/22 confirm the following:

<i>Total Receipts for the year:</i>	<i>£18,407.95</i>
<i>Total Payments in the year:</i>	<i>£6,760.18</i>
<i>Total Reserves at year-end:</i>	<i>£17,983.86</i>

1.5 The Annual Governance and Accountability Return was examined and the following figures were agreed for inclusion in Section 2 (rounded for purposes of the Return):

Balances at beginning of year (1 April 2021):	Box 1: £6,336
Annual Precept 2021/22:	Box 2: £7,600
Total Other Receipts:	Box 3: £10,808
Staff Costs:	Box 4: £2,757
Loan interest/capital repayments:	Box 5: £0
All Other payments:	Box 6: £4,003
Balances carried forward (31 March 2022):	Box 7: £17,984
Total cash/short-term investments:	Box 8: £17,984
Total fixed assets:	Box 9: £9,593
Total borrowings:	Box 10: £0

1.6 The Internal Auditor has completed the Annual Internal Audit Report 2021/22 within the AGAR.

1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control. Comments and the 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 10 May 2021 and was conducted electronically through the Zoom platform due to covid-19 issues. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972. Councillors were nominated to act as the Council's portfolio holders.

2.2 The High Court ruled on 28 April 2021 that virtual council meetings could not lawfully take place after 6 May 2021. All councils had to return to holding physical meetings from 7 May. This included around 2,000 local (parish and town) councils.

**2.3 The Council's meeting on 10 May 2021 (from 8.00 p.m. to 8.20 p.m.) was held through the Zoom platform which was not permitted under the legislation.**

2.4 Mrs Jane Page was the Clerk/RFO at the beginning of the financial year. Following Mrs Page's retirement, at its meeting on 5 July 2021 the Council appointed Councillor Revill as Temporary RFO. Mrs Elizabeth Reynolds attended the Council's meeting on 13 September 2021 having been appointed as permanent Clerk/RFO.

2.5 The Council's **Minutes** in general provided evidence of the decisions taken by the Council in the year of account but did not in all cases include a listing of

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payments and receipts. Mrs Kirk confirmed that the Minutes on the website are still labelled as 'draft' on their links and some hard copy Minutes are not signed to ensure a legal and authentic record is maintained.

2.6 **Standing Orders** (entitled Model Standing Orders 2018 for England - revised 2020) are in place. A copy of the Standing Orders has been published on the Council's website and confirms that the document was adopted by the Council in March 2021.

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 footnote to Financial Regulations item 11.1(c) should 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 2023).

**Recommendation 1: The Council should ensure that the ICO is advised of the current contact address for the Council in order that correspondence will reach the Council and that contact details are correctly displayed on the ICO Registration webpage of: <https://ico.org.uk/ESDWebPages/Entry/ZA428414>.**

2.9 The Council has a Data Protection Policy and a Privacy Policy in place to support compliance with the General Data Protection Regulations (GDPR). Both documents are published on the Council's website 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. A copy has not been published on the website. A more recent Code of Conduct has been issued by the Local Government Association and should be considered for adoption.

**Recommendation 2: The latest Code of Conduct for Councillors should be presented to Councillors and considered for adoption by the Council.**

2.11 A Draft **Community Infrastructure Levy (CIL) Annual Report** for 2021/22 has been completed by Mrs Kirk. A balance of £135.78 was retained at the year-end 31 March 2021 and the CIL Report for 2020/21 has been published on the Council's website. During 2021/22 the total CIL Income was £10,098.73 and total CIL Expenditure (spent/applied) was £1,127.50, in respect of the share of the cost of a Speed Indicator Sign and spare battery. Accordingly, a balance of £9,107.01 is recorded as held as at 31 March 2022.

2.12 The Council has published a **Website Accessibility Statement** in response to the website accessibility regulations which came into effect from September 2020.

The Statement details 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.

2.13 Mrs Kirk advised that she has been populating a new website for the Council <http://www.hacheston.suffolk.cloud> and it is now operating. Mrs Kirk advised that the [hacheston.onesuffolk.net](http://hacheston.onesuffolk.net) website will come offline soon. Whilst some Policies have been published on the Council's websites, Mrs Kirk has confirmed that many of the Council's policies require review and updating as they are dated as far back as 2018.

**Recommendation 3: The Council's adopted Policies, Procedures and Protocols require review and updating as soon as practicably possible in order to ensure that the Council's approved documents are current and fit for purpose.**

**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.

3.2 The Spreadsheet prepared by Mrs Kirk provides detailed evidence in support of the receipts and payments in the year. The supporting vouchers, invoices and receipts collated and referenced by Mrs Kirk were examined on a sample basis and found to be in order.

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 £1,169.96 has been recorded under Section 137 payments, within the maximum limit of £8.41 per registered elector during 2021/22.

3.4 The Council's records show that a reimbursement of £669.10 VAT paid was received from HMRC on 11 May 2021. There are currently no VAT records available to Mrs Kirk or the Internal Auditor to confirm the correctness of the claim or the dates over which the claim was made. Mrs Kirk has separately identified the VAT paid in the 2021/22 Accounts Spreadsheet to assist a future reclaim to HMRC.

3.5 A **Statement of Variances** (explaining significant differences in receipts and payments between the years 2020/21 and 2021/22) has been prepared by Mrs Kirk for submission to the External Auditors and publication on the Council's website.

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

4.1 Following her construction of the accounts for 2021/22, Mrs Kirk completed a bank reconciliation as at 31 March 2022. The bank statements as at 31 March 2022 for the Barclays Bank Community Account and the Barclays Bank Business Premium Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

4.2 The Internal Auditor and the Clerk/RFO, Mrs Kirk, were unable to find any evidence of bank reconciliations being regularly completed during the year of account.

**Recommendation 4: The Council should ensure that regular bank reconciliations are completed during the year on a monthly basis and presented to the Council for verification.**

**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 **Internal Control arrangements** operating in the Council were reviewed by the Council on 10 May 2021 and a Councillor was nominated as a Monitor of the Council's finances. The Clerk/RFO, Mrs Kirk, was unable to locate and provide to the Internal Auditor evidence of the work undertaken by the Councillor during the year in monitoring the financial operations of the Council.

5.2 The Accounts and Audit Regulations 2015 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. There is no evidence of the Council considering any risk analysis or risk assessment documents in the year and accordingly it cannot be considered that the Council fully complied with the Regulations.

**Recommendation 5: In the year 2022/23 the Council should fully comply with the Accounts and Audit Regulations 2015 by reviewing not only the effectiveness of the Council's system of internal control but also the arrangements for the management of risk, with the review being Minuted accordingly.**

5.3 **Insurance** was in place for the year of account. At its meeting on 14 September 2020 the Council entered into a 3-year long-term agreement ending 30 September 2023. The renewal payment of £186.74 to CAS Insurance was paid on 1 November 2021. The insurance policy includes cover for Public Liability and Employer's Liability (£10m. cover for each). The Fidelity Guarantee (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 The publication of information relating to the 2020/21 year of account was examined for Transparency Code purposes. Smaller authorities should publish on their website:

- a) *All items of expenditure above £100. Not published, payments were not included within the Council's published Minutes.*
- b) *Annual Governance Statement: 2020/21 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2020/21 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report: within 2020/21 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 In view of all payments above £100 not being published, the Council did not meet the requirements of the Transparency Code.

**Recommendation 6: The Council should ensure that all relevant information relating to the 2021/22 year of account is published to fully meet 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 2020/21 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 at item 2 of the Notice the year is referred to as ending 31 March 2018 and not 31 March 2021. There was also an error relating to when the documents were made available 4 June 2021 to 13 July 2021, a total of 28 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

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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 2021/22 AGAR.

**Recommendation 7: 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 2021/22 Accounts and future annual accounts.**

6.6 The Internal Auditor has to certify within the AGAR Annual Internal Audit Report 2021/22 that the Council complied with the publication requirements for the 2020/21 AGAR (listed under the AGAR page 1 Guidance Notes). The Internal Auditor was unable to identify from the Council's website that the Analysis of Variances and Bank Reconciliation for the 2020/21 year had been published.

**Recommendation 8: The Council should ensure that all the publication requirements listed under the AGAR page 1 Guidance Notes are met in respect of future annual accounts.**

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

Precept 2021/22: £7,600 (13 January 2021, Minute 5.1 refers).

Precept 2022/23: £7,600 (12 January 2022, Minute 5.1 refers).

7.1 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.

7.2 At the meeting on 12 January 2022 the **Budget for the year 2022/23** was considered and the Council agreed not to increase the Precept over the 2021/22 amount.

7.3 Financial reports were provided by the Clerk/RFOs in post during the year but it was not clear from the documentation provided to the Internal Auditor whether robust budgetary procedures were in place to monitor spending during the year. It is good financial practice for Councillors to receive regular reports of the income and expenditure in the year compared against the budget. In this way, Councillors have the opportunity to receive sufficient information and data to make informed decisions and, specifically, will be in a position to identify any significant variations from budget and recommend any remedial action to the Council as necessary.

**Recommendation 9: The Council should ensure that robust budgetary procedures are in place to monitor spending during the year. The Council**

**should receive regular reports of the income and expenditure in the year compared against the budget.**

7.4 The **Overall Reserves** at the year-end 31 March 2022 totalled £17,983.86 and consisted of the restricted reserve CIL balance of £9,107.01 and a General Reserve of £8,876.85.

7.5 The General Reserve balance of £8,876.85 was marginally in excess of the generally accepted position that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (or Precept less any loan repayments - the JPAG Proper Practices Guide, Item 5.32 refers).

7.6 As at the 31 March 2022 the Council maintained sufficient 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 (£7,600), Tax Base (Precept Support) Grant (£40), VAT Reclaim (£669.10), CIL Receipts (£10,098.73) and Bank Interest (£0.12).

**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 agreed at its meeting on 8 March 2021 that Payroll Services would be carried out by the Suffolk Association of Local Councils (SALC).

10.2 Staff salary costs paid to the two Clerk/RFOs in post in the 2021/22 year totalled £2,757.44, a reduction from the previous year due to the Council being without a paid Clerk/RFO for a period of time.

10.3 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. (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).

**Recommendation 10: The Council should confirm that a re-declaration of compliance has been submitted to the Pensions Regulator to take effect from September 2022.**

**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 As at 31 March 2022 the **Asset Register** displayed a total value of £9,593.94, unchanged from the value at the end of the previous year, 31 March 2021. 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 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).

11.3 The value of the Assets has been correctly placed in Box 9 of Section 2 of the 2021/22 AGAR.

**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. The accounts constructed by Mrs Kirk and presented to the Internal Auditor were found to be in good 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 During the 2021/22 year the Clerk/RFOs in post provided financial reports to Council meetings.

13.2 **Payments and Receipts** were listed in the Minutes of the Council's meeting on 10 May 2021 but subsequent to that date were not listed in the Minutes and referred to as a 'Financial statement attached' which was not attached to the published Minutes.

**Recommendation 11: In the interests of transparency and to meet good financial practice, the Payments approved by the Council should be listed in the Council's Minutes as part of the overall financial control framework. Any income received should similarly be listed in the Council's Minutes.**

13.3 Cheque Book counterfoils and paid invoices/vouchers are being initialled by cheque signatories although not in every case. During her construction of the Accounts for the year, Mrs Kirk entered an individual payment reference to each invoice/voucher and notated each with the relevant cheque number to secure an audit trail.

13.4 The **Internal Audit report for the previous year (2020/21)** was received by the Council at its meeting on 10 May 2021. The report had put forward the following recommendations relating to internal control and financial administration:

- a) *The Community Infrastructure Levy (CIL) Annual Report 2020/21 required a minor correction to the balance retained as at 31 March 2021 prior to its submission to the District Council by 31 December 2021. (This was addressed by the Clerk/RFO in post at that time).*
- b) *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. (This has been addressed, a Website Accessibility Statement has been published on the website).*
- c) *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. (This recommendation was not met in relation to the 2020/21 Accounts).*
- d) *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. (This recommendation was not met in relation to the 2020/21 Accounts).*

**Recommendation 12: It is important that the recommendations put forward by both Internal Audit and External Audit are promptly acted upon to ensure that efficient and effective internal controls operate within the Council.**

**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 2020/21. At its meeting on 10 May 2021 the Council agreed to complete the Certificate of Exemption from a Limited Assurance Review for that year (Minute 5.2 refers).

14.2 With regard to the year 2021/22, the Council failed to submit to the External Auditors, PKF Littlejohn LLP, by the required date of 30 June 2022, a Certificate of Exemption for 2021/22 or completed Sections 1 and 2 of the AGAR 2021/22. PKF Littlejohn LLP issued a notice to the Council on 4 November 2022 to advise that the Council should submit the approved AGAR or Certificate of Exemption (if appropriate) for the year ended 31 March 2022 within 7 days of a public meeting required as a result of the notice.

**15. Additional Comments.**

15.1 I would like to record my appreciation to the Council's Clerk/RFO, Mrs Lydia Kirk, for her assistance with the Internal Audit work undertaken.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**21 November 2022**