

Report to Hacheston Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2024

1. Introduction and Summary.

1.1 The Internal Audit work undertaken confirmed that during the 2023/24 year the Council maintained an effective framework of financial administration and internal financial control.

1.2 By examination of the 2023/24 accounts and supporting documentation it was confirmed that the Clerk/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.

1.3 The Accounts prepared for the year 2022/23 confirm the following:

Total Receipts for the year: £25,175.12
Total Payments in the year: £9,053.02
Total Reserves at year-end: £36,936.72

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2023/24 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2023):</i>	<i>Box 1:</i> £20,815
<i>Annual Precept 2023/24:</i>	<i>Box 2:</i> £8,038
<i>Total Other Receipts:</i>	<i>Box 3:</i> £17,137
<i>Staff Costs:</i>	<i>Box 4:</i> £3,757
<i>Loan interest/capital repayments:</i>	<i>Box 5:</i> £0
<i>All Other payments:</i>	<i>Box 6:</i> £5,296
<i>Balances carried forward (31 March 2024):</i>	<i>Box 7:</i> £36,937
<i>Total cash/short-term investments:</i>	<i>Box 8:</i> £36,937
<i>Total fixed assets:</i>	<i>Box 9:</i> £9,835
<i>Total borrowings:</i>	<i>Box 10:</i> £0

1.5 Sections 1 and 2 of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2023/24 within the AGAR.

1.6 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 12 May 2023. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

2.2 The Council has a Responsible Financial Officer (RFO) in post, Mrs Lydia Kirk having been appointed as Clerk/RFO at the Council's Extraordinary meeting on 31 October 2022.

2.3 The Council's **Minutes** are well presented and provide clear evidence of the decisions taken by the Council.

2.4 **Standing Orders** are in place. The NALC Model Standing Orders were considered and adopted by the Council at its meeting on 23 November 2022. The minor amendments at Section 18 (item f) of the model Standing Orders to reflect the changes in the thresholds for public service or supply and public works contracts was approved by the Council at its meeting on 16 May 2023.

2.5 **Financial Regulations** are similarly in place, the Council having adopted, at its meeting on 23 November 2022, the Model NALC Financial Regulations. A minor amendment to the footnote to item 11.1 (c) to reflect the changes in the thresholds for public service or supply and public works contracts was approved by the Council on 16 May 2023. NALC has this month issued updated Model Financial Regulations which local council are urged to consider and adopt.

2.6 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 2024). The Data Protection registration on the ICO website displays out of date contact information:

<https://ico.org.uk/ESDWebPages/Entry/Z428414>

Contact Address:

*Hacheston Parish Council
Hacheston Village Hall
The Street
Hacheston
IP13 0DW*

Contact details for Data Protection Officer:

*Hacheston Parish Council
Cherry Tree House
The Street
Hacheston
Woodbridge
Suffolk*

IP13 ODR
hachestonparishclerk@gmail.com
01728746371

Recommendation 1: The Council should advise the Information Commissioner's Office (ICO) that the Council's Registration details on the ICO website displays out of date information and that correction is required to ensure that any data protection enquiries made to the Council will be routed to the correct address.

2.7 The Council has a Data Protection Policy in place to support compliance with the General Data Protection Regulations (GDPR). The Policy was considered and approved by the Council at its meeting on 25 January 2023 and reviewed and agreed (with no changes) at the meeting on 16 May 2023. The Council's records indicate that a Privacy Policy has also been adopted but a copy has yet to be published on the Council's website.

2.8 At its meeting on 22 March 2023 the Council adopted a Freedom of Information Scheme to assist compliance with the Freedom of Information legislation. The Scheme was reviewed on 16 May 2023 and approved with no changes made.

2.9 Key Policies, Procedures and Protocols were reviewed and agreed by the Council at its meeting on 23 November 2022 (Minute 13 refers).

2.10 At its meeting on 16 May 2023 the Council reviewed and re-adopted the Suffolk Local **Code of Conduct for Councillors**. (The Council had previously considered both the Local Government Associations' Model Code of Conduct and the Suffolk Code of Conduct and on 23 November 2023 had agreed to adopt the Suffolk Code of Conduct).

2.11 Following her appointment as Clerk/RFO on 31 October 2022, Mrs Kirk populated a new website for the Council <http://www.hacheston.suffolk.cloud> and successfully brought it into operation.

2.12 The Practitioners' Guide 2023 (which applies to the 2023/24 period) provides at paragraph 1.26 that "*Email management - every authority should have an email account that belongs to the council and to which the council has access – this ideally would be a .gov.uk or .org.uk address or could be an address linked to the council website*". In this respect, at the meeting on 16 May 2023 the Clerk/RFO reminded Councillors of the recommendation to use separate email addresses for Parish Council business. At the meeting on 26 July 2023 the Clerk/RFO reiterated that Councillors are encouraged to set up separate email accounts for Council business to help with Data Protection compliance and Freedom of Information requests.

2.13 A **Website Accessibility Statement** is listed on the home page of the Council's website, hosted by Suffolk Cloud, to assist in the compliance with the website accessibility regulations.

2.14 The Clerk/RFO ensures that all Councillors are made aware of the need for adequate training as legal requirements change over time and it is important that Councillors are kept informed of up-to-date information.

2.15 The Council exercised good community engagement by hosting a multi-agency village open-evening event in the parish on 22 September 2023.

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 paid invoices/vouchers and Bank Statements. Following a small number of amendments to the original spreadsheet presented to the Internal Auditor, the revised Spreadsheet was found to be in order.

3.2 The Spreadsheet provides detailed evidence in support of the receipts and payments in the year. A sample of supporting vouchers, invoices and receipts were examined 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 £1,227.05 was paid under Section 137 in the year 2023/24.

3.4 The **Community Infrastructure Levy (CIL)** Fund Annual Report for the year 2022/23 was approved by the Council on 16 May 2023.

3.5 The Clerk/RFO has constructed a CIL Fund Annual Report for the year 2023/24. The Report displays a balance of £14,677.48 carried forward from previous years and Receipts in the year of £16,614.96 with Nil CIL Expenditure. A balance of £31,292.44 is accordingly recorded as held as at 31 March 2024.

3.6 The Council's records show that a reimbursement of £196.45 VAT paid in the period 10 March 2023 to 31 January 2024 was received from HMRC on 28 February 2024.

3.7 A **Statement of Variances** (explaining significant differences in receipts and payments between the years 2022/23 and 2023/24) has been prepared by Mrs Kirk for submission to the External Auditors and publication on the Council's website. It is important that the Statement agrees precisely with the entries displayed in Section 2 of the AGAR (the Accounting Statements).

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

4.1 At the meeting on 16 May 2023 it was reported by a Councillor that the balance of the community account was too high (£33,195.49 as at 10 May 2023) and not earning any interest and he would transfer excess funds to the deposit account

online. He also expressed concerns that the Clerk/RFO could do this under her 'view only' access. It was also noted that the Council now had access to online banking and two Councillors were able to dual-authorise payments. The Simple Servicing Authority to allow the Clerk administrative access had not been received by Barclays Bank and needed to be completed and submitted again. The Council noted on 20 September 2023 that after over 9 months Barclay's Bank had completed the Council's Simple Servicing request and the Clerk/RFO had access to view the Council's bank accounts online.

4.2 The Clerk/RFO has completed bank reconciliations on a regular basis. The Council appointed a **Councillor Examining Officer** at the meeting on 20 September 2023. The bank statements and bank reconciliation as at 31 August 2023 were reviewed and signed off by the Examining Councillor. Similarly, the bank statements and bank reconciliations were reviewed by the Examining Councillor at the meetings held on 15 November 2023 and .24 January 2024.

4.3 At the meeting on 24 January 2024 the Council considered opening a Public Sector Deposit Fund with CCLA and received a report of merits and drawbacks of this scheme. It was agreed that the Council would open a PSDF account with the CCLA. Two Councillors were nominated to act as the authorised mandates on the account with the Clerk/RFO to be an authorised agent with viewing access. This has yet to take effect.

4.4 The bank statements as at 31 March 2024 for the Barclays Bank Community Account (£2,078.45) and the Barclays Bank Business Premium Account (£34,858,27) reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

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 Statement of Internal Control was considered and adopted by the Council at its meeting on 16 May 2023 (Minute 14d refers). The Council considered it fit for purpose and confirmed compliance to the Statement,

5.2 The Council also considered and adopted the Financial Risk Assessment with no change (Minute 14f refers).

5.3 The Physical Assets Risk Assessment was amended to include the new Chair's details and approved at the meeting on 16 May 2023 (Minute 14e),

5.4 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.

5.5 **Insurance** was in place for the year of account. The insurance cover was considered by the Council on 16 May 2023 when other than for the level of the

Fidelity Guarantee (Fraud and Dishonesty) cover (which was already being addressed) the policy was considered fit for the Council's needs.

5.6 At its meeting on 14 September 2020 the Council entered into a 3-year long-term agreement which ended on 30 September 2023. At the meeting on 20 September 2023 the Council approved renewal with CAS Insurance. The Clerk reported to Council on 15 November 2023 that the insurance premium had been negotiated down to £406.76 and had commenced on 1 October 2023.

5.7 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 £50,000, 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 (i.e. to ensure that the Fidelity Guarantee insurance is adequate to cover the overall sums held by the Council at any one time).

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

Precept 2023/24: £8,037.73

Precept 2024/25: £8,995.00

6.1 A detailed **Budget for the year 2023/24** was presented to the Council on 25 January 2023 and a Precept of £8,037.73 agreed (Minute 9 refers).

6.2 The **Budget for the year 2024/25** was considered at the meeting of the Council on 15 November 2023 and a Precept of £8,995 agreed (Minute 12 refers),

6.3 Detailed financial reports were provided by the Clerk/RFO to the Council, which on 20 September 2023 received a year-to-date report on payments and receipts compared to the budget for the year 2023/24 (Minute 8e refers). The Council noted that receipts and payments were in line with the agreed budget. 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.

6.4 Similarly, the Council noted the end of year forecast for 2023/24 at its meeting on 15 November 2023.

6.5 The **Overall Reserves** at the year-end 31 March 2024 totalled £36,936.72 and the Clerk/RFO has advised the Internal Auditor that these consisted of:

CIL balance Restricted Reserve:	£31,292.44
Elections Earmarked Reserve :	£100.00
Coronation Earmarked Reserve:	£23.00
General Reserve:	£5,521.28

6.6 The General Reserve balance of £5,521.28 (61% or 7 months equivalent of the 2024/25 Precept) is in accordance with 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 5.33 refers).

6.7 As at the 31 March 2024 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

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

7.1 Receipts are currently reported to the Council and listed in the Minutes of Council meetings. The Receipts of £25,175.12 recorded in the Cashbook Spreadsheet consisted of Precept (£8,037.73), VAT Reclaim (£196.45), CIL Receipts (£16,614.96) and Bank Interest (£325.98).

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

8.1 No Petty Cash is held; an expenses system is in place, with on-line payments being made for expenses incurred.

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

9.1 The Council's Payroll Services were carried out by the Suffolk Association of Local Councils (SALC) during the year 2023/24 in accordance with HMRC requirements. The Council displays good practice in using the services of a third party to calculate Pay and PAYE amounts. SALC performs this service for a reasonable cost. A P60 End of Year Certificate for the Clerk/RFO was presented to the Internal Auditor.

9.2 Mrs Kirk was formally appointed by the Council at the meeting held on 31 October 2022. At the Council's meeting on 23 November 2022 Mrs Kirk signed two copies of her Contract of Employment (to take effect from 1 November 2022). The contract includes a Home Working Allowance and the nationally agreed pay award effective from 1 April 2022 (Minute 11d).

9.3 At the meeting held on 23 November 2022 the Clerk/RFO advised the Council of the local government officers pay award that applied from 1 April 2022 and that for the Hacheston Parish Council Clerk/RFO, this would amount to a £1 per hour increase plus 1 day permanent additional annual leave entitlement (Minute 6 refers).

9.4 Whilst national awards would be applied, the Council noted at the meeting on 16 May 2023 that the Clerk/RFO's pay Scale Point would remain the same until she has been in office for one year.

9.5 At its meeting on 15 November 2023 the Council noted the National Pay Award for local government officers had been agreed by the NJC and NALC and as per the Clerk/RFO's terms of contract, would be backdated to 1 April 2023. The Council also agreed that following a year's service, the Cler/RFO's pay scale point increases as from 1 November 2023.

9.6 With regard to the legislation relating to workplace pensions, the Clerk/RFO confirmed to the Council at its meeting on 23 November 2022 that the re-declaration of compliance under the Pensions Act 2008 had been made, as required by the Pensions Regulator (Minute 6 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.

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

10.1 An **Asset Register** is in place and was reviewed by the Council at the meeting held on 16 May 2023 with no changes made (Minute 14b 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.

10.2 As at 31 March 2024 the Asset Register displayed a total value of £9,834.83, unchanged from the value at the end of the previous year, 31 March 2023.

10.3 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).

10.4 The value of the Assets has been correctly placed in Box 9 of Section 2 of the 2023/24 AGAR.

11. 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*).

11.1 **End-of-Year accounts** for 2023/24 are prepared on a Receipts and Payments basis. Following a number of amendments being made to the documents originally presented to the Internal Auditor, the accounts were found to be in good order.

12. 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).

12.1 The previous Internal Audit Report highlighted that following her appointment as Clerk/RFO in October 2022, Mrs Kirk had made a step-change improvement in the overall financial administration and the financial controls operating within the Council and the reporting of information to Councillors. This included the introduction of new elements to the RFO's Report to apply good practice, including the completion of up-to-date bank reconciliations and year-to-date spending records compared to the budget figures to assist in meeting accounting and audit requirements. The progress being achieved continued into the year 2023/24.

12.2 **Payments and Receipts** are listed in the Minutes of the Council's meetings as part of the overall framework of financial control currently operating at the Council.

12.3 On-line banking is in place. On-line payments are being managed by two nominated Councillors and the Clerk/RFO has view-only access, in accordance with that agreed by the Council at the meeting on 23 November 2022.

12.4 Paid invoices/vouchers are being initialled by Signatories. An individual payment reference is notated to each invoice/voucher to secure an audit trail to the payments listed in the Cashbook.

12.5 The **Internal Audit report for the previous year (2022/23)** was dated 16 April 2023 and was received and considered by the Council at its meeting on 16 May 2023. The report had raised no matters of concern.

12.6 The Internal Auditor for the year 2023/24 was formally appointed by the Council at its meeting on 16 May 2023 (Minute 16 refers).

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

13.1 An External Audit was required to be undertaken in respect of the year 2022/23. The External Auditor's Report was considered by the Council at its meeting on 20 September 2023. The Council noted the comment in the Report regarding the amendment to the amount of precept:

'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 (2023/24) AGAR:

Section 2, Box 2, the annual precept, does not agree to the figure published by the precepting authority. Section 2, Boxes 2 and 3 for the current year should read £7,762 and £12,377 respectively' (as listed in the Internal Audit Report 2022/23) .

13.2 The Clerk/RFO reported that the External Auditor's Report had been placed on the noticeboard and website as required.

13.3 For the year 2023/24 the Council is required to receive an External Audit (a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015) as the higher of gross income or gross expenditure exceeded £25,000 in the year of account.

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

14.1 Hacheston Parish Council is designated as a 'Smaller Council'. The Council's current website is: <https://www.hacheston.suffolk.cloud/> on which the Council's information is being published.

14.2 Smaller authorities should publish on their website:

- a) *All items of expenditure above £100. Included in the Minutes of Council meetings.*
- b) *Annual Governance Statement 2022/23 AGAR Annual Return Section One. Published on the website.*
- c) *End-of-Year accounts 2022/23 AGAR Annual Return, Section Two. Published on the website.*
- d) *Annual Internal Audit report 2022/23 within AGAR Annual Return. Published on the website.*
- e) *List of councillor or member responsibilities. Published on the website.*
- f) *The details of public land and building assets (Asset Register). Published on the website.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on the website.*

14.3 The Transparency Code is being complied with in full.

14.4 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 2022/23 was readily accessible on the Council's website and displayed the Date of Announcement, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement.

However, there was an error regarding the External Auditors which was displayed as:

*BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton SO14 3TL
□ councilaudits@bdo.co.uk*

The correct appointed auditor is:

*PKF Littlejohn LLP (Ref: SBA Team)
15 Westferry Circus
Canary Wharf
London E14 4HD
(sba@pkf-l.com)*

14.5 The remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes (including bank reconciliation and analysis of variances) were confirmed as being easily accessible on the Council's website.

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

18 May 2024