

## **Report to Hacheston Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2023**

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

1.1 The Internal Audit for the year 2022/23 confirmed the significant and important progress being achieved by the current Clerk and Responsible Financial Officer (RFO), Mrs Lydia Kirk, to assist the Council recover from the challenges experienced during 2022. Mrs Kirk is continuing to improve the financial administration and financial control being exercised within the Council.

1.2 By examination of the 2022/23 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 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.

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

*Total Receipts for the year:*     £20,138.42  
*Total Payments in the year:*   £17,307.66  
*Total Reserves at year-end:*   £20,814.62

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):

<i>Balances at beginning of year (1 April 2022):</i>	<i>Box 1: £17,984</i>
<i>Annual Precept 2022/23:</i>	<i>Box 2: £7,762</i>
<i>Total Other Receipts:</i>	<i>Box 3: £12,377</i>
<i>Staff Costs:</i>	<i>Box 4: £4,994</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £12,314</i>
<i>Balances carried forward (31 March 2023):</i>	<i>Box 7: £20,815</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £20,815</i>
<i>Total fixed assets:</i>	<i>Box 9: £9,835</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.6 The Internal Auditor has completed the Annual Internal Audit Report 2022/23 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 11 May 2022. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

2.2 Mrs Elizabeth Reynolds and Mrs Sarah Mott have previously held the position of the Council's Clerk/RFO. The Council faced significant challenges prior to the appointment of Mrs Lydia Kirk to the position of Clerk/RFO at the Council's Extraordinary meeting on 31 October 2022. At the Council meeting on 23 November 2022 the Chair expressed his thanks to Mrs Kirk for her hard work since taking up office and ensuring that the Council was becoming more compliant with the legislation and regulations which apply to local councils. Mrs Kirk had been completing the necessary year-end financial documents for 2021/22 and had produced Bank Reconciliations and a Payments and Receipts account for the year. She had been in contact with both the Internal and External auditors with regard to the statutory requirements that had to be met.

2.3 Following her appointment Mrs Kirk also ensured that procedural requirements were being met, including the signing of the Chair and Vice-Chair Acceptance of Office forms at the Council's meeting on 23 November 2022, when Officers and Council Representatives were appointed, including the RFO (Mrs Kirk) and the Examining Councillor (Councillor Leach).

2.4 Prior to Mrs Kirk's appointment, the Council's **Minutes** during 2022/23 in general provided evidence of the decisions taken by the Council but did not in all cases include a listing of payments and receipts and some Minutes were still listed as 'draft' on the website. Since Mrs Kirk's appointment the quality of the Minutes prepared for the Council have improved both in terms of clarity and information/data listed.

2.5 **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 National Association of Local Councils (NALC) has published 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. This amendment can be included at the Council's next review of Standing Orders.

2.6 **Financial Regulations** are similarly in place, the Council having adopted, at its meeting on 23 November 2022, the Model NALC Financial Regulations (Minute 13c5 refers). NALC has advised that its Model Financial Regulations have been revised to reflect the changes in the thresholds for public service or supply and public works

contracts. The amendment to the footnote to item 11.1 (c) can be included at the Council's next review of Financial Regulations.

2.7 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).

2.8 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 23 November 2022 and a further draft Data Protection Policy was circulated and agreed by the Council at its meeting on 25 January 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.

2.9 At its meeting on 22 March 2023 the Council adopted a Freedom of Information Scheme to assist compliance with the Freedom of Information legislation.

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

2.11 The Council agreed to re-adopt the Suffolk Local Code of Conduct for Councillors at its meeting on 23 November 2022. (Councillors considered both the Local Government Associations' Model Code of Conduct and the Suffolk Code of Conduct and agreed to adopt the Suffolk Code of Conduct).

2.12 The Clerk/RFO has constructed a **Community Infrastructure Levy (CIL) Fund Annual Report** for the year 2022/23. The Report displays a balance of £9,107.01 carried forward from the previous year. During 2022/23 the total CIL Income was £11,090.47 and total CIL Expenditure was £5,520, spent in respect of the Village pétanque court paving and fencing. A balance of £14,677.48 is recorded as held as at 31 March 2023.

2.13 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.

2.14 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.

**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. Following a 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. Supporting vouchers, invoices and receipts were generally in place but not in every case.

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 £1,399.96 was paid under Section 137, (the payment of £100 to the Citizens Advice Bureau can be made under Section 142 and is not required to be applied to Section 137) and was within the maximum limit of £8.82 per registered elector during 2022/23.

3.4 The Council's records show that a reimbursement of £1,283.40 VAT paid was received from HMRC on 4 January 2023 for the VAT paid in the period 12 August 2021 to 22 November 2022. The reclaim correctly did not include an amount of the VAT attached to the payment for the laptop on 6 July 2022 as a VAT Receipt was not available for presentation to HMRC.

3.5 A **Statement of Variances** (explaining significant differences in receipts and payments between the years 2021/22 and 2022/23) 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 The current Clerk/RFO has completed bank reconciliations on a regular basis. The bank statements and bank reconciliation were reviewed by the Examining Councillor at the Council's meeting on 23 November 2022. Similarly, the bank statements and bank reconciliations were reviewed by the nominated Councillor (in the absence of the appointed Examining Councillor) at the meetings held on 25 January 2023 and 22 March 2023.

4.2 The bank statements as at 31 March 2023 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.

**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 23 November 2022 (Minute 13d refers). The Council agreed that compliance with the Statement would be regularly reviewed.

5.2 The Council also considered and adopted the Financial Risk Assessment (Minute 13f refers). The Council agreed that some risks will need further consideration, particularly cyber risks. The Council noted that there was no risk assessment for the Council's physical assets but this would be addressed by the Clerk/RFO.

5.3 A draft physical assets risk assessment was considered and adopted by the Council at its meeting on 25 January 2023.

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. 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 approved by the Council on 23 November 2022. The insurance policy includes cover for Public Liability and Employer's Liability (£10m. cover for each).

5.6 The Fidelity Guarantee (Fraud and Dishonesty) cover stands at £25,000, which at 31 March 2023 just met 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 (£20,814 plus 50% of 2023/24 Precept (£4,018) = £24,832). **The Council should continue to monitor the position during 2023/24 in order to ensure that the Fidelity Guarantee insurance is adequate to cover the overall sums held by the Council at any one time.**

**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 current website is: <https://www.hacheston.suffolk.cloud/> on which the Council's information is being published.

6.2 The Transparency Code for Smaller Authorities require specified information/data to be published on an easily accessible website not later than 1 July in the year immediately following the accounting year to which it relates, as follows:

- a) *All items of expenditure above £100.*
- b) *Annual Governance Statement: 2021/22 AGAR Annual Return Section One.*

- c) *End-of-Year accounts: 2021/22 AGAR Annual Return, Section Two.*
- d) *Annual Internal Audit report: within 2021/22 AGAR Annual Return.*
- e) *List of councillor or member responsibilities.*
- f) *The details of public land and building assets (Asset Register).*
- g) *Minutes, agendas and meeting papers of formal meetings.*

6.3 Whilst much of the information and data were available on the Council's two websites, due to the delay in closing the Accounts in the year (and the AGAR not being completed until after the required date for publication under the Transparency Code) the Council was unable to meet the requirements of the Code in full in respect of the Accounts for the year 2021/22.

6.4 Similarly, because of the delay in the completion of the 2021/22 Accounts, the requirements under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (regarding the dates for public access to the accounts) and the publication dates for the information listed under the AGAR page 1 Guidance Notes could not be met.

**6.5 The Clerk/RFO has confirmed to the Internal Auditor that the Council will be meeting the requirements for the 2022/23 year as follows:**

- a) **The Transparency Code for Smaller Authorities will be met in full.**
- b) **The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 requirements regarding the Public Rights and Publication of the Annual Governance and Accountability Return will be met.**
- c) **The publication requirements for the 2022/23 AGAR (listed under the AGAR page 1 Guidance Notes) will be met.**

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

Precept 2022/23: £7,761.90

Precept 2023/24: £8,037.73

7.1 The **Budget for the year 2022/23** was considered at the meeting of the Council on 12 January 2022.

7.2 Detailed financial reports were provided by the current Clerk/RFO to the Council, which on 23 November 2022 received a year-to-date report on payments and receipts compared to the budget for the year 2022/23 (Minute 7g refers). 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.

7.3 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).

7.4 The **Overall Reserves** at the year-end 31 March 2023 totalled £20,814.62 and the Clerk/RFO has advised the Internal Auditor that these consisted of:

Restricted reserve CIL balance:	£14,677.48
Coronation Fund Earmarked Reserve:	£250.00
General Reserve:	£5,887.14

7.5 The General Reserve balance of £5,887.14 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).

7.6 As at the 31 March 2023 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 Receipts are currently reported to the Council and listed in the Minutes of Council meetings. The Receipts recorded in the Cashbook Spreadsheet (totalling £20,138.42) consisted of Precept (£7,761.90), VAT Reclaim (£1,283.40), CIL Receipts (£11,090.47) and Bank Interest (£2.65).

#### **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's Payroll Services were carried out by the Suffolk Association of Local Councils (SALC) during the year 2022/23 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 current Clerk/RFO, Mrs Lydia Kirk, was presented to the Internal Auditor.

10.2 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).

10.3 At the meeting held on 23 November 2022 the Clerk/RFO advised the Council of the local government officers pay award applying 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).

10.4 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.

**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 An **Asset Register** is in place and was reviewed by the Council at the meeting held on 23 November 2022 (Minute 11e 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 2023 the Asset Register displayed a total value of £9,834.83, an increase of £240.89 from the value of £9,593.94 at the end of the previous year, 31 March 2022, and reflects the addition of the laptop purchased in 2022/23 and the removal from the Register of the previous laptop and printer, purchased in July 2017 and October 2018 respectively.

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 2022/23 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** for 2022/23 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.



**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 At the meetings on 6 July 2022 and 28 September 2022 the Council's Minutes record that '*An outline of finances was provided to the meeting; a full audit of income and expenditure will follow in future meetings*'.

13.2 Following her appointment as Clerk/RFO in October 2022, Mrs Kirk 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. The Council noted at its meeting on 23 November 2022 that the Clerk/RFO had organised the physical files and had spent considerable time replying to emails and assigning them to the relevant folders. The Clerk/RFO had introduced 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 Clerk/RFO had also introduced a postage book and a Minute's reference chart (Minute 6 of meeting held on 23 November 2022 refers).

13.3 **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.

13.4 At the meeting on 23 November 2022 the Council agreed to consider applying for online banking again, having made attempts on two previous occasions. The Council agreed that the Clerk/RFO should be granted "view only" online access.

13.5 It is a requirement under the Council's Financial Regulations item 6.5 that Cheque Book counterfoils are initialled by cheque signatories. It was noted that this was not complied with in all cases during the year of account. Paid invoices/vouchers are being initialled by Signatories but 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.

13.6 The **Internal Audit report for the previous year (2021/22)** was dated 21 November 2022 and was received and considered in detail by the Council at its meeting on 25 November 2022. The report had put forward the following 12 recommendations relating to internal control and financial administration:

*R1: 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 website.*

**The Clerk/RFO confirmed to the Internal Auditor that this has been addressed.**

*R2: The latest Code of Conduct for Councillors should be presented to Councillors and considered for adoption by the Council.*

**The Suffolk Code of Conduct was adopted by the Council at its meeting on 23 November 2022.**

*R3: 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.*

**Key Policies, Procedures and Protocols were reviewed and agreed by the Council at its meeting on 23 November 2022 (Minute 13 refers). There remain some policies which were adopted in past years, dating back to 2018, which require review and updating as necessary.**

*R4: The Council should ensure that regular bank reconciliations are completed during the year on a monthly basis and presented to the Council for verification.*

**Bank reconciliations are now carried out as a matter of routine and regularly reported to the Council throughout the year.**

*R5: 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.*

**This was undertaken by the Council for the year 2022/23 at the meeting held on 23 November 2022 (Minute 13 refers).**

*R6: The Council should ensure that all relevant information is published to fully meet the requirements of the Transparency Code.*

**The Clerk/RFO has confirmed to the Internal Auditor that this will be addressed in respect of the 2022/23 year of account.**

*R7: 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.*

**The Clerk/RFO confirmed to the Council on 23 November 2022 that this would be acted upon and the full 30 working days would be made available for public inspection of the accounts as required under Regulation.**

R8: *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.*

**The Clerk/RFO confirmed to the Council on 23 November 2022 that this would be acted upon for the year 2022/23.**

R9: *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.*

**The Clerk/RFO has confirmed to the Council that, moving forward, the Council will regularly compare its year-to-date expenditure to the budget for the year concerned.**

R10: *The Council should confirm that a re-declaration of compliance has been submitted to the Pensions Regulator to take effect from September 2022.*

**The current Clerk/RFO confirmed to Council on 23 November 2022 that she had completed the re-declaration on 16 November 2022.**

R11: *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.*

**This is now being addressed.**

R12: *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.*

**This is now being addressed.**

13.7 The Internal Auditor for the year 2022/23 was formally appointed by the Council at its meeting on 25 January 2023 (Minute 12 refers).

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

14.1 For 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.

14.2 The Annual Governance and Accountability Return (AGAR) Form for the year ending 31 March 2022 was considered by the Council at its meeting on 23 November 2022 as follows:

- a) The Accounts for the year ending 31 March 2022 were considered and accepted.
- b) Section One (Annual Governance Statement) and Section Two (Accounting Statements) of the AGAR were duly completed. The Council was unable to confirm compliance with the statements at items 2, 4, 5 and 7. A written explanation was provided to the External Auditor regarding these matters.
- c) The statement of significant variances was considered and accepted.
- d) The bank reconciliation for 2021/22 was considered and signed by the nominated Councillor (the Vice-Chairman).

14.3 The Clerk/RFO submitted the completed AGAR to the External Auditors and completed the Notice for Public Rights of Inspection on 30 November 2022 for public inspection of the Accounts from 30 November 2022 and ending on Wednesday 18 January 2023. There was an error in the commencement date as this has to be at least one day after the date of announcement (the Notice listed both announcement date and commencement date as the same).

14.4 The External Auditor issued a Notice of Completion of Audit for 2021/22 on 9 March 2023. At the Council's meeting on 22 March 2023 Councillors noted the issues raised by the External Auditor and the Statutory Recommendation recorded in the document.

14.5 An External Audit is required to be undertaken in respect of the year 2022/23.

## **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**

**16 April 2023**