

Report to Hemingstone Parish Council

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

1. Introduction and Summary.

1.1 The Internal Audit work was undertaken at the request of the Council following the appointment of Mrs Tina Newell on 23 June 2022 to complete the End of Year Accounts and related documentation required by regulation.

1.2 The Council has faced significant challenges during the 2021/22 year of account, most particularly the sad loss of their Clerk/RFO Mr Rod Caird in October 2021. As to be expected, the loss of such a key member of staff impacted heavily upon the Council in terms of maintaining the previous high level of financial management and administration. The Council has, nonetheless, recently addressed some outstanding issues in order to restate and maintain satisfactory financial management in difficult circumstances. It is clear that the Councillor Acting Clerk has provided exceptional support to the Council after taking on this duty.

1.3 Mrs Newell is also to be commended for constructing complete and accurate End of Year Accounts at short notice to enable the necessary documentation to be completed and the Internal Audit for the year 2021/22 to be undertaken.

1.4 The Accounts for the year confirm the following:

Total Receipts for the year: £4,414.17
Total Payments in the year: £4,255.17
Total Reserves at year-end: £5,777.31.

1.5 The figures to be entered into the Annual Governance and Accountability Return (AGAR) were examined and the following agreed with Mrs Newell for inclusion in Section 2 Accounting Statements 2021/22 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £5,618</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £2,040</i>
<i>Total Other Receipts:</i>	<i>Box 3: £2,374</i>
<i>Staff Costs:</i>	<i>Box 4: £478</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,777</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £5,777</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £5,777</i>
<i>Total fixed assets:</i>	<i>Box 9: £7,198</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.6 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. **The Internal Auditor will complete the Annual Internal Audit Report 2021/22 within the AGAR following this draft report being agreed with Mrs Newell.**

1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control, with the main focus being on the End of Year Accounts. In view of the urgency of the internal audit, the work was undertaken remotely/electronically. The essential information required for the completion of the Internal Audit was e-mailed by Mrs Newell to the Internal Auditor. All relevant published data held on the Council's website was accessed by the Internal Auditor. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were accordingly completed.

1.8 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 took place on 20 May 2021. The first item of business was the Election of a Chair, as required by the Local Government Act 1972.

2.2 Financial Regulations are in place and were reviewed and adopted by the Council at its meeting on 23 June 2022. A copy has been published on the Council's website. The national Association of Local Councils (NALC) has advised that its Model Financial Regulations have been revised to reflect the changes in the thresholds for public service/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.

2.3 The Council's Standing Orders were reviewed by the Council on 17 September 2020. They are based on the Model Standing Orders produced by NALC IN 2018. NALC has since published revised Model Standing Orders (entitled 2018 revised 2020) with amendments under Financial Controls and Procurement (Section 18 items f and g) to reflect the changes in the thresholds for public service/supply and public works contracts. This amendment can be included at the Council's next review of Standing Orders.

Recommendation 1: Once a new Clerk/RFO is in post, the Council's Standing Orders should be reviewed and adopted by the Council to ensure that they are up to date and accurately reflect current model documents and current legislation. At that time the Council's Financial Regulations can similarly be brought up to date.

2.4 Mr Rod Caird was in post as the Council's Clerk/RFO at the beginning of the year 2021/22. Mr Caird sadly passed away in October 2021. The Council met on 9 December 2021 and a Councillor agreed to be Acting Clerk during the meeting and at subsequent meetings.

2.5 The latter part of the 2021/22 year proved challenging to the Council but Councillors looked to maintain an effective framework of financial administration and internal financial control. Whilst many administrative functions were, understandably, delayed it should be noted that efforts were made to examine the findings of the Internal Audit Report 2020/21 prepared by the Suffolk Association of Local Councils (SALC). A review of the internal audit by SALC was undertaken by the Acting Clerk in February/March 2022, in conjunction with the document produced by the previous Clerk/RFO entitled 'Issues arising from the SALC Audit 2020/21' that had been presented to the Parish Council at the meeting on 16 September 2021. The following outstanding documents and actions were subsequently reviewed and actioned by the Council on 23 June 2022:

a) Financial Regulations were formally adopted.

b) The Council confirmed that it was eligible to apply for an Intermediate Review Exemption for 2021/22 as it is a smaller authority where neither the gross income nor gross expenditure exceeded £25,000 in the year of account ended 31 March 2022.

c) Although the Council's Risk Assessments were referred to in the Agenda items for the meeting on 16 September 2021 and believed to have been considered at that meeting, the Acting Clerk has not been able to locate the up-to-date documentation (a copy of previous documentation has been published on the Council's website).

d) The insurance cover was reviewed at the meeting on 16 September 2021 and records show that shortly after this meeting cover for assets was increased to £10,000 in order to include the picnic tables and waste bins.

e) The Council noted that an Analysis of Variances should be published on the website, showing the difference between the current and previous year's expenditure and income, with explanations. This had not been possible for the year 2020/21 due to the financial information being unavailable. However, Mrs Newell has constructed the Statement of Analysis of Variances for the year 2021/22 (explaining the significant differences in receipts and payments between the years 2020/21 and 2021/22) for publication on the Council's website.

f) The Asset Register, having been reviewed and confirmed at the meeting on 16 September 2021, was again reviewed and confirmed by the Council on 23 June 2022.

g) The Council confirmed that the correct Community Infrastructure Levy (CIL) Return, a link to the Register of Interests on the BMSDC website and accessibility statement were all available on the website.

h) Although the Data Protection Policy had been reviewed and adopted at the meeting on 16 September 2021 meeting, it was again reviewed and adopted by the Council on 23 June 2022.

i) Similarly, the Council agreed to adopt the latest Model Councillor Code of Conduct published by the Local Government Association (LGA).

2.6 Accordingly, the Council was able to achieve considerable progress at its meeting on 23 June 2022 towards recovery from the difficulties encountered in 2021/22. Whilst there remain further administrative and management challenges still to be overcome, the Council is considered to have acted appropriately in maintaining financial and administrative control in the year.

2.7 At the meeting on 23 June 2022 the Council considered that the previous Internal Audit recommendations were largely covered by the items described in the paragraphs above and, in the Acting Clerk's view, the areas that the Council were most likely to be found wanting were related to incomplete financial documentation and oversight which had not been possible due to the administrative difficulties following the loss of Mr Caird. This view has been confirmed by the Internal Auditor during the current Internal Audit.

Recommendation 2: It is important that a suitably qualified and experienced Clerk/RFO is appointed as soon as practicably possible to ensure that the Council can move forward with confidence in an overall efficient and effective framework of financial administration and internal control.

2.8 The Council agreed on 23 June 2022 to employ Mrs Tina Newell to prepare the End of Year Accounts for the Internal Audit at a rate of £22.50 per hour for a maximum of 10 hours plus £5 office expenses per week over the 2 weeks commencing 27 June 2021.

2.9 The Council's Minutes in the year 2021/22 were well presented and provide clear evidence of the decisions taken by the Council in the year.

2.10 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 ZA366887 refers, expiring 26 June 2023). A formal Data Protection Policy has been adopted to assist compliance with the General data Protection Regulations (GDPR).

2.11 The Council has published a Website Accessibility Statement to assist its compliance with the current website accessibility legislation. However, it is unclear whether the Council is maintaining and regularly reviewing a range of other formal Policies, Procedures and Protocols to secure efficient governance and financial control. Such policies would include a Freedom of Information (FOI) Act Publication Scheme and a FOI Policy and Procedures document to evidence compliance with FOI legislation.

Recommendation 3: Once the new Clerk/RFO is in post, the Council should identify all Policies, Procedures and Protocols in place and construct a schedule for the review of those policies and confirm whether any other policies should be adopted to secure efficient governance and control.

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 A Cashbook for the year 2021/22 has been constructed by Mrs Newell and was found to be in good order and well presented. Payments made under the Local Government Act 1972 (Section 137) are separately identified in the Cashbook due to the limitation on the overall sums that can be expended. VAT payments are tracked and separately identified within the Cashbook.

3.2 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and the other financial information and documents prepared by Mrs Newell. The documents provide details of the receipts and payments in the year. In view of the urgency of the Internal Audit and the fact that it was being undertaken remotely/electronically, the Internal Auditor has not confirmed that invoices/vouchers are in place in all cases.

3.3 Relatively small amounts of VAT are paid each year but are being reclaimed from HMRC as necessary. The VAT re-claim received in 2021/22 amounted to £95.65

3.4 A Statement of Variances (explaining significant differences in receipts and payments between the years 2020/21 and 2021/22) has been prepared by Mrs Newell and has been published on the Council's website alongside the Bank Reconciliation as at 31 March 2022.

3.5 The Community Infrastructure Levy (CIL) Funds were considered at Council meetings during 2021/22. On 20 May 2021 the Council agreed to set aside £500 for a nature preservation and promotion project suggested by the Council's Tree Warden and a further £750 for picnic tables to be installed at The Hut. The money would come largely from the available £1,264.69 of CIL funds stated as being held by the Parish Council.

3.6 The CIL Annual Report for the year ended 31 March 2022 has been constructed by Mrs Newell and shows £1,264.69 brought forward at the end of previous year (31 March 2021) and Nil CIL receipts and £750.00 Nil spent (contribution towards benches) in the year 2021/22. Accordingly, a balance of £514.69 is displayed as retained as at 31 March 2022 (allocated to the Hemingstone Environmental Project). The Annual CIL Report has been published on the Council's website and has to be submitted to the District Council no later than 31 December 2022.

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

4.1 A comprehensive Risk Assessment document is in place and identifies the areas to be reviewed (under the headings of Financial and Management, Physical Equipment or Areas and Liabilities). The risks are identified and assessed as H/M/L with an evaluation of the actions in place to control and manage the risks, with a column to review, assess and revise any actions as necessary.

4.2 Although a copy of the Minutes of the meeting held on 16 September 2021 are not available (being Mr Caird's last meeting as Clerk/RFO) the Internal Auditor is able to recognise in the circumstances that the document was considered by the Council at that meeting. The Internal Auditor accordingly feels it can be considered that the Council complied with the Accounts and Audit Regulations 2015 which require a review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, with the review suitably Minuted.

4.3 The Council's insurance policy was in place with CAS Insurance and ran from 1 October 2020 to 30 September 2021. Public Liability cover and Employer's Liability cover both stood at £10m. The End of Year Accounts confirm that insurance renewal took place on 14 September 2021 with a payment of £146.56 to CAS Insurance for the 2021/22 year. Further details of the insurance cover in 2021/22 were not available to the Internal Auditor.

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

Precept 2021/22: £2,040.00

Precept 2022/23: £2,380.00

5.1 A Draft Budget for 2021/22 was considered and approved by the Council at its meeting on 21 January 2021 and a Precept of £2,040 confirmed. The Precept for 2021/22 was agreed in Full Council and the precept decision and amount has been clearly Minuted (Minute 10/210121 refers).

5.2 The Council set the Parish Precept for 2022/23 at its meeting on 9 December 2021. Due to anticipated commitments, it was decided to increase the precept to £2,380 for the forthcoming financial year. The precept decision and amount has been clearly Minuted (Minute 12/091221 refers).

5.3 The Council has sound budgetary procedures 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.

5.4 Following the death of Mr Caird, Budget Monitoring Reports were not presented to the Council but these important reports can be resumed in 2022/23 following an appointment of a new Clerk/RFO.

5.5 The Council's Overall Reserves at the year-end 31 March 2022 totalled £5,777.31. Mrs Newell confirmed that this total included the Earmarked/Restricted Reserves of £3,779.38, as follows:

CIL Restricted Reserve	£514.69 (attached to Environmental Project)
Asset Replacement Reserve	£2,750.00
Election Reserve	£514.69

5.6 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) accordingly totalled £1,997.93 which meets the accepted Best Practice position that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (the JPAG Proper Practices Guide, Item 5.32 refers).

6. Income Controls (regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms).

6.1 The Receipts recorded in the Cashbook consisted of Precept (£2,040.00), VAT reclaim (£95.65) and MSDC Grants (£2,278.52).

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

7.1 A Petty Cash system is not in use.

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

8.1 Under the provisions of the Transparency Code, Hemingstone Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <http://hemingstone.onesuffolk.net/parish-council/>

8.3 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:
[Detailed in published Minutes on the website](#)
- b) Annual Governance Statement, AGAR, Section One:
[2020/21 document not located on website](#)
- c) End of year accounts, AGAR, Section Two:
[2020/21 document not located on website](#)
- d) Annual Internal Audit report within AGAR:
[2020/21 document not located on website](#)
- e) List of councillor or member responsibilities:
[Published on the website](#)
- f) 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](#)

8.4 The Council did not comply in full with the requirements of the Transparency Code.

8.5 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 unable 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.

8.6 The remaining 2020/21 documents required to be published, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis of variances) were similarly not identified as easily accessible on the Council's website.

Recommendation 4: For the 2021/22 year of account, the Council should ensure that it complies fully with (a) the Transparency Code (b) the Notice of Public Rights and (c) the AGAR Guidance Notes relating to publication of documents.

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

9.1 During 2021/22 salary payments were authorised by Full Council. The remuneration paid to the Clerk/RFO was approved in advance by the Council within the budget setting process. PAYE was in operation during 2021/22.

9.2 At its meeting on 15 July 2021 the Council formally approved the increase in the Clerk's hours of work from 7 to 10 hours per month (Minute 9/150721 refers).

9.3 With regard to the legislation relating to workplace pensions, the Internal Auditor was unable to confirm that the Council has submitted a re-declaration of compliance under the Pensions Act 2008 to 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 5: Once the new Clerk/RFO has been appointed the Council should contact the Pensions Regulator to confirm that the necessary re-declaration of compliance has been submitted and that the Council is meeting all requirements under the workplace pensions legislation.

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 and agreed by the Council at the meeting held on 23 June 2022.

10.2 As at 31 March 2022, the Asset Register displayed a total valuation of £7,198, an increase of £2,500 from the value as at the end of the previous year and reflected the acquisition of picnic tables in the year of account. The assets are valued at cost or at a proxy value where the original value is unknown.

10.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The value has to be entered into Box 9 of Section 2 of the AGAR.

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

11.1 Prior to the death of Mr Caird, bank reconciliations were regularly completed during the year and presented to Council.

11.2 As part of the End of Year Accounts constructed by Mrs Newell, the HSBC Current Account statement as at 31 March 2022 (£5,277.31) reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

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 Mrs Newell has prepared End-of-Year accounts on a Receipts and Payments basis and they were found to be in good order. Sample audit trails were undertaken and were found to be in order. A copy has been published on the Council's website.

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 Mr Caird provided financial reports to Council meetings in 2021/22 up to and including September 2021 to ensure that Councillors were provided with information to enable them to make informed decisions.

13.2 At each meeting the Council received a schedule of payments to be made and details of the financial position of the Council, including the amount of funds held and a completed Bank Reconciliation.

13.3 In December 2021 the Council noted the efforts being made to progress the change of address request to HSBC and arranging for internet banking. The Council noted on 3 February 2022 that no progress had been made. The Council noted on 12 May 2022 that a change of address had been registered (a Councillor's home address) and the bank mandate was completed. The Council noted that it had only 3 cheques available at that time.

13.4 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework.

13.5 The Internal Audit Report for the previous year, 2020/21, was prepared by SALC and the recommendations have been considered and acted upon by the Council as outlines at item 2.5 above

13.6 The Internal Auditor for 2021/22 was appointed by the Council on 23 June 2022 and charged to urgently undertake an Internal Audit of the available information at that time and of the End of Year Accounts constructed by Mrs Newell.

14. External Audit (*Exemption declared or any Recommendations put forward/ comments made following the Limited Assurance Review*).

14.1 An External Audit was not required in the year 2020/21. At its meeting on 20 May 2021 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 9/200521 refers).

14.2 For the year 2021/22 the Council may similarly apply for Exemption from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account.

15. Additional Comments.

15.1 I would like to record my appreciation to the Mrs Tina Newell and the Council for the assistance provided during the course of the audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

29 June 2022