

Report to Hemingstone Parish Council

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

1. Introduction and Summary.

1.1 The early part of the 2022/23 financial year was challenging to the Council as Councillors looked to maintain an effective framework of financial administration and internal financial control and in this respect the Councillor Acting Clerk provided support to the Council after taking on this duty. Mrs Tina Newell was initially appointed as Interim Clerk and Responsible Financial Officer (RFO) from July 2022 and later appointed as permanent Clerk/RFO by the Council on 13 September 2022.

1.2 The Internal Audit for the year 2022/23 confirmed that under the stewardship of the current Clerk/RFO the Council has improved the governance arrangements in place but is being hampered by continuing delays in the Council's Bank with resolving mandate and other banking arrangements. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, confirmed that significant progress is being made in achieving an effective framework of internal control and financial administration.

1.3 By examination of the 2022/23 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (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.

1.4 The Accounts for the year confirm the following:

Total Receipts for the year: £4,910.00
Total Payments in the year: £5,685.38
Total Reserves at year-end: £5,001.93

1.5 The figures to be entered into the Annual Governance and Accountability Return (AGAR) were examined and the following agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2022/23 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2022):</i>	<i>Box 1: £5,777</i>
<i>Annual Precept 2022/23:</i>	<i>Box 2: £2,380</i>
<i>Total Other Receipts:</i>	<i>Box 3: £2,530</i>
<i>Staff Costs:</i>	<i>Box 4: £2,358</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £3,327</i>
<i>Balances carried forward (31 March 2023):</i>	<i>Box 7: £5,002</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £5,002</i>
<i>Total fixed assets:</i>	<i>Box 9: £7,926</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 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 in accordance with the agreed schedule of work. 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 12 May 2022. The first item of business was the Election of a Chair, as required by the Local Government Act 1972. At the Council's meeting on 23 March 2023 the Chair signed a Declaration of Acceptance to Office as there was no evidence that the declaration had having been signed previously.

2.2 Councillor Dave Penny undertook the role of Acting Clerk at the meetings on 12 May 2022 and 23 June 2022. At the meeting on 7 July 2022 the Council appointed Mrs Tina Newell as Interim Parish Clerk/RFO. The Chairman signed and dated the written terms of employment at the meeting. At its meeting on 13 September 2022 the Council appointed Mrs Tina Newell as the permanent Clerk/RFO to Hemingstone Parish Council on a c3.5 hours a week contract at SCP 17 plus a weekly office allowance.

2.3 Standing Orders are in place and are based on the Model Standing Orders produced by NALC. They were reviewed by the Council on 7 September 2022; amendments to the NALC Model Standing Orders regarding financial controls and procurement were noted and the updated document was adopted by the Council. On 23 March 2023 the Council agreed to amend Standing Orders to reflect changes in procurement thresholds.

2.4 Similarly, Financial Regulations (FR) are in place and are based on the Model documents produced by NALC. They were reviewed by the Council on 7 September 2022; the amendments were noted and the updated document was adopted by the Council. At the meeting on 8 December 2022 the Council agreed to increase the limit on FR 4.1 from £100 to £500 to allow a duly delegated committee to purchase revenue items for the Council under £500 (where there is sufficient budget) and for the Clerk, in conjunction with the Chairman of the Council or Chairman of the appropriate committee to purchase revenue items up to £500 where there is sufficient budget. On 23 March 2023 the Council agreed to amend Financial Regulations to reflect changes in procurement thresholds.

2.5 In accordance with Financial Regulations 6.11 the Clerk/RFO has provided the Chair a backup of the Parish Council files held electronically including a list of passwords which are only to be accessed if the Clerk/RFO is unable to work for an extended period of time and to be opened in the presence of two other Councillors (the meeting on 23 March 2023, Minute 230323/75 refers).

2.6 The Council has a Responsible Financial Officer in place. The Council initially agreed on 23 June 2022 to employ Mrs Tina Newell to prepare the End of Year Accounts for the 2021/22 Internal Audit and Mrs Newell was appointed as permanent Clerk to the Council at the meeting on 12 September 2022.

2.7 The Council's Minutes in the year 2022/23 were well presented and provide clear evidence of the decisions taken by the Council in the year. The Council demonstrates good practice by publishing draft Minutes (prior to formal approval by the Council) to keep residents advised of Parish Council business.

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 ZA366887 refers, expiring 26 June 2023). A formal Data Protection and Information Policy has been adopted to assist compliance with the General Data Protection Regulations (GDPR) and a copy has been published on the Council's website. The Policy was reviewed and adopted by the Council at its meeting on 23 June 2022.

2.9 At its meeting on 23 June 2022 the Council agreed to adopt the latest Model Councillor Code of Conduct published by the Local Government Association (LGA).

2.10 The Council has published a Website Accessibility Statement to assist its compliance with the current website accessibility legislation.

2.11 The previous Internal Audit Report dated 29 June 2022 recommended that 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. At its meeting on 8 December 2022 the Council noted that the only policy the Council had in place was the Data Protection Policy. The Clerk/RFO confirmed there are more policies the Council should have and agreed to work with Councillors to ensure the Council has all the relevant policies in place as soon practicably possible.

2.12 The Council is maintaining and reviewing a range of formal Policies, Procedures and Protocols to work towards efficient governance and financial control. At the meeting on 23 March 2023 the Council received a review of Policies and Procedures and agreed to adopt the following:

Complaints, Co-option, Disciplinary, Electronic Communications, Equality, Equal Opportunities, Expenses, Grievance, Health & Safety, Public Participation, Reserves, Meeting Attendance, Safeguarding, Sickness Absence, Volunteer, Accessibility Statement, Bring Your Own Device, Consent Form, Data Breach, Data Protection, Document Retention, Freedom of Information, Lawful Basis for Processing Data, Privacy Notice, Subject Access Request and Security Incident.

2.13 The Clerk/RFO confirmed to the Council on 23 March 2023 that official email addresses (suffix of hemingstone-pc.gov.uk) had been set up for Councillors and instructions were to be sent to them in terms of use. The Council agreed that all Council correspondence would be sent to the official email accounts.

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 for the year 2022/23 was found to be in good order and well presented. No payments are recorded as made under the Local Government Act 1972 (Section 137) (being 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. A VAT re-claim was not submitted to HMRC in the year of account due to invoices being unavailable.

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 the Clerk/RFO and provides details of the receipts and payments in the year. A sample of transactions was examined with the supporting invoices and found to be in order.

3.3 A Statement of Variances (explaining significant differences in receipts and payments between the years 2021/22 and 2022/23) has been prepared by the Clerk/RFO for publication on the Council's website.

3.4 The CIL Annual Report for the year ended 31 March 2023 has been constructed by the Clerk/RFO and shows £514.69 brought forward at the end of previous year (31 March 2022) and Nil CIL receipts and Nil spent in the year 2022/23. Accordingly, a balance of £514.69 is displayed as retained as at 31 March 2023 (allocated to the Hemingstone Environmental Project). The Annual CIL Report has to be published on the Council's website and has to be submitted to the District Council no later than 31 December 2023. This is being undertaken by the Clerk/RFO.

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

4.1 Completed bank reconciliations are being presented by the Clerk/RFO to meetings of the Councils.

4.2 At its meeting on 8 December 2022 the Council noted that contact had been made with HSBC Bank by the Clerk/RFO and the Chairman to secure mandate updates with no success and no mandate amendment had been received. The Council agreed to close the account and to open a new account with Barclays or TSB. The Council agreed that the Clerk/RFO would be an authorised user only with no powers to make payment and two Councillors were to be signatories (where both signatures are required to make any payments).

4.3 The decision made on 8 December 2022 was amended by the Council on 23 March 2023 when the Council resolved to close the HSBC bank account and to open a new account with Unity Trust Bank using the Switch Service. Two Councillors were nominated as Signatories on the new account with the Clerk/RFO to have access as administrator only with no power to release payments (Minute 230323/39 refers).

4.4 The HSBC Current Account statement as at 31 March 2023 reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation taking into account three un-presented cheques at the year-end.

5. 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).

5.1 The End-of-Year accounts have been prepared 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.

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

6.1 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 Liability). 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.

6.2 At its meeting on 23 March 2023 the Council received the Risk Assessments and agreed to adopt the documents as reviewed by the nominated Councillor (Minute 230323/44 refers). The Council also received a review of the Internal Control Statement and agreed to adopt the Statement with no amendments (Minute 2302323/73 refers).

6.3 The Council accordingly 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.

6.4 The Council's insurance policy was in place with Community Action Suffolk (CAS) Insurance and ran from 1 October 2022 to 30 September 2023. The Council received an insurance renewal quotation from CAS at a renewal premium of £404.82, an increase of £258.26 on the previous year. The Council agreed to delegate authority to the Clerk/RFO to renew the insurance after seeking confirmation of the reason for such an increase from last year. At its meeting on 8 December 2022 the Council noted that the insurance was renewed with CAS at a cost of £267.33 noting cover included Fidelity Guarantee of £25,000 (which met the recommended level of cover of end of year balances plus 50% of the Precept), Libel and Slander £100,000, Property Damage £5,350 and All Risks £2,600 (in line with the Asset Register valuations).

6.5 Public Liability cover and Employer's Liability cover both stand at £10m. under the current insurance policy in place until 30 September 2023.

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

Precept 2022/23: £2,380.00

Precept 2023/24: £5,112.72

7.1 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).

7.2 A Draft Budget for 2023/24 was considered and approved by the Council at its meeting on 8 December 2022 and a Precept of £5,112.72 confirmed. The Precept for 2023/24 was agreed in Full Council and the precept decision and amount has been clearly Minuted (Minute 0812222/26 refers).

7.3 The Council has sound budgetary control procedures in place. Budget Monitoring Reports were not presented to the Council until 7 July 2022, when the then Interim Clerk/RFO presented a report comparing Budget to Actual payments for the year 2021/22. A Budget to Actual reports were presented to Council on 13 September 2022, 8 December 2022 and 23 March 2023.

7.4 The Council displays good financial practice by regularly reviewing the level of Reserves. At its meeting on 13 September 2022 the Council noted that the General Reserve was 131% of the Precept. After consideration and agreeing this was above the recommended level, the Council resolved to move £1,000 from the General Reserves to the Environment Project thus giving a balance in the General Reserve of 89% of the Precept.

7.5 The Overall Reserves at the year-end 31 March 2023 totalled £5,001.93, including Earmarked/Restricted Reserves of £3,819.11, as follows:

Environmental Project:	£1,024.42
Asset Replacement Reserve	£1,500.00
Election Reserve	£514.69
Laptop:	£780.00

7.6 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) accordingly totalled £1,182.82 which is marginally below the 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 5.33 refers). However, as at the year end, the Council maintained sufficient overall 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 including credit control mechanisms).

8.1 The Receipts recorded in the Cashbook consisted of Precept (£2,380), MSDC Grant for Environmental Project (£1,500), MSDC Grant for Laptop (£780) and HSBC compensation (£250)

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

9.1 A Petty Cash system is not in use.

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

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

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

10.3 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:
[2021/22 document published on the website.](#)
- c) End of year accounts, AGAR, Section Two:
[2021/22 document published on the website.](#)
- d) Annual Internal Audit report within AGAR:
[2021/22 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.](#)

10.4 The Council did not fully comply with the requirements of the Transparency Code in respect of the year 2021/22 as the Annual Internal Audit Report was not located on the website.

10.5 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.

10.6 At its meeting on 7 July 2022 the Council noted that the dates for public inspection of the accounts were from 1 July 2022 up to and including 11 August 2022. The Interim Clerk/RFO reported that the Certificate of Exemption had been signed outside of the meeting and the External Auditor had confirmed receipt.

10.7 The remaining 2021/22 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 identified as easily accessible on the Council's website at the time of this Internal Audit.

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

11.1 At the meeting on 7 July 2022 the Council appointed Mrs Tina Newell as Interim Parish Clerk/RFO. The Chairman signed and dated the written terms of employment at the meeting. At its meeting on 13 September 2022 the Council appointed Mrs Tina Newell as the permanent Clerk/RFO to Hemingstone Parish Council on a contract of employment for 3.5 hours a week at SCP 17 plus a weekly office allowance.

11.2 At its meeting on 8 December 2022 the Council noted that the NJC had agreed a flat pay increase of £1,925 on each scale point, pro-rata, with effect from 1 April 2022. In addition, the NJC had agreed all employees covered by this agreement will receive a permanent increase of one day (pro-rata for part time employees) to their annual leave.

11.3 With regard to the legislation relating to workplace pensions, the Council noted on 13 September 2022 that the re-declaration of compliance had not been submitted to the Pensions Regulator due to the Clerk/RFO still awaiting the PAYE code from SALC which is required to complete the re-declaration. At the meeting on 8 December 2022 the Council noted that the Clerk/RFO's contact details had been updated with The Pensions Regulator.

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

12.1 An Asset Register is in place and was reviewed and approved by the Council at the meeting held on 7 July 2022. The Council also approved the Asset Register on 23 March 2023, noting the value of £9,948 included the VAS shared with Henley Parish Council. Agreed. On 23 March 2023 the Council also nominated two Councillors to carry out monthly visual inspections of Council owned assets and confirm the checks on a spreadsheet.

12.2 As at 31 March 2023, the Asset Register displayed a total valuation of £7,926, an increase of £728 from the value £7,198 as at the end of the previous year, 31 March 2022 and reflected the acquisition of a Shed in the year of account. The assets are valued at cost or at a proxy value where the original value is unknown.

12.3 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 been correctly entered into Box 9 of Section 2 of the AGAR.

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 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. Councillors are provided with appropriate information to enable them to make informed decisions.

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

13.3 Cheques are prepared for payments to be made and the counterfoils are being initialled to confirm the correctness of the payment.

13.4 The Internal Audit Report for the previous year, 2021/22, was dated 29 June 2022 and put forward the following recommendations:

R1: 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.

Standing Orders were reviewed and adopted by the Council on 23 June 2022.

R2: 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.

At its meeting on 12 September 2022 the Council appointed Mrs Tina Newell as the permanent Clerk to Hemingstone Parish Council.

R3: 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.

This was addressed by the Council at its meeting on 23 March 2023.

R4: 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.

The Clerk/RFO has confirmed to the Internal Auditor that all publication requirements will be met in respect of the 2022/23 year of account.

R5: 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.

The Council noted on 8 December 2022 that the Pensions Regulator had the Clerk/RFO's contact details.

13.5 The Internal Auditor for 2022/23 was appointed by the Council at its meeting on 8 December 2022.

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 2021/22. The Council completed the Certificate of Exemption from a Limited Assurance Review for that year.

14.2 For the year 2022/23 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

20 April 2023