

## **Report to Hargrave 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 undertaken confirmed that during the 2021/22 year the Council maintained effective governance arrangements including a robust framework of internal control and risk management. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed that the Council maintains an effective framework of financial administration and internal financial control.

1.2 By examination of the 2021/22 accounts and supporting documentation it was confirmed that the Clerk, in the role of the Council's 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 for the year confirm the following:

*Total Receipts for the year: £12,836.99*  
*Total Payments in the year: £12,371.67*  
*Total Reserves at year-end: £15,803.66*

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 2021/22 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2021):</i>	<i>Box 1: £15,338</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £5,000</i>
<i>Total Other Receipts:</i>	<i>Box 3: £7,837</i>
<i>Staff Costs:</i>	<i>Box 4: £1,761 * Note 1</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £10,611</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £15,803</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £15,803</i>
<i>Total fixed assets:</i>	<i>Box 9: £53,492</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

*\* Note 1: This item included expense payments of £35. In future years Box 4 should only include gross salary/wages and any employers NI contributions and employers pension contributions.*

1.5 Sections One and Two of the AGAR were approved and signed at the meeting of the Council on 12 May 2022. **Box 4 of the comparative year 2020/21 displayed a figure of £1,458 instead of £1,483 and should be corrected or a note appended to the 2021/22 AGAR which has already been published on the Council's website.**

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

1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the agreed Audit Plan. 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 6 May 2021. The first item of business was the Election of a Chair, as required by the Local Government Act 1972. The meeting was held virtually via Video Conferencing as permitted in the Local Authorities and Police Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England and Wales) Regulations 2020.

2.2 Standing Orders are in place and have been published on the Council's website. The Standing Orders are in line with the latest model documents and guidance issued by the National Association of Local Councils (NALC).

2.3 Similarly, Financial Regulations are in place and also published on the Council's website. The Regulations are in line with the latest model documents and guidance issued by NALC.

2.4 At the meeting on 8 July 2021 the Council confirmed the Clerk's position as Responsible Financial Officer (Minute 7.10.1 refers)

2.5 The Council does not apply the General Power of Competence (GPoC) as the Council does not currently meet the eligibility criteria.

2.6 The Clerk/RFO confirmed that the Hargrave Neighbourhood Plan was formally adopted by West Suffolk in July 2018 (Hargrave being the first village in West Suffolk to have one) and it is currently being reviewed to ensure it is aligned with the new West Suffolk Local Plan.

2.7 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council in the year. The pages of the Minutes are consecutively numbered within each set of individual Minutes.

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 ZA446468 refers, expiring 7 August 2022). The Council noted at the meeting on 8 July 2021 the registration renewal payment due to the ICO.

2.9 Formal Data Protection Policies and Procedures have been adopted by the Council including a Document and Electronic Data Retention Policy, Data Protection and Information Security Policy, Lawful Basis for Processing Data Policy, Subject Access Request Policy and a Subject Access Request Procedure, all of which have been published on the Council's website.

2.10 Similarly, the Council maintains a Freedom of Information (FOI) Policy to support compliance to the Freedom of Information legislation and a copy has been published on the Council's website. **The Policy currently requires review and updating as it refers to the previous External Auditors and not the current External Auditors.**

2.11 The Council demonstrates good practice by maintaining a wide range of other formal Policies, Procedures and Protocols. At its meeting on 8 July 2021 the Council considered and formally approved an Internet Banking Policy. The Council also has in place a Grant Awarding Policy, Communications Policy, Emergency Planning Procedures, Environmental Policy, Equal Opportunities Policy, Media Relations Policy, and a Training Policy, all of which have been published on the Council's website.

2.12 At its meeting on 6 September 2018, the Council resolved to adopt the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. A copy of the Code has been published on the Council's website.

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

### **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 Council's Cashbook Spreadsheet was found to be in good order and well presented. VAT payments are tracked and separately identified within the Cashbook. The legislative powers under which payments are made are clearly identified. No payments were recorded as being made under the Local Government Act 1972 (Section 137).

3.2 The Cashbook Spreadsheet is well referenced and provides a good audit trail to the Bank Statements and the financial information prepared by the Clerk/RFO. The documents provided good evidence in support of the receipts and payments in the year. The Clerk/RFO demonstrated to the Internal Auditor the procedure for recording the data, with supporting invoices and vouchers in place.

3.3 Reclaims of VAT paid are being submitted to HMRC. The refund of £1,636.51 for VAT paid in the period October 2021 to October 2022 was received at bank on 7 December 2021 and reported to Council on 13 January 2022.

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 the Clerk/RFO. **The Statement requires correction at Box 4 regarding the comparative year 2020/21 (as noted at item 1.5 above).**

**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 At the meeting on 6 May 2021 the Council noted that most Risk Assessments had been carried out and would be published on the website (Minute 8.3 refers). The Council also reviewed and adopted the Internal Control Statement at the meeting (Minute 11.1.6 refers).

4.2 At its meeting on 8 July 2021 the Council considered and adopted the revised Risk Assessment Policy which reflected the internet banking arrangements in place (Minute 7.10.5 refers). A Councillor was nominated at the meeting to undertake the role of Councillor Internal Control Officer (Minute 7.10 4 refers). **It is good financial practice for a Councillor Internal Control Officer not to be an Authorising Officer in order to provide separation of duties and to ensure the essential independence of an Internal Control Officer is maintained.**

4.3 The Council also reviewed at its meeting on 8 July 2021 the effectiveness of the internal audit arrangements and the completed review was signed by the nominated Councillor (Minute 7.10.2 refers).

4.4 A monthly checklist of Internal Controls is considered and approved and signed at meetings of the Council. At the Meeting on 10 March 2022 the Council assigned the annual risk assessments of the fixed assets to nominated Councillors.

4.5 The Council accordingly complied with the Accounts and Audit Regulations 2015 and Financial Regulation 14.1 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.

4.6 Insurance was in place in the year of account. At the meeting on 8 July 2021 the Council reviewed the insurance policy and resolved to continue with the current cover (Minute 7.10.3 refers). The Council approved the renewal payment of £417.09 to CAS Insurance at the meeting on 9 September 2021. The Public Liability cover and Employer's Liability cover both stand at £10m. The Fidelity Insurance (Councillor/Employee Dishonesty) cover stands at £25,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

4.7 One of the most important issues for local councils in terms of risk management is the adequate maintenance and regular inspection of play equipment. The Council receives frequent reports on the play areas including inspection reports and considers and agrees any remedial action required to the equipment.

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

Precept 2021/22: £5,000.00

Precept 2022/23: £5,002.00

5.1 The Precept for 2021/22 was set at £5,000 and was formally approved by the Council at the meeting on 14 January 2021. The Precept decision and amount has been clearly Minuted (Minute 8.3 refers).

5.2 A Draft Budget for 2022/23 was initially considered by the Council at its meeting on 11 November 2021. The Budget and Precept of £5,002 were formally agreed by the Council at its meeting on 13 January 2022 (Minute 8c 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. The 2021/22 Budget papers were informative and ensured that Councillors had sufficient information to make informed decisions.

5.4 The Clerk/RFO presented Budget Monitoring Reports to the Council throughout the year (under the agenda item of Accounts vs Budget Review) and ensured that the estimates for 2021/22 were used effectively for financial control and budgetary control purposes.

5.5 The Clerk/RFO ensures that the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves.

5.6 The Council's Overall Reserves as at 31 March 2022 stood at £15,803.66 and included £10,486.00 Earmarked Reserves as follows:

Village Hall:	£596.00
Asset management:	£1,000.00
Tree management:	£1,000.00
Small projects:	£1,000.00
Legal costs:	£1,500.00
Groundwork UK	£5,390.00

5.7 The General Reserves (Overall Reserves less Earmarked/Restricted Reserves) were accordingly £5,317.66 and were in line with the generally 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 Receipts recorded in the Cashbook consisted of Precept (£5,000), Grants (£5,390), VAT refund (£1,636.51), Newsletter (£310), Grazing Licence (£500) and Bank Interest (£0.48).

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

7.1 A Petty Cash system is not in use; an expenses system is in place.

**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, Hargrave Parish Council can be designated as a 'Smaller Council'.

8.2 The Council's website is: <https://hargrave.suffolk.cloud>

8.3 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:  
[Payments listed within the published Minutes on the website](#)
- b) Annual Governance Statement, AGAR, Section One:  
[2020/21 published on website](#)
- c) End of year accounts, AGAR, Section Two:  
[2020/21 published on website](#)
- d) Annual Internal Audit report within AGAR:  
[2020/21 published 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 accordingly is complying with 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. At its meeting on 6 May 2021 the Council agreed that the date should be set from 14 June 2021 to 23 July 2021.

8.6 The remaining documents relating to the year 2020/21 required to be published, as listed in the AGAR Page 1 Guidance Notes including the Certificate of Exemption, bank reconciliation and the analysis of variances were seen to be published on the Council's website at the date of the internal audit.

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

9.1 Payroll Services are operated in-house in accordance with HMRC requirements. Detailed payslips are produced. A Contract of Employment dated 1 January 2018 is in place for the Clerk/RFO and includes confirmation of the 3 working hours per week.

9.2 At its meeting on 8 July 2021 the Council resolved to increase the Clerk's salary in line with JNC/NALC recommendations (Minute 8.4 refers).

9.3 Similarly, at the meeting on 10 March 2022 the Council noted and confirmed the 1.75% pay increase to the Clerk under the JNC/NALC national agreement, to be backdated to 1 April 2021 (Minute 8 (6) refers).

9.4 With regard to the Council meeting the legislation relating to workplace pensions, the Clerk/RFO confirmed that she had received a letter dated 4 October 2019 from the Chairman detailing her rights under the legislation.

9.5 It is uncertain when the Council last submitted a re-declaration of compliance under the Pensions Act 2008 to the Pensions Regulator. The Clerk/RFO agreed to examine this matter during 2022/23. (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 a copy has been published on the Council's website. The Register was reviewed and agreed by the Council at the meeting held on 10 March 2022 (Minute 8 (7) refers).

10.2 As at 31 March 2022, the Asset Register displays a total valuation of £53,492, an increase of £7,559 from the valuation of £45,933 as at the end of the previous year, 31 March 2021 and reflects the acquisition of Clerk/RFO's computer (£279) and Lockable Post Box £30) and the Village Sign and Post (£7,250) not previously included in the Register.

10.3 The assets are largely valued at cost. The Village Hall and Land at Knowles Green are displayed at a nominal (community) value of £1 to ensure that the Council's ownership and responsibility are recognised. An estimated value has been displayed for the Village Sign and Post recently brought into the Register.

10.4 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.

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

11.1 Bank Statements are received by the Council as a matter of routine and verified and signed by nominated Councillors at the meetings.

11.2 The Lloyds Treasurers Current Account (£10,756.57) and the Business Instant Access Account (£5,047.09) statements as at 31 March 2022 (totalling £15,803.66) reconciled to 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 End-of-Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in 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 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides comprehensive financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Clerk/RFO provides accounting reports in advance of the meeting. A summary is provided with detailed Cashbook reports on payments and receipts, Spend vs Budget, Earmarked Funds and Bank Reconciliations for the Savings Account and the Treasurer's Account.

13.2 The Council demonstrates good financial practice by receiving at each meeting a Schedule of receipts received and expenditure incurred since the previous meeting. The Council also receives a Schedule of Payments awaiting authorisation and payment and details of the financial position of the Council, including the amount of bank balances.

13.3 The Council has nominated a Councillor to act as the Internal Controller (see item 4.2 above regarding the issues of separation of duties and independence). Reports are received and signed off at the Council meetings and Minuted to evidence the completed reviews.



13.4 The required procedures are referred to at items 6.15 in the Council's Financial Regulations as follows:

*'Where internet banking arrangements are made with any bank, the Clerk shall be appointed as the Service Administrator. The bank mandate approved by the council shall identify a number of councillors who will be authorised to approve transactions on those accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals'.*

The Internal Auditor confirmed that the Clerk/RFO initiates the payment which is then authorised by two (of three) Councillors to release the payment.

13.5 Receipts and payments are listed in the Council's Minutes as part of the overall financial control framework. The invoices and paperwork relating to the payments are signed and authorised at meetings of the Council (the Schedule of internet banking payments completed online is signed at the next meeting of the Council).

13.6 The Internal Audit Report for the previous year, 2020/21, was undertaken by the Suffolk Association of Local Councils (SALC) and was received by the Council at its meeting on 8 July 2021 (Minute 7.7 refers). The Report had put forward a recommendation that a website accessibility statement should be published in response to the website accessibility regulations which came into place in September 2020. No other matters of concern were raised.

13.7 The Council appointed the Internal Auditor for the 2021/22 year at its meeting on 10 March 2022 (Minute 7 (13) refers).

#### **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 6 May 2021 the Council agreed for the completion of the Certificate of Exemption from a Limited Assurance Review for that year (Minute 10.4.1 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. The Certificate of Exemption was approved and signed at the Council's meeting on 12 May 2022.

**15. Additional Comments.**

15.1 I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**6 June 2022**