

Report to Hollesley 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 continued to maintain effective governance arrangements including a robust and effective 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. The Council displays many examples of good financial practice.

1.2 By examination of the 2021/22 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.

1.3 The Accounts for the year confirm the following:

Total Receipts for the year: £82,985.96
Total Payments in the year: £87,484.99
Total Reserves at year-end: £44,691.26 (of which £25,000 is earmarked)

1.4 The Annual Governance and Accountability Return (AGAR) to the External Auditors 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: £49,190</i>
<i>Annual Precept 2021/22:</i>	<i>Box 2: £32,640</i>
<i>Total Other Receipts:</i>	<i>Box 3: £50,346</i>
<i>Staff Costs:</i>	<i>Box 4: £9,529</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £1,211</i>
<i>All Other payments:</i>	<i>Box 6: £76,745</i>
<i>Balances carried forward (31 March 2022):</i>	<i>Box 7: £44,691</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £44,691</i>
<i>Total fixed assets:</i>	<i>Box 9: £147,148</i>
<i>Total borrowings:</i>	<i>Box 10: £2,611</i>

1.5 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 2021/22 within the AGAR.

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1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control. 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 was held on 20 May 2021. The first item of business was the Election of a Chair, in accordance with the requirements of the Local Government Act 1972.

2.2 Standing Orders are in place and were reviewed and adopted by the Council at its meeting on 17 February 2022 (Minute 16b refers). The Standing Orders reflect the latest model documents published by the National Association of Local Councils (NALC). A copy has been placed on the Council's website.

2.3 Financial Regulations are also in place and were reviewed and approved by the Council at its meeting on 17 February 2022 (Minute 16a refers). The Financial Regulations reflect the latest model documents published by NALC. A copy has been placed on the Council's website.

2.4 The Council continued to apply the General Power of Competence (GPoC) in the year 2021/22. At its meeting on 16 May 2019 the Council declared that it met the relevant criteria regarding elected Councillors and a suitably qualified Clerk and adoption of the Power was agreed (Minute 7 refers). The GPoC continues in place until May 2023.

2.5 The Clerk's position as Responsible Financial Officer (RFO) was re-affirmed by the Council at its meeting on 20 May 2021 (Minute 7b refers).

2.6 The Council's Minutes are extremely well presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is consecutively numbered and signed/initialled by the Chair.

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 ZA150248 refers, expiring 16 November 2022).

2.8 The Council demonstrates compliance with the General Data Protection Regulations (GDPR) through the adoption of formal policies including a Data Protection Statement, a Data Protection Impact Assessment, a Data Protection Risk Assessment, an Information Security Incident Policy, an Information Protection Policy and a Retention of Documents and Records Policy, all of which have been published on the Council's website. Whilst the Council is not required to formally appoint a Data

Protection Officer, it has demonstrated good practice by resolving at its meeting on 17 May 2018 that the Clerk/RFO should undertake this role (Minute 12b refers).

2.9 The Council also demonstrates good practice by maintaining a wide range of other formal Policies, Procedures and Protocols, including a Health and Safety Policy, Formal Grants Award Policy, Equal Opportunities Policy, Reporting Protocol, Public Participation Protocol, Formal Complaints Procedure, Grievance Procedure and Disciplinary Procedure, all of which have been published on the Council's website.

2.10 The Freedom of Information procedure, Sickness and Absence Policy and the Safeguarding Children and Vulnerable Adults Policy were reviewed and re-adopted by the Council on 18 November 2021 and also published on the website. Similarly, a Dispensation Policy was considered and adopted by the Council on 17 March 2022.

2.11 The Suffolk Local Code of Conduct for Councillors was reviewed by the Council at its meeting on 18 February 2021 (Minute 13a refers). The Council demonstrates good practice by periodically reviewing and re-adopting the Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. At the meeting on 17 February 2022 the Council asked the Clerk/RFO to write to each Councillor to confirm that they had reviewed the Code (Minute 16c refers).

2.12 A Website Accessibility Statement has been published on the Council's website to assist with 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 was found to be in very good order and well presented. VAT payments are tracked and identified within the Cashbook.

3.2 The Spreadsheet is well referenced and facilitates an audit trail to the Bank Statements and Online payments and cheque book counterfoils and the monthly financial information prepared by the Clerk/RFO. Supporting invoices, vouchers and receipts were examined on a sample basis and found to be in order.

3.3 The Council has comprehensive documentation and financial data in place. The documentation and information were very well presented for the internal audit.

3.4 Re-claims to HMRC for VAT paid were regularly made, as follows:

- a) A re-claim of £8,051.91 for VAT paid in the period 1 February 2021 to 31 July 2021 was submitted to HMRC on 2 August 2021, was received at bank on 16 August 2021 and reported to Council on 16 September 2021.
- b) A re-claim for £1,026.07 VAT paid in the period 1 August 2021 to 31 January 2022 was submitted to HMRC on 25 January 2022, was received at bank on 9 February 2022 and reported to Council on 17 March 2022.

3.5 A detailed Statement of Significant Variances (explaining significant differences in receipts and payments between the years 2020/21 and 2021/22) has been prepared by the Clerk/RFO.

3.6 A Community Infrastructure Levy (CIL) Annual Report for 2021/22 has been prepared by the Clerk/RFO. The Report confirmed the CIL balance of £4,096.82 brought forward from 2020/21 and CIL receipts of £4,361.14 and nil expenditure during the year 2021/22. This total amount of £8,457.96 has been earmarked to Play Equipment Renewal (see item 5.6 below). The CIL Annual Report for 2021/22 is due for publication and submission 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 The Council's Internal Control mechanisms and the effectiveness of Internal Audit were reviewed by the Council at its meeting on 17 February 2022 (Minute 6c refers).

4.2 The Council's Risk Assessment documents were reviewed and adopted by the Council at its meeting on 18 February 2022 (Minutes 18b to 18f refer). The Risk Assessment (Financial) and Risk Assessment (Non-Financial) documents provide a detailed analysis of risks faced by the Council and the internal control measures in place to mitigate the risks identified.

4.3 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 management of risk, with the review suitably Minuted.

4.4 An important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect, the Clerk/RFO confirmed that the Council has in place a weekly play equipment visual inspection by Councillors on a rota basis.

4.5 The Council arranged for an Annual RoSPA Play Park Inspection to be carried out by East Suffolk Norse on 18 July 2021 as part of the overall risk management arrangements in place. The inspection took place at the main Recreation Ground and for the Oak Hill Play Equipment.

4.6 Insurance was in place for the year of account. At its meeting on 17 June 2021 the Council agreed that following the installation of new equipment, the insurance cover for the Play Equipment should be raised to £50,000 (Minute 6d refers).

4.7 The insurance policy, secured through Came and Company, is with AXA Insurance under a Long-Term Agreement ending 30 September 2022. At the

meeting on 19 August 2021 the Council approved the payment of the insurance premium of £1,155.61 to Came and Company (Minute 6c refers).

4.8 Employer's Liability cover and Public Liability cover each stand at £10m. Cover for Fidelity Guarantee (Councillor/Employee Fraud and Dishonesty is at £150,000, 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 received.

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

Precept 2021/22: £32,640.00 (agreed by Council on 21 January 2021, Minute 11).

Precept 2022/23: £33,900.00 (agreed by Council on 16 December 2021, Minute 6d).

5.1 The Precepts were agreed in Full Council and the Precept decision and amount have been clearly Minuted. The Clerk/RFO ensures that the Council is aware of its responsibilities and commitments and the need for forward planning and adequate reserves. Detailed Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

5.2 The Draft 2021/22 Budget figures were presented to the Council at its meeting on 17 December 2020 (Minute 13b refers). A revised, Final Budget and Precept were confirmed and approved at the meeting on 21 January 2021.

5.3 Similarly, the Draft 2022/23 Budget figures were presented to the Council at its meeting on 18 November 2021 and a Final Budget and Precept for 2022/23 were confirmed and approved at the meeting on 16 December 2021.

5.4 Good budgetary procedures are 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 agreed estimates were used effectively for financial control and budgetary control purposes throughout the year.

5.5 At its meeting on 17 September 2020 the Council considered and agreed a Reserves Policy which provided that the Council would hold between 9 and 12 months of Net Revenue Expenditure (NRE). The Policy includes the requirement that amounts held in General and Earmarked Reserves are to be assessed on a quarterly basis by the Clerk/RFO and any diversion from the Policy is to be reported to Council (Minute 7b refers).

5.6 The Overall Reserves available to the Council as at 31 March 2022 were £44,691.26. Of those, the Allocated (Earmarked/Restricted) Reserves totalled £25,000.00 and were comprised of the following:

Defibrillator Replacement:	£1,000.00
Recreation Ground:	£10,000.00
Staff Sickness Costs	£4,000.00
New Play Equipment:	£10,000.00 (includes £8,457.96 CIL Funds)

5.7 General Reserves (Overall Reserves less Earmarked Reserves) as at 31 March 2022 accordingly totalled £19,691.26 (equivalent to 2.7 months of expenditure incurred in 2021/22). Accordingly, the General Reserves at the year-end were marginally less than 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 Cemetery Receipts, Allotment Receipts and Other Receipts recorded in the Cashbook Spreadsheet were cross referenced with bank statements on a test-check basis and were found to be in order.

6.2 A review of Cemetery Management was undertaken in 2020/21 and led into an examination of the pricing structure. The agreed charges came into force from 1 March 2021 having been approved by the Council (as part of the overall Cemetery Documentation) on 18 February 2021 (Minute 9c refers).

6.3 The Council last reviewed Allotment charges at its meeting on 21 February 2019 and agreed to increase the square metre charge per allotment as from 1 November 2019 (Minute 9b refers).

6.4 The Clerk/RFO advised the Internal Auditor that the Council is due to review the level of charges for both Cemeteries and Allotments in September 2022.

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

7.1 A Petty Cash system is not in use. An expenses system is in place, with on-line payments or cheques being made out for expenses incurred.

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

8.1 Payroll Services are operated on behalf of the Council by the Suffolk Association of Local Councils (SALC). Detailed payslips are produced, PAYE is in operation and contributions are being made to the Local Government Pension Scheme (LGPS). Calculations regarding Pay, PAYE and Pension Contributions are undertaken by SALC in accordance with HMRC requirements.

8.2 At its meeting on 17 September 2020 the Council agreed that the NJC pay scales applicable from 1 April 2020 should be applied to the Clerk/RFO's salary and the hourly rate be increased to £12.24 (SCP15) back dated to 1 April 2020 (Minute 15c refers). This rate of pay at 12 hours per week was confirmed to the Quarterly Pay during 2021/22 until the backdated pay increase (from April 2021) was paid in the Quarter ending 31 March 2022.

8.3 The Council agreed at its meeting on 17 March 2022 that the Clerk/RFO's salary be raised to SCP 22 from 1 April 2022, with two further rises to SCP 23 and SCP 24 on 1 April 2023 and 1 April 2024 respectively (Minute 21 refers).

8.4 At its meeting on 18 October 2018 the Council agreed that the Clerk/RFO should be enrolled on the Suffolk County Council pension scheme (Minute 7 refers). Payment of pension contributions commenced from April 2019 and have continued since that time.

8.5 With regard to the legislation relating to workplace pensions, the necessary re-declaration of compliance as required by the Pensions Regulator under the Pensions Act 2008 was made by the Clerk/RFO on 15 April 2020. (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).

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

9.1 A comprehensive Asset and Responsibility Register is in place and was reviewed and adopted by the Council at its meeting on 21 October 2021 (Minute 13 refers). The Register was also reviewed and adopted by the Council at its meeting on 16 December 2021 (Minute 11a refers).

9.2 The assets are recorded at cost value. In the instances where the actual cost is unknown the asset is recorded at a nominal £1 community value. The total value of £147,148 as at 31 March 2022 displays an increase of £55,229 from the £91,919 value at the end of the previous year, 31 March 2021. The increase reflects (inter alia) the purchase of Play Equipment (£50,734), Seats (£1,845), Notice Boards (£1,324), Litter Bins (£675), Dog Bins (£530) and Grit Bins (£117).

9.3 A copy of the Asset Register has been published on the Council's website.

9.4 The Asset Register complies with the current requirements which provide that each asset should be recorded at a consistent value, year-on-year. The value has been correctly placed in Box 9 of the AGAR 2021/22.

9.5 The Council maintains a Register of Assets of Community Value. At the meeting on 17 February 2022 the Council agreed to re-designate the Shop/Post Office, the Shepherd and Dog Inn and the Hollesley Garage as Assets of Community Value (Minute 12 refers).

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

10.1 The bank statements for the Barclays Community (Current) Account, the Business Premium Account and the Business Saver Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation as at 31 March 2022.

11. Year End procedures (*Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate*).

11.1 End of Year accounts 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.

12. Internal Financial Controls, Payments Controls and Audit Procedures (*Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented*).

12.1 The Council has effective internal financial controls in place. The Clerk/RFO provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Council's Cashbook Spreadsheet Accounts are agreed at meetings of the Council and a Councillor is designated to check the Council's bank statements.

12.2 The Council receives at each meeting a list of payments for review and authorisation, payments made since the previous meeting and any sums received. Receipts and Payments are listed in the Minutes of the Council as part of the Council's overall financial control framework.

12.3 At its meeting on 15 July 2021 the Council agreed to move the funds held in its Barclays Bank account to Lloyds Bank PLC and set up online banking with the Clerk/RFO having 'Create only' access (Minute 6b refers). On 19 August 2021 the Clerk/RFO advised that Lloyds Bank was not accepting any transfers of accounts from other banks at the present time and she would monitor monthly and start the transfer process when available.

12.4 The Clerk/RFO confirmed to the Council on 18 November 2021 that Lloyds Bank was still not accepting new customers and the meeting agreed that the Council should move to full online banking with Barclays Bank. The Council received a final update on changing to online banking on 17 February 2022 and confirmed the position regarding the Authorising Councillors.

12.5 The Clerk/RFO maintains an 'Online Payments List'. After payments are authorised at a meeting of the Council, the Clerk/RFO sets up the online payments and acts as the 'First Authoriser' (as required by Barclays Bank as a 'create only' facility is not provided). The Clerk/RFO then submits the payments list to one Councillor for the 'Second Authorising'.

12.6 In terms of the monitoring of the financial accounts, the Clerk/RFO confirmed to the Internal Auditor that up until February 2022 she submitted a copy of the accounts each month to Councillors and at the next Council meeting a Councillor would check the reconciliation with the bank statements. The Internal Auditor examined the checked statement for the month of October 2021. The Clerk/RFO confirmed that now the Council operates online banking, the monitoring procedure is conducted online by a different Councillors each month and recorded in the Minutes of the Council meeting.

12.7 The Internal Audit Report for the previous year (2020/21) was received and accepted by the Council at its meeting on 22 April 2021 (Minute 5b refers). No matters of concern had been raised in the report.

12.8 The Internal Auditor for the year 2021/22 was appointed by the Council at its meeting on 20 May 2021 (Minute 7a refers).

13. External Audit (*Recommendations put forward or comments made following the Limited Assurance Review*).

13.1 The Report and Certificate dated 3 August 2021 from the External Auditors, PKF Littlejohn LLP, for the year 2020/21 was reported to the Council at its meeting on 19 August 2021. No matters came to the External Auditors' attention to give any cause for concern (PKF Littlejohn had incorrectly advised in its Report that the Council had not complied with Regulation 15 of the Accounts and Audit Regulations 2015 regarding the exercise of Public Rights of Access but this was later formally rescinded by PKF Littlejohn on 12 August 2021).

14. Publication Requirements.

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website:

Notice of the period for the exercise of Public Rights
AGAR - Sections 1 and 2.

Following the completion of the External Audit:

Notice of Conclusion of Audit
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

14.2 The Internal Auditor was able to confirm that the documents were readily accessible on the Council's webpage:

<https://hollesley.suffolk.cloud/council-documentation/accounts/>

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. I would particularly like to commend the Clerk for the excellent presentation of the Council's documents for the audit.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

15 April 2022