

Annual Internal Audit Report 2021/22

HOCKERING PARISH COUNCIL

www.hockeringpc.info

During the financial year ended 31 March 2022, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2021/22 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")	✓		
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements	✓		
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

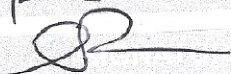
Date(s) internal audit undertaken

22/04/2022 28/04/2022

Name of person who carried out the internal audit

LORRAINE TRUEMAN

Signature of person who carried out the internal audit



Date

28/04/2022

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Hockering Parish Council

Internal Audit Report

Financial Year 2021-22

Prepared by Lorraine Trueman, 28 April 2022

I have completed an internal audit of the accounts for Hockering Parish Council for the year ending 31 March 2021. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2021.

I would like to thank the Clerk/RFO for providing me with all the information required for the Internal Audit.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	Yes. I have carried out a sample of financial transactions in the cashbook and reviewed corresponding bank statements. It was noted that there was no supporting documentation for the clerk at the beginning of the year. This is not the case for the new clerk & RFO
	Is the cashbook arithmetically correct?	Yes, much easier to use and share now that it is in Excel format.
	Is the cashbook regularly balanced?	Yes, new way of working introduced this year gives councillors increased visibility of council finances
	If bank balances are in excess of £100,000 is there an appropriate investment strategy?	n/a
Standing Orders, Financial Regulations and payment controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes, financial regulations are reviewed annually and standing orders are due for review by 2024
	Date Standing Orders last reviewed. Is this based on the latest version of Standing Orders?	Last reviewed Oct 2021.
	Date Financial Regulations last reviewed. Is this based on the latest version of Financial Regulations?	Last reviewed Oct 2021.
	Has a Responsible Financial Officer been appointed with specific duties?	Yes, job description provided
	Have items or services above the de minimus amount been competitively purchased?	£700 spent on tree work, appears to have only received 1 quote. Monthly expenses from the previous clerk exceeding £500 do not have supporting documentation.

Internal control	Test	Observations
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	With the exception of the previous clerks standing order (although this may have been agreed in a prior year) and the expenses mentioned above
	Is there effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments?	Yes. Cheques/BACS are prepared by the RFO and signed in line with the bank mandate
	Has VAT on payments been identified, recorded and reclaimed?	Yes, last claim for period end 31 March 2022
	If debit/credit cards are in use, what are the total monthly and individual transaction limits? Are there appropriate controls over physical security and usage of the cards?	n/a
	Is s137 expenditure separately recorded and within statutory limits?	No S137 spend
	Have s137 payments been approved and included in the minutes as such?	n/a
Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	Yes. Risk assessment and policy adopted in Nov 2021, recorded in minutes and policy available on website.
	Are appropriate arrangements in place, for example, for monitoring play areas, open spaces and sports pitches?	Yes, all recorded in the risk policy
	Is insurance cover appropriate and adequate for land, buildings, public, employers' and hirers' liability, fidelity/employee/councillors' liability, business interruption and cyber security?	Yes
	Are internal financial controls documented and regularly reviewed?	No appointed financial controller officer but finances are reviewed by council monthly
Budgetary controls	Has the Council prepared an annual budget in support of its precept and has this been minuted at a Full Council meeting as being approved?	Yes, approved in Nov 2020

Internal control	Test	Observations
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	The budget was prepared in Oct 2020 so includes a forecast finish position
	Is actual expenditure against budget regularly reported to the Council?	Finances are reported monthly to council
	Are there any significant unexplained variances from budget?	Yes
	Has the Council considered the establishment of specific earmarked reserves and reviewed them?	Yes
Income controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	n/a
	Is petty cash expenditure reported to each Council meeting?	n/a
	Is petty cash reimbursement carried out regularly?	n/a
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	For 2 current members of staff
	Do salaries paid agree with those approved by the Council?	No but this may be due to the annual increase being announced. The contracts do not give state the pay grade
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the Council?	Yes
	Have PAYE/NIC been properly operated by the Council as an employer?	There is no supporting documents for the previous clerk. The current clerk & RFO are paid using Basic Tools so PAYE and NI are calculated

Internal control	Test	Observations
Asset controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Is the assets register up to date? When was this last reviewed? Are additions and disposals in-year clear?	Yes, reviewed Feb 2022
	Do asset insurance valuations agree with those in the asset register?	Yes
	Does the asset value to be reported in the AGAR (section 2, Box 9) equate to the prior year reported value, adjusted for the nominal value of any new acquisitions and/or disposals?	Yes
	Are all long-term investments (i.e. over 12 months) covered by an investment strategy?	n/a
	If a loan has been taken out, are repayments reported to the Council?	n/a
	If the Council issued a loan to a local body, are there signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt?	n/a
Bank reconciliation	Is there a bank reconciliation for each account and is this regularly reported to Council?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
	Is the value of investments held summarised on the reconciliation?	n/a
Year-end procedures	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes
	Do accounts agree with the cashbook?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	n/a

Internal control	Test	Observations
Procedural	Is eligibility for the General Power of Competence properly evidenced?	n/a
	Have points raised on the last Internal Audit report been considered by Council and actioned?	None raised
	Has the Council demonstrated that during the previous financial year it correctly provided for the exercise of public rights, as required by the Accounts and Audit Regulations? [Full publication requirements are detailed on page 1 of the AGAR.]	Yes
Exemption from external audit: Only for smaller councils with receipts and payments each totalling less than £25,000	If the Council certified itself as exempt in the prior year, did it meet the exemption criteria and declare itself exempt? <i>[Confirm that the certificate was prepared and minuted by the Council within the statutory submission deadline. Confirm that the required information was published on the Council's website.]</i>	Yes
Adherence to the Transparency Code: Only for smaller councils with receipts and payments each totalling less than £25,000	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	No, agendas from Sept 2021
	Payments over £100 detailed on website?	Yes, for year-end Mar 2021
	Electors' rights advertised on website?	Unclear but a paper copy provided for 2021/22
	Councillors' responsibilities detailed on website?	Yes
	Last financial year's AGAR on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	n/a
Burial Authorities only	Are fees levied in accordance with the Council's approved scale of fees and charges?	n/a

Internal control	Test	Observations
	Have fees for the cemetery been reviewed and agreed by Council?	n/a
	Were comparisons made with other cemeteries prior to setting the fees?	n/a
	Have burial books been kept up to date and are they safely stored?	n/a
Allotments only only	Has a list of allotment holders with amounts paid to Council been submitted?	n/a
	Have fees for the allotments been reviewed and agreed by Council?	n/a
Hall/room hire only	Is there an effective diary system for bookings in place identifying the hirer, hire times, and ideally cross-referenced to invoices raised?	n/a
Leases and other income streams	Are leases reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time? Is there an audit trail from invoicing to receipt of income/chasing of debtors?	n/a
Councils with charities only	Have Charities reported and accounted separately?	n/a
	Have the Charity accounts been independently audited?	n/a
	Have the Charity accounts and Annual Return been filed within the legal time limit?	n/a
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council carried out an information audit?	A new information and data protection policy was agreed in Feb 2022
	Has the Council put in place a privacy notice and policy?	Yes
Website accessibility (relates to the Public Sector Bodies (Websites and	It is a legal requirement for councils to publish a website accessibility statement on its website. Has the Council published this statement?	Yes

Internal control	Test	Observations
Mobile Applications) Accessibility Regulations 2018	Has the Council updated and reviewed its statement [must be reviewed annually]?	Updated Dec 2021

Summary of my recommendations

It is clear many changes have been made this fiscal year to bring the council's governance up to date. The transfer of the accounts from handwritten to Excel versions should deliver a more accurate and efficient service, while the change in managing the payroll to Basic PAYE Tools will help ensure the council are meeting their legal requirements towards HMRC. This must have been a huge undertaking and I congratulate the council for all they have achieved in a short space of time.

Going forward, continue to build on the great work so far and I make the following recommendations

- update Breckland District Council on your new Standing Orders and ask that they make these available on their website
- where possible, gain at least two quotes for significant spend
- request supporting documentation for relevant expense claims from all members

Many thanks to Sheryl who has provided all of the information required in a very clear manner and for explaining matters, where required.