

# Hockering Parish Council

Internal Audit Report

Financial Year 2022-23

Prepared by Lorraine Trueman, 23 May 2023

I have completed an internal audit of the accounts for Hockering Council for the year ending 31 March 20xx. 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.
	Is the cashbook arithmetically correct?	Yes. The checks carried out were manual as the cashbook was given in paper format rather than Excel.
	Is the cashbook regularly balanced?	Yes, although the year-end bank reconciliation did not reflect the bank balance. See recommendations.
	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
	Date Standing Orders last reviewed. Is this based on the latest version of Standing Orders?	Last reviewed Oct 2021 based on the latest version
	Date Financial Regulations last reviewed. Is this based on the latest version of Financial Regulations?	Last reviewed Nov 22
	Has a Responsible Financial Officer been appointed with specific duties?	Yes
	Have items or services above the de minimus amount been competitively purchased?	n/a
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Normally but a direct debit to CPRE was paid but not minuted. See recommendations.

Internal control	Test	Observations
	Is there effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments?	The financial regulations state cheques are to be signed by 2 signatures and BACS payments to be approved by 1 signatory after being setup by the RFO. See recommendations.
	Has VAT on payments been identified, recorded and reclaimed?	VAT last reclaimed in May 22
	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?	S137 not used
	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?	Nov 22 the minutes record policies being reviewed but the policies are not named. See recommendations.
	Are appropriate arrangements in place, for example, for monitoring play areas, open spaces and sports pitches?	Yes
	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?	Yes
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?	The council has prepared an annual budget but the minutes do not reflect the council agreeing to the budget, just keeping the precept the same. See recommendations.

Internal control	Test	Observations
	Has the precept been calculated from the budget and been approved?	It was not minuted the budget was approved
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the Council?	Yes
	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?	Yes
	Do salaries paid agree with those approved by the Council?	No. The clerk hours increased in July and the RFO left. The clerk received a revised contract but this has not been minuted. See recommendations.
	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?	Yes
Asset controls	Does the Council maintain a register of all material assets owned or in its care?	Yes

Internal control	Test	Observations
	Is the assets register up to date? When was this last reviewed? Are additions and disposals in-year clear?	Yes, in Nov 22 but this has not been clearly minuted. There have been no additions or disposals. See recommendations.
	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?	A financial report is given at every meeting but I have not seen these. The year-end bank reconciliation did not reflect the actual bank balance See recommendations.
	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)?	Receipts and payments
	Do the accounts agree with the cashbook?	No, there was a £45 difference
	Has a year-end bank reconciliation been undertaken?	Yes, the new clerk has found the error and made the necessary corrections
	Is there an audit trail from underlying financial records to the accounts?	Yes

Internal control	Test	Observations
	Where appropriate, have debtors and creditors been properly recorded?	Yes
Procedural	Is eligibility for the General Power of Competence properly evidenced?	No this has not been adopted
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Yes
	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?	Yes, minuted in June 22 and on website
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?	Yes
	Payments over £100 detailed on website?	No. See recommendations.
	Electors' rights advertised on website?	Yes, dates are as required
	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)	Yes, asset register is on website

Internal control	Test	Observations
General Data Protection Regulation (compliance from 25 May 2018)	Has the Council carried out an information audit?	No. See recommendations.
	Has the Council put in place a privacy notice and policy?	Yes
Website accessibility (relates to the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018)	It is a legal requirement for councils to publish a website accessibility statement on its website. Has the Council published this statement?	No
	Has the Council updated and reviewed its statement?	Yes but due for review in Dec 2022. See recommendations.

### Summary of my recommendations

The figure included in year-end bank reconciliation as the bank balance did not reflect the figure shown on the bank statement. I recommend council see the bank statements with the bank reconciliation.

A direct debit was paid to CPRE but there are no minutes recording this transaction. All payments should be recorded in the minutes.

The financial regulations state only 1 signatory is required to authorise BACS payments and 2 are required to sign cheques. To increase the protection of funds I recommend all BACS payments continue to be set up by the RFO but require 2 councillors to approve them.

November 2022 shows the council approving policies, risk assessments and asset register but these policies were not detailed in the minutes. To improve transparency, I recommend all documents being approved by the council are listed in the minutes.

A draft budget was presented to council but it was never minuted if this budget was agreed. The minutes show the council agreeing to keep the precept at the same level but council is required to approve a budget. I recommend future budgets are minuted as being approved.

All staff changes must be agreed by council and the minutes must reflect this. The RFO left, the clerk increased her hours and she has an amended contract to reflect this but this is not reflected in the minutes. All staff changes must be reflected in the minutes but you can exclude the public from these discussions under the Public Admission to Meetings Act 1960.

Council is given a financial update at every meeting but these are not detailed in the minutes or available on the website. To improve transparency, I recommend the information is made

available to the public, either by including them in the minutes or by providing a separate report.

It is a requirement of the Transparency Code to publish all expenditure over £100. This has not been done for 2021-22.

The minutes do not reflect an information audit has been carried out. The council has a document retention policy and I recommend the clerk carries out a check of documents held and reports back to the council.

A website accessibility statement is on the website but this is overdue for review.

Lastly I would like to thank the very new clerk for quickly picking up the error with the bank reconciliation and taking the necessary steps to amend the AGAR.