

Report to Homersfield Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2022

1. Introduction and Summary

1.1 The essential information required for the completion of the Internal Audit was e-mailed by Mrs Sally Chapman, the Clerk/Responsible Financial Officer (RFO), to the Internal Auditor, who undertook the work remotely/electronically. This detailed Audit Report and the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) were completed accordingly. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the reports in order that they can be addressed at a later date, either at the next scheduled internal audit or when circumstances permit.

1.2 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.

1.3 By examination of the 2021/22 accounts and supporting documentation it was confirmed that the Clerk, in the role as the 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: £5,464.35
Total Payments in the year: £7,731.39
Total Reserves at year-end: £5,213.73

1.5 The following figures were agreed with the Clerk/RFO for inclusion in the AGAR 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: £7,481</i> |
| <i>Annual Precept 2021/22:</i> | <i>Box 2: £4,458</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: £1,006</i> |
| <i>Staff Costs:</i> | <i>Box 4: £2,698</i> |
| <i>Loan interest/principal repayments:</i> | <i>Box 5: nil</i> |
| <i>All Other payments:</i> | <i>Box 6: £5,033</i> |
| <i>Balances carried forward (31 March 2022):</i> | <i>Box 7: £5,214</i> |
| <i>Total cash/short-term investments:</i> | <i>Box 8: £5,214</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £7,323</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 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 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 4 May 2021. The first item of business was the Election of a Chairman, as required by the Local Government Act 1972. The meeting was held virtually via Zoom 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 The Council has a Responsible Financial Officer (RFO) in place. At its meeting on 1 March 2021 the Council agreed to appoint Mrs Sally Chapman as Clerk and RFO with immediate effect with hours of work, salary and other conditions of service in accordance with the contract that had been circulated to Councillors (Minute 4 refers).

2.3 Standing Orders are in place and reflect the model document published by the National Association of Local Councils (NALC). The Standing Orders were reviewed and re-adopted by the Council at its meeting on 1 March 2022 (Minute 7i refers).

2.4 Financial Regulations are in place. The Regulations were also reviewed by the Council at the meeting held on 1 March 2022 and reflect the latest publication by NALC (Minute 7c refers).

2.5 The Minutes of the Council are well presented and provide clear evidence of the decisions taken by the Council in the year. Each page of the Minutes is consecutively numbered. The Clerk/RFO confirmed to the Internal Auditor that each page of the Minutes is signed/initialled by the person acting as Chair of the meeting at which the Minutes are approved.

2.6 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration ZA115530, expiring 31 May 2022 refers). To assist compliance with the General Data Protection Regulations (GDPR), at the meeting on 1 March 2022 the Council reviewed and re-adopted a GDPR Policy (Minute 7e refers).

2.7 Similarly, in response to the Freedom of Information requirements, a Freedom of Information and Publication Scheme Policy was reviewed and agreed by the Council

at the meeting on 1 March 2022 (Minute 7d refers). The Policy has been published on the Council's website.

2.8 A Planning Procedure Policy is also in place, having been reviewed and re-adopted by the Council on 1 March 2022 (Minute 7g refers). The Policy has been published on the Council's website.

2.9 The Council is applying the Suffolk Local Code of Conduct for Councillors for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. The Council reviewed and re-adopted the Code of Conduct at the meeting held on 1 March 2022 (Minute 7b refers). The Council demonstrates good practice by periodically reviewing and re-adopting the Code as this usefully highlights the requirements and responsibilities placed upon each individual Councillor. A copy of the Code has been published on the Council's website.

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 is well referenced and provides an audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk/RFO. The document provided good evidence in support of the receipts and payments in the year.

3.2. In view of the Internal Audit for 2021/22 being conducted remotely/electronically, the supporting vouchers, invoices and receipts were not examined and a sample of the 2021/22 transactions can be undertaken at the next scheduled audit. The Clerk/RFO confirmed to the Internal Auditor that all payments made in 2021/22 were supported by invoices/vouchers.

3.4 Payments made under the Local Government Act 1972 Section 137 are separately identified in the Cashbook Spreadsheet and the Receipts and Payments Account.

3.5 VAT is separately identified in the Cashbook Spreadsheet to assist future re-claims to HMRC. The re-claim of £34.07 for VAT paid in the period 1 February 2019 to 31 March 2021 was received from HMRC into the Saver Account and was reported to Council at its meeting on 4 May 2021 (Minute 7e refers).

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 reviewed and re-adopted the Internal Control Statement at its meeting on 1 March 2022 (Minute 7f refers). The Statement outlines the scope of the Council's responsibility and the key elements in place to meet the requirements.

4.2 Similarly, the General Risk Assessment document was considered and adopted by the Council on 1 March 2022 (Minute 7h refers) The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified. The Council also considered and adopted two new Risk Assessments (Minute 7j and k refer):

- a) Wood Working Parties Risk Assessment & Strimmer and Chainsaw Policies
- b) Litter-picking Risk Assessment

4.3 The Council accordingly complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires 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 The Council has entered into a 3-year long term agreement with Zurich Insurance, commencing 1 October 2021. The insurance cover premium of £469.80 for the initial year was approved by the Council at its meeting on 1 November 2021. Public Liability cover stands at £12m and Employer's Liability cover at £10m. The Fidelity Guarantee (Councillor/Employee Dishonesty) cover stands at £250,000 (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).

5. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000).

5.1 Homersfield Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://homersfield.onesuffolk.net/parish-council/>

5.2 Smaller authorities should publish on their website:

- a) All items of expenditure above £100:
Published – [Payments included within Minutes of Council meetings.](#)
- b) Annual Governance Statement, AGAR Annual Return, Section One:
Published (2020/21) – [Published on website.](#)
- c) End of year accounts, AGAR Annual Return, Section Two:
Published (2020/21) – [Published on website.](#)
- d) Annual Internal Audit report within the AGAR Annual Return:
Published (2020/21) – [Published on website.](#)
- e) List of councillor or member responsibilities:
Published – [Published on website.](#)
- f) Details of public land and building assets (Asset Register):
Published – [Published on website.](#)
- g) Minutes, agendas and meeting papers of formal meetings:
Published – [Published on website.](#)

5.3 The Council is currently meeting the requirements of the Transparency Code.

5.4 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. The Internal Auditor was able to confirm that the document for the year 2020/21 was readily accessible on the Council's website and displayed the Date of Announcement, Dates of Inspection, Details of Person to contact to view the accounts and the Details of the person making the announcement.

5.5 The remaining 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 confirmed as easily accessible on the Council's website.

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

Precept 2021/22: £4,458 (11 January 2021, Minute 6 refers).

Precept 2022/23: £4,700 (1 November 2021, Minute 6b refers).

6.1 The Budget and Precept for the year 2021/22 was considered, approved and adopted by the Council at its meeting on 11 January 2021.

6.2 Similarly, the Budget for the year 2022/23 and a Precept of £4,700 were considered and agreed by the Council at its meeting on 1 November 2021.

6.3 Good budgetary procedures are in place. Examination of the accounts and supporting documentation confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments.

6.4 The Precepts were agreed in Full Council and the Precept decision and amount have been clearly Minuted. Budget papers are sufficiently detailed to ensure that Councillors have sufficient information to make informed decisions.

6.5 The estimates for 2021/22 were used effectively for financial control and budgetary control purposes with detailed budgetary position statements (budget reports) being presented to meetings of the Council.

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

6.7 The Overall Reserves available to the Council at the year-end 31 March 2022 totalled £5,213.73, of which £3,111.80 has been earmarked as follows:

| | |
|-------------------|-----------|
| Election Reserve | £600.00 |
| Equipment: | £300.00 |
| Homersfield Wood: | £1,350.00 |
| Phone Box: | £129.80 |

Future Projects: £500.00
Village Map: £232.00

6.8 The General Reserves of £2,101.93 (the Overall Reserves less the Earmarked Reserves) was in line with the generally accepted position that non-earmarked revenue reserves held should usually be between three and twelve months of gross expenditure or 50% of the Precept. As at the 31 March 2022 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

7. Income Controls (regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms).

7.1 The Receipts in the year consisted of Precept (£4,458), VAT Re-claim (£34.07), Grants (£922), Bank Credit (£50) and Bank Interest (£0.28).

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

8.1 No Petty Cash is held; an expenses system is in place with cheques made out for expenses incurred.

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

9.1 The Council is operating Payroll Services in-house in accordance with HMRC requirements. The P60 End of Year Return 2021/22 for the Clerk/RFO was presented to the Internal Auditor.

9.2 A Contract of Employment dated 1 March 2021 is in place for the Clerk/RFO. The Contract provides details of the conditions of service including hours of work and salary to be paid. At its meeting on 5 July 2021, the Council confirmed the Clerk/RFO's Employment (End of Probation Period) and agreed to the permanent employment of Mrs Chapman as Clerk to Homersfield Parish Council. The Council resolved to pay the Clerk/RFO's salary by Monthly Standing Order (Minutes 6g and 6h refer).

9.3 With regard to the requirements under the Workplace Pensions legislation, the Pensions Regulator confirmed that the necessary re-declaration of compliance under the Pensions Act 2008 was completed by the Council on 8 April 2021. (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. The updated Register was considered and approved by the Council at its meeting on 6 September 2021 (Minute 8 refers). The Council made some further amendments to the Register at the meeting on 1 November 2021 (Minute 3 refers).

10.2 The Asset Register was reviewed and adopted by the Council at its meeting on 1 March 2022.

10.3 As at 31 March 2022 the Register shows a total valuation of £7,323 an increase of £700 over the value of £6,623, at the end of the previous year, primarily reflecting the addition of 3 Oak Posts in the year.

10.4 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at replacement value or at purchase price or community value as a proxy cost.

10.5 The value as at 31 March 2022 has been correctly placed in Box 9 of Section 2 of the AGAR.

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

11.1 At the meeting held on 6 September 2021 the Council noted that all the outstanding mandate changes had been confirmed by Barclays Bank and Councillors signed Barclay's Simple Servicing Agreement allowing the Clerk/RFO to view the Council's bank accounts online (Minute 6b refers). The Clerk/RFO confirmed to the Council on 1 November 2021 that the Barclay's Simple Servicing Agreement was in place.

11.2 The Barclays Community Current Account and the Business Savings Account bank statements (both dated 31 March 2021) reconciled with 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 financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

13.2 A schedule of proposed payments and income received is presented to each Council meeting and listed in the Minutes as part of the Council's overall financial control framework.

13.3 In addition, the Clerk/RFO confirmed that:

(a) cheque numbers are noted on the paid invoices/vouchers to assist the verification of the payment,

(b) invoices/vouchers for payment are signed or initialled by the nominated signatories in confirmation of the payment being correctly made and

(c) Cheque Book counterfoils are initialled by Cheque Signatories, all as a matter of routine in accordance to the requirements of the Council's Financial Regulations 6.4 and 6.5. These areas were not examined due to the Internal Audit being conducted remotely/electronically but can be test-checked at the next scheduled audit.

13.4 The Internal Audit report for the previous year 2020/21 was received and approved by the Council at its meeting on 4 May 2021 (Minute 7b refers). The report had put forward the following two recommendations:

R1: The Council should ensure that the official form displaying full information relating to the exercise of public rights, as required under the Accounts and Audit Regulations, is published in respect of the 2020/21 accounts. (The publication requirements were met in respect of the 2020/21 year of account – see item 5.4 above).

R2: The Council should ensure that each year all the publication requirements are met (as listed under the AGAR page 1 Guidance Notes). (The publication requirements were met in respect of the 2020/21 accounts – see item 5.5 above).

13.5 At the Council's meeting on 5 July 2021 the Chair and Clerk/RFO confirmed that the above recommendations above had been actioned (Minute 6a refers).

13.6 The Internal Auditor for the 2021/22 year was formally appointed by the Council at the meeting held on 4 May 2021 (Minute 7d refers).

14. Sole Trustee (To confirm that the Council has met its responsibilities as a trustee, if appropriate).

14.1 The Council is not currently recorded as a Sole Trustee (The Council has previously ticked 'not applicable' to the box in the Annual Governance Statements regarding any responsibilities as Sole Trustee).

14.2 During the review of Legal Liabilities within the Financial Risk Management document considered by the Council on 2 March 2020, there is reference to the Homersfield Playing Field Charity (1066181) at item 4.1.6 which states that '*The Council obtained confirmation from the Charity Commission confirming that it is the sole trustee for the Playing Field Charity (1066181). The Council has discharged the asset into the hands of a public management committee in accordance with advice from the Charity Commission*'. The Audit Report 2019/20 accordingly recommended that the Council should clarify the Council's position with regard to the Homersfield Playing Field Charity and confirm, as necessary, that the Council has no responsibilities as a Sole Trustee.

14.3 At the meeting on 1 March 2021 the Council received an update from Lucy Phillips, a Trustee of the Playing Field Charity, regarding:

- (a) the status and Charity Commission Requirements.
- (b) the implications to the Council of taking over the land and/or charity and the matters outstanding.
- (c) the requirements of the Existing Trustees before any handover can take place.
- (d) to agree next steps and actions required.

14.4 The Council resolved in March 2021 that it would not progress with the Playing Field issues until the Playing Field Charity (1066181) was dissolved properly and would prefer the Playing Field to become an asset of the Parish Council. Lucy Phillips agreed to contact the other trustees to secure action in dissolving the trust and signing the Playing Field and land title to Homersfield Parish Council (Minute 6 refers). At the Council's meeting on 5 July 2021 the Clerk/RFO reported that she had contacted a Trustee to the Homersfield Playing Field Charity and was awaiting a response (Minute 9 refers).

14.5 At the meeting on 1 March 2022 the Council considered receiving the gift of Physical and Monetary Assets of:

- a) Homersfield Community Park - Charity Number: 1193118
- b) Homersfield Playing Field - Charity Number: 1066181

The Council agreed in principle to receive the gift of each of the above, subject to a Solicitor's background check.

15. External Audit (*Recommendations put forward/comments made following the annual review*).

15.1 An External Audit was not required in the year 2020/21 and the Council completed the Certificate of Exemption from a Limited Assurance Review for that year at its meeting on 4 May 2021 (Minute 7c refers). A copy of the Certificate has been published on the Council's website.

15.2 Similarly, as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ending 31 March 2022, the Council is able to certify itself exempt from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015. The Council can accordingly prepare a Certificate of Exemption from a Limited Assurance Review for the year 2021/22, for submission within the due date to PKF Littlejohn LLP.

16. Additional Comments.

16.1 I would like to record my appreciation to the Clerk/RFO for her assistance during the course of the audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

18 April 2022