

Annual Internal Auditor's report 2022/23 Hoath Parish Council

Internal Auditor: Deborah O'Brien CiLCA PSLCC.

To: Hoath Parish Council,

13 June 2023

Smaller authorities are required by the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In accordance with guidelines contained in the 2022 Practitioners' Guide (JPAG) paragraphs 4.6-4.12, I am independent of the Parish Council and its members as well as being a qualified Clerk with over 10 years' experience.

I have carried out a selective assessment of the Council's compliance with relevant procedures and controls, which I expected to be in operation during the year ended 31st March 2023. This internal audit has been conducted electronically utilising requested documents provided by the Clerk, as well as those present on the website at [Hoath Parish Council](#). In addition a Zoom meeting was held on 13th June 2023 to view hard copies of certain records and review this report. Items in bold below have resulted in negative responses on the AGAR Internal Audit Report.

Internal Audit report assertions

A. Appropriate accounting records have been properly kept throughout the financial year.

- Prior year's cashbook balance has been correctly brought forward.
- Appropriate accounting records have been kept throughout the year with monthly updates brought to council meetings.
- Bank reconciliations are reviewed monthly and minuted.
- Year-end bank reconciliation matched section 2 line 8 of the AGAR.
- Minutes for the year are complete and have been signed by the Chairman at the ensuing meeting. Please ensure that each page of the minutes is also initialled.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

- **The Parish Council does not have any Financial Regulations and therefore is not in compliance with best practices. The Clerk is developing regulations based upon the NALC template and will present these as soon as possible to a full council meeting for adoption.**

- Invoices are processed promptly with the Clerk/RFO checking for validity and prior authorisation. They are then presented to full council for approval and payment by cheque. The Council should look to enabling online banking and BACS payments. An internet banking policy should be developed for that purpose.
- A 22% sample of financial transactions was examined in detail and found to be administered adequately with cheque and minute numbers annotated. It is recommended that invoices are initialled by the 2 cheque signing councillors. Cheque stubs should also be initialled.
- I found that 3 invoices in my sample cohort did not have the VAT entered in the cashbook – Parry Law £343 incl £50 VAT; SLCC ILCA to CiLCA £250 incl £50 VAT and SLCC CAB textbook £141.80 incl £0.80 VAT. Please check all invoices for VAT content and record accordingly. This will assist with the VAT reclaim that is due.
- Currently two Councillors are authorised as signatories on the banking mandate. I would recommend at least one more with one councillor non-mandated to act as internal reviewer.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

- **There are several governance documents which are necessary for a Parish Council to function effectively and lawfully. Currently the council does not have these.** The minimum requirements are:
 - Standing Orders
 - Financial Regulations
 - Code of Conduct
 - Risk Assessments
 - Information Available – ICO model publication scheme
 - Transparency Code for Smaller Authorities 2015
- **[The Accounts and Audit Regulations 2015](#) require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. **The internal control review has not taken place and needs to be implemented and documented (minuted) going forward.****
- **There is no strategic risk management policy in place, nor any form of risk assessment for allotments, the play school, car park or village green maintenance.** It is essential that these are developed and approved as soon as possible. I would also include an asset and a tree inspection policy. Insurance can be voided if appropriate risk assessments are not in place.
- Formal documented inspections of council assets should take place on a regular basis. Please check with your insurers as to their requirements.

- There are no current Standing Orders in place (last set is dated 2005). The Clerk has drafted a set for review and adoption at the June 2023 meeting. These must be reviewed annually at a minimum and updated as appropriate.
- A code of conduct must be adopted and each councillor should agree to follow it. Canterbury City Council should be able to provide a model template for adaptation.
- Appropriate liability levels of insurance cover are in place, although clerical office equipment appears to be excluded. In addition, asset coverage is for £15,664 whereas last year's fixed asset AGAR declaration is at £19,016. Please review this with your insurers, increase coverage where needed and confirm that cyber insurance coverage is also included.
- The coverage of assets and review of insurance provider took place in April 2023 although this was not minuted. This should be reviewed annually prior to renewal and minuted accordingly.
- There is a designated PC laptop provided to the Clerk.
- Electronic data should be backed up onto a separate hard drive or cloud storage on a regular basis. At present it is not, and loss of this data would be detrimental to the function of the Parish Council.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

- **The 2022-23 precept was agreed at a full council meeting dated 8/11/2021 (minute 7) This was recorded as the amount payable £7,400. However, the budget was not formally approved and the minutes state that 'the clerk circulated some relevant figures'. The 2023-24 budget was not mentioned in the 21 December 2022 minutes, but the precept was set at £9,000 'in accordance with Canterbury City Council guidance.' (minute 6). It is essential that a detailed budget is considered and agreed prior to the setting of the precept and that this is minuted.**
- Progress against the budget is not formally undertaken by full council. It is recommended that quarterly reports are submitted to full council at a meeting. These should be agreed, minuted and signed by the councillor designated as internal reviewer.
- Reserves: Practitioners' Guide (paragraph 5.34) recommends that a small council should hold close to 12 months' General Reserves. Once the general reserves exceed twice the precept, the External Auditor will request an explanation. The council does not have a formal ear-marked reserves policy but should develop one to include contingencies such as loss of Concurrent Function Grant, tree inspections/remedial works, election costs, planned high-cost expenditure such as developing a Neighbourhood Plan. These ear-marked reserves should be considered as part of the budget setting process.

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

- The precept was received in the amount of £7,400 and matches the national parish data base. In addition, the parish council received grants and donations totalling £1,784, Concurrent Function grant of £677 plus playgroup lease and allotment rents totalling £800.
- **VAT has not been reclaimed since 2018.** Please use [Claim a VAT refund as an organisation not registered for VAT](#) Unfortunately, claims cannot be made for invoices older than 3 years. For future reference, where a claim is less than £100, it must cover a 12-month period. This should be claimed as soon as possible to recover as much as possible within the 3-year window.
- Allotment fees are currently under review. Ensure that notice of any increase is in accordance with lease terms and conditions.

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

- No petty cash.

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.

- The sole employee is the Clerk/RFO who has the NALC model contract. Payroll is administered via HMRC Basic Tools/RTI and this was verified.
- The current hourly rate of pay is based upon the 2022/23 National Salary Award. The latest NALC/SLCC pay scale amendments have been applied.
- Sample payslips were reviewed and in order. HMRC is paid quarterly.
- The Parish Council is registered with the Pensions Regulator and the latest re-declaration of compliance was made on 1st June 2023.
- A working from home allowance is paid.

H. Asset and investment registers were complete and accurately and properly maintained.

- **A formal asset register exists but it has not been updated since 2020.** The new Clerk plans to review and update this.
- The assets included in the asset register for the AGAR should be at acquisition cost, with land such as the village green, allotments, car park and play area listed at £1. The register should be shown on the website along with other financial documents.
- **I was unable to verify the asset register value for line 9 of the Accounting Statement.**
- **The Insurance values on the asset register do not appear to match the insurance schedule – see assertion C point 7.**

I. Periodic bank account reconciliations were properly carried out during the year.

- Monthly bank reconciliations are made to the statements, reviewed by full Council and minuted.
- Year-end reconciliations for 31/3/22 and 31/3/23 were checked and agreed to line 8 of section 2 of the AGAR.

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.

- The council operates on receipts and payments accounting in accordance with regulation 11 of the Accounts and Audit Regulations 2015.
- The financial detail reported in the draft Section 2 of the AGAR reflects the detail shown in the accounting records for 2022/23.

K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt.

- The Council meets the criteria as set out in Form 2 of the Annual Governance & Accountability Return. Neither payments nor receipts exceed £25,000.
- The Council approved the 2021/22 Certificate of exemption at its April 2022 meeting. The 2022/23 Certificate of Exemption was approved at the May 2023 meeting.

L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

- [The Accounts and Audit Regulations 2015 - regulation 13](#) requires that all authorities publish on their website for at least 5 (five) years: the statement of accounts, any certificate of the auditor, and the annual governance statement. It is also recommended that you publish the Annual Internal Audit reports. There are only financial documents on your website for the years 2020-21 and 2021-22. Please ensure that at least 5 years are displayed.
- The [Transparency Code for Smaller Authorities 2015](#) requires that the following information must be published by authorities with turnover below £25,000:
- all items of expenditure above £100; end of year accounts; annual governance statement; internal audit report; list of councillor or member responsibilities; the details of public land and building assets; Minutes (in draft format within 30 days of the meeting to which they refer), agendas and meeting papers of formal meetings.

Please ensure that this is implemented.

- [The Public Sector Bodies \(Websites and Mobile Applications\) Accessibility Regulations 2018](#) requires that public sector bodies must comply with the accessibility requirement. Regular testing of the website should be undertaken. Various applications are available to assist with this such as [WAVE webaim](#). (e.g. At present there are 38 contrast errors on the home page.)
 - **It is mandatory that an Accessibility Statement is included on the website.** The Accessibility Statement must be reviewed annually at a minimum and updated where necessary. This is not in evidence and must be implemented. A sample statement is available at [Sample accessibility statement - GOV.UK \(www.gov.uk\)](#)
 - All documents dated after 23 September 2018 and created by the Council should be in an accessible format and where these are PDFs should be PDF/A created with header bookmarks within the document. Assistance with this can be found at [Creating Accessible Documents | AbilityNet](#).
 - [Data Protection Act 2018](#) - The website does contain a privacy policy but not a Data Protection policy. Please develop and approve.
 - There is no model Publication Policy issued by the Information Commissioner's Office. This is a statutory requirement and an example is at [template-parish-councils-2021](#)
- M. In the year covered by the AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set?)**
- 2021-22 Electors' Rights notice is on the website allowing for 30 working days review and including the first 10 working days in July. (1st July – 11th August 2022). However, the approval of dates was not mentioned or recorded in the minutes. Please ensure that this is formally minuted as proof of action and compliance with statutory requirements.
 - The announcement date was before the commencement date as required.
- N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR page 1 Guidance Notes)**
- **Smaller authorities must publish various documents on a publicly available website in accordance with The Accounts & Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities. Most of the documentation has been published, however the Internal Audit report (page 4 of the AGAR), Analysis/Explanation of Variances and Bank Reconciliation have not. Please refer to the AGAR guidance on page 1. There are templates for both documents obtainable from Mazars.**

0. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.

- Not applicable

Other matters not covered above:

- Legislation dictates that the Parish Council must hold its Annual Meeting of the Parish Council in May. [Local Government Act 1972 70 sched 12 part ii](#) At this meeting, the first order of business must be the election of a Chairman, [Local Government Act 1972 70 section 15](#) who in turn must sign a Declaration of Acceptance of Office. In addition, in an election year, all councillors must sign a Declaration of Acceptance of Office, and these should be minuted. [The Local Elections \(Declaration of Acceptance of Office\) Order 2012](#) The election of Chairman does not appear to have taken place in May 2021 or May 2022, nor was an Annual meeting of the Parish Council held – an ordinary meeting was held in both years. It is noted that the Annual Parish Council meeting was held in May 2023, where a Chair was elected.
- Practitioners' Guide should be reviewed by Councillors and used as the basis for preparing and approving the Annual Governance & Accountability Return (AGAR). The version for 2022/23 is available at [2022 Practitioners' Guide](#). An updated version for 2023/24 is available at [2023 Practitioners' Guide](#).
- When issuing an agenda for Parish Council meetings, it is a legal requirement that Councillors are 'summoned' to attend to attend to the business of the Parish Council. I would recommend including wording in the agenda to cover this. *"a summons to attend the meeting, specifying the business proposed to be transacted at the meeting and certified by the proper officer of the council, shall be sent to every member of the council by an appropriate method."*
- The Annual Parish Meeting for the electorate (which is not a Parish Council meeting but may be called by the Chairman, any 2 councillors or any 6 electors), requires 7 clear working days for its notice. It must be held between 1 March and 1 June annually. [Local Government Act 1972 - Annual Parish Meeting](#).
- The website [Hoath Parish Council](#) is not a secure site and requires a Secure Sockets Layer (SSL) certificate. It is recommended that the Council consider a new re-designed PC dedicated website to meet accessibility regulations.
- Councillors should not use personal e-mail addresses. The use of personal e-mail addresses may cause GDPR and Freedom of Information issues. Please refer to [Fact sheet for councils: the use of personal email addresses and devices \(ico.org.uk\)](#) for guidance.
- If the Parish Council proceeds with its Neighbourhood Plan, please note that there may be grants available through [Locality Neighbourhood Planning](#). (Funding not released yet for 2023/24)

I realise that there are many issues highlighted here. I would recommend that the Parish Council develops a plan of action to address the matters raised in this report, and, if it wishes to, to have an interim audit later in the year to measure progress.

The Proper Officer and Clerk/RFO, Caroline Read is highly motivated to achieve compliance for the Parish Council and residents and is already undertaking ILCA to CiLCA training. I would like to thank Caroline for her assistance in providing information to enable me to conduct this internal audit.

If there are any questions or further guidance is needed, please do not hesitate to ask.

Sincerely,

Deborah O'Brien

13th June 2023