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16th July 2022

The Chairman
Fleggburgh Parish Council

Dear Chair,

Internal Audit for the year ended 31st March 2022

I would like very much to thank the Council for appointing me to carry out the internal audit for the 2022 accounts, and to thank the Clerk for her time.

I would point out that, according to the Governance and Accountability for Local Councils, the purpose of internal audit is to review the effectiveness of a council's risk management, control and governance processes; neither the internal nor the external auditor can be expected to look for fraud.

My purpose is not to give an opinion on the accounts, I am required to review controls and give recommendations.

I carried out the following work on the Council's records on 7th July 2022 having previously been provided documents electronically and in hard copy by the Clerk:

1. Proper Bookkeeping:

- checked payments from the cashbook to minutes.
- checked receipts from cashbook to cheque books and bank statements.
- I note that no VAT reclaim has been submitted for this year.
- Council must be aware that it cannot claim VAT on behalf of another organisation – in the 15.7.22 meeting point 12 Council states it will pay for CCTV, reclaim the VAT and allow the Village Hall to pay the nett amount across to the Parish Council. This would be deemed a fraudulent transaction by HMRC Customs and Excise.
- The Council carries no petty cash.

2. Financial Regulations and Policies:

- S137 payments must be separately noted within both the minutes and accounts.
- Financial Regulations were reviewed by the Council in July 2020 according to the copy within the file I was provided and also the website. These will need reviewing given the changes that occurred in January 2021. This was brought to Council's attention last year in the internal audit.
- The Council must, by law, consider a General Reserves Policy.

- The model publication scheme must be published on the website.

3. Risk Arrangements:

- I have reviewed minutes for unusual items and find no inconsistencies.
- The minutes reflect that the asset register was assessed during the year.
- The Council requires a Financial Risk Assessment Policy.
- Standing orders should be updated, these contain adaptations that are no longer relevant regarding the Coronavirus Act which is now rescinded in these matters.
- Council should adopt Internal Controls.

4. Budgetary Controls:

- The precept is set after consideration of expected costs and future projects and considering a detailed budget prepared by the Clerk. The budget should be publicised with the minutes, or on the website for good transparency.

5. Income Controls:

- reviewed receipt of precept.
- reviewed income during year.

6. Village Hall

- I am informed that the Council is the freehold owner of the property, however I was provided no documentation to review.
- I was also not provided with a lease for the Village Hall and Playingfield charity.
- I would advise Council to ensure that all necessary insurances and leases are in place with regard to this, and to take advise when necessary regarding donations to the charity/VAT on transactions.
- I note that the Council appoints Trustees, and took over management of the Village Hall during the year. Councillors will want to satisfy themselves that these actions are supported by the governance of both organisations.

7. Payroll Controls:

- I worked through a payment with the Clerk who is able to process payments in house.

8. Asset Controls:

- Minutes do not reflect Council considering the Insurance Schedule. I would recommend that Council satisfies itself that all items are covered under the insurance policy at renewal. This is particularly relevant as some items are charity owned and may not be covered in the event of an accident taking place. Council should seek written confirmation that cover is in place – being clear that the Charity is not a committee of the Council, but a separately convened legal entity.
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9. Bank Reconciliation:

- It is good practice to minute the amounts for transparency, and for these to be regularly provided to Council along with budget v's expenditure.

- I note that the Council was overdrawn at the bank between February and March of 2022, the issue appears now to be rectified, however this should be avoided.

10. Year-end Procedures:

- reviewed year-end bank reconciliation
- reviewed accounts for unusual items
- annual return is prepared using receipts and payments method.
- When undertaking the adoption of the AGAR the minutes should reflect separate items;
To receive the internal audit and take the following actions in response:
To resolve the Council is an exempt authority.
To resolve to approve Section 1 of the AGAR The Annual Governance Document.
To resolve to approve section 2 of the AGAR The Accounting Statements.
To receive the analysis of variances.
To receive the bank reconciliation as at 31.3.22.
To note the period of the exercise of public rights (This should contain the agreed dates).

The above tests and review work showed the accounts agree to year end bank statements.

There is evidence to show that the Council is involved in the financial management and governance of the Council and payments are taken to all meetings. Council must adhere to the Smaller Councils Transparency Code as the income and expenditure are under £25,000.

The Clerk was very generous with her time, and I would thank her for her support. The report contains guidance which ordinarily I would provide to the Clerk as I have no concerns to raise with Council, however I have detailed here relevant actions to bring them to the attention of Councillors. I have no doubts that the Clerk will put into action all matters we have discussed.

I have therefore signed the internal auditor's part of the Annual Return.

Yours faithfully,

Sarah Hunt