

Mr S Watson  
Clerk to Hapton Parish Council  
842 Padiham Road  
Burnley  
Lancashire  
BB12 6NN

23<sup>rd</sup> May 2023

Dear Mr Watson,

**To the Chairman and Members of Hapton Parish Council  
Internal Audit of Accounts for the Financial Year ending 31<sup>st</sup> March 2023**

I have concluded the annual audit of the Council's financial accounts. The accounts have been well maintained and appropriate controls supporting the governance framework have been in place.

There were no significant issues arising. The results of my audit are detailed below.

**Annual Return**

I have carried out the final audit of the Council's financial accounts for the year 2022-23 and I am pleased to inform you that I have signed the internal audit section of the Annual Return for Local Councils as required.

**Bookkeeping**

The Council's cash book and bank accounts were checked. All cash book entries were agreed to bank statements and the year-end bank reconciliation was agreed. All items had VAT appropriately identified in the accounts. The VAT reclaim for year end 31<sup>st</sup> March 2023 is due and was recently submitted. Three invoices were missing, C Downham £18.00, LJS Funfairs £1400.00 and C Pound £250.00. The latter two relate to expenses incurred at a Council event and whilst agreed and minuted, invoices should be obtained. An overpayment of back payment to the clerk of £13.04 identified at last years audit has now been recovered. The accounts for the Annual Return were compiled on the basis of receipts and payments which is consistent with the previous year.

**Standing Orders, Financial Regulations and Payment Controls**

Standing Orders and Financial Regulations should be reviewed annually by the Council to ensure that they are up to date and being followed by the Council, and these actions should then be minuted. The Standing Orders and Financial Regulations were last reviewed in September 2021 and should be reviewed again at the next available opportunity. Council minutes have been reviewed and with the exception of January

2023, all minutes have been signed and all expenditure has been appropriately authorised. All payments have been agreed to supporting invoices or documentation.

### **Risk Management Arrangements**

The Council's risk assessment was last reviewed by the members in September 2021. This should be reviewed again at the next available opportunity. All expected insurance policies are in place with appropriate valuations however, the risk assessment register has not yet been brought up to date to reflect the increased fidelity guarantee cover. The Zurich Insurance policy was reviewed and values for the public liability and employer's liability are consistent with the risks covered. The cover for Tools shown on the policy is still to be removed.

### **Budgetary Controls and Financial Health**

The annual precept request was underpinned by an annual budget. For good financial health it is normally recommended a balance, at year end, representing about 26 weeks of payments. This was highlighted last year as at that time, the year end balance was £41370 and represented a substantially higher level of reserves. However, the Clerk advised that expenditure had been restricted due to the pandemic and several projects were in hand with a large summer event planned which would substantially reduce the level of reserves. The current year end balance of £48081 once again substantially exceeds recommended levels, although the Clerk advised that an amount of £10,000 has been earmarked for the new pump track and a further £20,000 earmarked towards changing rooms. However, taking account of earmarked expenses, balances are still in excess of the recommended levels. Earmarked reserves should be realistic and approved the Council and the amount of general reserve should be annually risk assessed and approved. For prudent financial management it is recommended that the balance carried forward should be targeted to achieve 26 weeks of expenditure over the medium term (5 years). The Council should therefore include the level of reserves in the annual budgeting process.

### **Income Controls**

Income has been agreed to supporting documentation, sources are consistent with the previous year and variances have been adequately explained.

### **Payroll Controls**

Salary payments to the Clerk were reviewed and are consistent with the previous year, with an increase in line with the national pay rise.

### **Asset Controls**

All material assets owned by the Council are maintained in an asset register. I cross-checked items in the asset register with items covered by insurance and identified differences between the two lists. These lists should be reviewed to ensure all owned assets appear in the asset register and are appropriately insured.

**General**

I would like to thank your Clerk for his help and assistance in the conduct of the audit and I look forward to my next visit.

Yours sincerely,

Jennifer Sutcliffe