

# HEELIS&LODGE

Local Council Services • Internal Audit

## **Internal Audit Report for Elmswell Parish Council – 2018/19**

The following Internal Audit was carried out on the adequacy of systems of control. The following recommendations/comments have been made:

Income: £238,581                      Expenditure: £179,334                      Reserves: £134,053

### AGAR Completion:

Section One: No

Section Two: No – draft figures available

Annual Internal Audit Report 2018/19: Yes

Certificate of Exemption: No

**Proper book-keeping**      Cash Book, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

*All were found to be in order. LGAs137 is not used as the Council operate under the General Power of Competence. VAT payments are tracked and identified within the year end accounts. The cashbook is produced through Scribe and referenced providing a clear audit trail. Supporting paperwork is in place and well referenced.*

**Financial regulations**      Standing Orders and Financial Regulations  
Tenders  
Appropriate payment controls including acting within the legal framework with reference to council minutes  
Identifying VAT payments and reclamation  
Cheque books, paying in books and other relevant documents

Standing Orders in place:              Yes  
Reviewed: 18/3/2018 (Ref: 18.03.15)  
Financial Regulations in place:      No

*Standing Orders incorporate some Financial Regulations, however, at the level of turnover of the Council a separate and more detailed documents should be in place. The Standing Orders on file are concise and include the relevant reference to the Public Contracts Regulations 2015.*

Contact details : 52 Parkway, Wickham Market, Suffolk, IP13 0SS  
Tel: 07732 681125  
Email: heather@heelis.eu

Heather Heelis Dip HE Local Policy PILCM  
Lynne Lodge Dip HE Local Policy

*It is noted that the current Standing Orders are due to be replaced by the NALC Model Standing Orders and separate Financial Regulations (Ref: 21/1/2019 – item 19.01.15). The latest version is available and also incorporates reference to GDPR.*

**Recommendation:** *To proceed to adopt separate NALC Financial Regulations.*

**Recommendation:** *To proceed with adopting the latest version of the NALC Standing Orders.*

VAT reclaimed during the year: Yes  
VAT claims:       4/4/2019       £5,723.76  
                      14/1/2019       £2,786.25  
                      22/10/2018       £1,132.73  
                      11/7/2018       £2,498.47

Registered: No XFV126000102248

General Power of Competence: Yes

*There were one tender during the year however, the value did not exceed the £25,000 Public Contract Regulations threshold.*

*It is noted that there are quite large sums regularly reimbursed to the Clerk for Council purchases. The total of reimbursements to the Clerk for the 2018-2019 financial year amounted to £3,891.30. Whilst reimbursements are normal practice within councils, when the level of expenditure incurred by the Clerk reaches larger sums, the Council should consider an alternative means of making online card purchases. This can be by credit card under the General Power of Competence.*

**Recommendation:** *To consider alternative methods of online payments eg a credit card.*

## **Risk Assessment**

Appropriate procedures in place for the activities of the council  
Compliance with Data Protection regulations

Risk Assessment document in place:       Yes  
Data Protection registration:                Yes (Ref: Z274902X)

### **Data Protection**

*The General Data Protection Regulations have changed and the new Regulations came into force on 25 May 2018. It is likely that this will affect the way in which the Council handles its data. It is advised that, due to the financial risk associated with the new Data Protection Regulations, this should form part of the Council's Risk Assessment.*

**Recommendation:** *To include reference to GDPR in the Council's Risk Assessment.*

Privacy Policy published: *A Privacy Notice could not be found on the Council's website.*

**Recommendation:** *To adopt and publish on the Council's website a Privacy Notice.*

*Insurance was in place for the year of audit. The Risk Assessment was reviewed on 21/5/2018 (Ref: 18.05.07).*

*The Council have an effective system of Internal Control. This is supported by a comprehensive interim review carried out by 3 Councillors. The scope of the review and any findings are recorded, reported to a Council meeting (Ref: 21/1/2019 – item 19.01.14), and signed and dated.*

*The Council have good internal financial controls in place. Cheque stubbs and invoices are initialled by signatories. The Clerk provides financial reports to council meetings. Councillors are provided with information to enable them to make informed decisions.*

Fidelity Cover: £200,000

*The insurance schedule states that the level of Fidelity cover is within the recommended guidelines of year end balances plus 50% of the precept.*

## Transparency Code

Compliance for smaller councils with income/expenditure under £25,000. Smaller authorities should publish on their website from 1 April 2015:

Smaller Council: Yes

Website: [www.elmswell.suffolk.cloud](http://www.elmswell.suffolk.cloud)

*The Council is not subject to the requirements of the Transparency Code for smaller Councils. The Transparency Code for Councils with a turnover exceeding £200,000 is not covered as part of the Internal Audit.*

## Budgetary controls

Verifying the budgetary process with reference to council minutes and supporting documents

Precept: £130,051 (2019-2020)      Date: 21/1/2019 (Ref: 19.01.19)

*Good budgetary procedures are in place. The precept was agreed in full council and the precept decision and amount has been clearly minuted. The Clerk ensures the council are aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions. Budgets are monitored during the year.*

<b>Income controls</b>	<p>Precept and other income, including credit control mechanisms</p> <p><i>All were found to be in order. Income controls were checked and income received and banked cross referenced with the Cash Book and bank statements.</i></p> <p><i>The Council operate a cemetery and allotments. Tenancy agreements are in place and detailed records are kept.</i></p>
<b>Petty Cash</b>	<p>Associated books and established system in place</p> <p><i>A satisfactory expenses system is in place with supporting paperwork. No petty cash is held.</i></p>
<b>Payroll controls</b>	<p>PAYE and NIC in place where necessary. Compliance with Inland Revenue procedures Records relating to contracts of employment</p> <p>PAYE System in place: <b>Yes</b></p> <p><i>The Council continue to operate RTI in accordance with HMRC regulations. All supporting paperwork is in place. An examination of payroll transactions was undertaken and all was found to be in order.</i></p> <p><i>It is noted that all staff opted out of the pension scheme and one member of staff has opted in, in the 2019-2020 financial year. The Council have registered with the Nest pension scheme.</i></p>
<b>Asset control</b>	<p>Inspection of asset register and checks on existence of assets Cross checking on insurance cover</p> <p><i>A separate asset register is in place. Values are recorded at cost value. The total value of assets are recorded at £1,730,440. The figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR.</i></p>
<b>Bank Reconciliation</b>	<p>Regularly completed and cash books reconcile with bank statements</p> <p><i>All were in order. Bank Reconciliations are carried out regularly. The bank statements reconciled with the end of year accounts and bank reconciliations for all accounts.</i></p>
<b>Reserves</b>	<p>General Reserves are reasonable for the activities of the Council Earmarked Reserves are identified</p> <p><i>The Council have adequate general reserves and have identified earmarked reserves (CIL) in their year end accounts.</i></p>

**Year-end procedures** Appropriate accounting procedures are used and can be followed through from working papers to final documents  
Verifying sample payments and income  
Checking creditors and debtors where appropriate.

*End of year accounts are prepared on an Income & Expenditure basis. The Council have moved from a Receipts & Payments basis in 2017-2018 to an Income & Expenditure basis in 2018-2019 therefore the 2017-2018 accounts have been restated in the 2018-2019 AGAR Section 2.*

*It is noted that there is a discrepancy of £1,678 between the cashbook expenditure and the AGAR expenditure. This is possibly due to the previous year's figures being restated from Receipts & Payments to Income & Expenditure.*

*The 2018-2019 PWLB balance at the year end stood at £409,214 (confirmed by the PWLB statement dated 6/4/2019).*

*The £0.40 difference between the Bank Reconciliation figure of £129,677.63 and the Reconciliation between Boxes 7&8 Pro-forma is due to rounding of the brought forward figure of £134,053.00.*

*Debtors and Creditors are identified within the year end accounts. There is a minor discrepancy of £3.51 between the VAT reclaim figure (4/4/2019) and the VAT recoverable in the Reconciliation Pro-forma.*

**Sole Trustee** The Council has met its responsibilities as a trustee

*The Council is not a sole trustee.*

**Internal Audit Procedures**

*The Internal Audit report was considered by the Council at a meeting held on 21/5/2018 (Ref: 18.05.08).*

*Heelis & Lodge were appointed Internal Auditor at a meeting held on 19/11/2019 (Ref: 18.11.17).*

**External Audit**

*The Council considered the External Audit Certificate at a meeting held on 19/11/2018 (Ref: 18.11.19).*

*The following matters were raised by the External Auditor:*

*'The smaller authority has not addressed the 'except for' matter raised by the External Auditor when qualifying the prior year Annual Return. The smaller authority has not restated the 2016/2017 figure in Box 10. Box 10 reads £462,005 but it should have been restated as £469,645 to agree with the loan balance according to the PWLB.'*

*The Box 10 figure for 2018-2019 has been confirmed with the PWLB balance at the year end.*

*'Section 2, Box 7 for the prior year does not agree to Boxes 1+2+3-(4+5+6) and an adequate explanation has not been provided by the smaller authority. The figure in Box 7 should read £369,533.'*

*No further action required.*

*'The current year accounts were prepared on a receipts and payments basis, but should have been stated on an income and expenditure basis as they are over the £200k threshold. Please ensure that amendments are corrected in the prior year comparative when completing next year's AGAR.'*

*Noted that the 2017-2018 figures in Section 2 of the AGAR have been restated to an I&E basis and that the 2018-2019 figures in Section 2 of the AGAR are based on I&E. Therefore no further action required.*

**Period of Exercise of Public Rights**      Start Date *17/6/2019*      End Date *26/7/2019*

***Reminder:*** *To publish the Exercise of Public Rights notice on the Council's website.*

### **Additional Comments/Recommendations**

- The Annual Parish Council meeting was held on 21/5/2018, within the required timescale. The first item of business was the Election of Chairman, in accordance with Standing Orders.
- It is noted that whilst agenda items are sequentially numbered, the requirement for holding minutes in a loose-leaf format is that the pages are sequentially numbered throughout the year. This can either be by page or by agenda item. It is noted that whilst the loose-leaf minutes are kept in the office, the original signed copies are eventually bound.
- I would like to take this opportunity to congratulate the Parish Council in its proactive approach to providing the infrastructure to improve the quality of life for its residents. It is suggested that as the Council's activities increase, and additional assets and services provided, there may be a need to look at carrying out a staffing review to ensure there are adequate staffing resources available.
- There are no additional comments/recommendations to make in relation to this audit.
- I would like to record my appreciation to the Clerk to the Council and the Clerical Assistant for their assistance during the course of the audit work



**Heather Heelis**  
**Heelis & Lodge**  
14 May 2019

Contact details : 52 Parkway, Wickham Market, Suffolk, IP13 0SS  
Tel: 07732 681125  
Email: heather@heelis.eu

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## INVOICE

**To:**

Bramford Parish Council  
Parish Room  
Ship Lane  
Bramford  
IP8 4AN

Invoice No: HL9039  
Date: 14 May 2019

Details	Quantity	Amount (£)	Total (£)
Internal Audit for Elmswell Parish Council for the year ended 31 March 2019	1	300.00	300.00
Total			300.00

Please make cheques payable to: Heelis & Lodge

Bank Details: Account 02539349 Sort Code 72-00-00

Terms – 30 days

Thank you.

**HEELIS&LODGE**

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