

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Elmswell Parish Council – 2019/2020

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

Income: £2,388,239.24 Expenditure: £1,527,852.90 Reserves: £994,439.74

AGAR Completion:

Section One: **No**

Section Two: **Yes – 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

The Council hold the General Power of Competence and LGAs137 does not apply. The cashbook is 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: **21/10/2019 (Ref: 19.10.25)**
Financial Regulations in place: **Yes**
Reviewed: **21/10/2019 (Ref: 19.10.25)**

VAT reclaimed during the year: **Yes**
Registered: **Yes – registration date 19/2/2020 (Reg.No: 342 6272 12)**

It is noted that professional VAT advice has been sought and the VAT registration relates solely to the Greene King site.

VAT 126 claims were made as follows:

<i>8/4/2020</i>	<i>£31,711.19</i>
<i>16/1/2020</i>	<i>£26,612.77</i>
<i>8/10/2019</i>	<i>£23,741.93</i>
<i>10/7/2019</i>	<i>£3,881.93</i>

The Council adopted an Equal Opportunities Policy and Safeguarding Policy at a meeting held on 20/1/2020 (Ref: 20.01.04 and 20.01.05).

General Power of Competence: Yes – adopted 20/5/2019 (Ref: 19.05.19)

Tenders exceeding the £25,000 threshold ie the Wesley project, have been dealt with as an ongoing contract of work and have therefore not been advertised on the Contract Finders website.

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. Due to the financial risk associated with the General Data Protection Regulations, the Council have included this in their Risk Assessment.

Privacy Policy published: *No*

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 at a meeting held on 20/5/2019 (Ref: 19.05.07).

Internal Controls were reviewed at a meeting held on 16/12/2019 (Ref: 19.12.14).

Bank signatories were reviewed at a meeting held on 16/12/2019 (Ref: 19.12.19).

The Council have effective 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.

The annual play area inspection has been undertaken during the year (Ref: Appendix B – 17/2/2020).

Fidelity Cover: £200,000

The level of Fidelity cover is below the recommended guidelines of year end balances plus 50% of the precept. The current year end balance (£994,439.74) plus 50% of the 2020-2021 precept (£79,500) totals £1,073,939.

Recommendation: *Due to the high level of earmarked and ring-fenced funds at the year end it is recommended that the Council review the level of reserves with a view to increasing the level of Fidelity cover, even on a temporary basis if possible, until the project funds are spent. It is noted that the Clerk is currently speaking to the insurers regarding an increase in cover.*

Transparency

Under the **Transparency code for smaller authorities**, smaller councils with income/expenditure under £25,000 should publish on their website from 1 April 2015:

Smaller Council: No
Website: 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.

Under **The Accounts & Audit Regulations 2015 15(15)** councils must publish on their website:

- a) external audit report
2019 Annual Return, Section Three Published – Yes

Under **The Accounts & Audit Regulations 2015 15(2b)** councils must publish on their website:

- b) notice of period for the exercise of public rights (2019)
Published – Yes

Period of Exercise of Public Rights

Start Date 17/6/2019 End Date 26/7/2019

Budgetary controls
supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: £130,051 (2019-2020)
19.01.19)

Date: £994,439.7421/1/2019 (Ref:

Precept: £159,000 (2020-2021)

Date: 20/1/2020 (Ref: 20.01.21)

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.

Income controls

Precept and other income, including credit control mechanisms

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.

Tenancy agreements are in place for allotment holders. A sample of allotment records were examined and all were found to be in order.

A sample of burial records were examined and all were found to be in order.

Petty Cash

Associated books and established system in place

A satisfactory expenses system is in place with supporting paperwork. No Petty Cash held.

Payroll controls

PAYE and NIC in place where necessary.
Compliance with Inland Revenue procedures
Records relating to contracts of employment

PAYE System in place: Yes

The Council continue to operate RTI in accordance with HMRC regulations. Payroll is outsourced. All supporting paperwork is in place and a P60 has been produced as part of the year end process. The Council have joined the NEST pension scheme.

It is noted that the Council undertook a review of salaries at a meeting held on 7/10/2019 (Ref: Appendix A, item 6). The Clerk's salary was reviewed at a meeting held on 15/7/2019 (Ref: 19.07.16).

It is noted that the Assistant Parish Clerk's hours were increased to 25 hours per week as of 17/6/2019 (Ref: 19.06.13).

Asset control

Inspection of asset register and checks on existence of assets
Cross checking on insurance cover

A separate asset register is in place. Values are recorded at cost value/insurance value. The total value of assets are recorded at £2,537,310. The figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR.

It is noted that the Council resolved to purchase a trading pub for the value of £805,000 (excl VAT) at a meeting held on 2/3/2020 (Ref: 20.03.05). The purchase of this asset is to be funded by a PWLB loan of £805,000 (Ref: 16/12/2019 – Appendix A, item 8).

Bank Reconciliation

Regularly completed and cash books reconcile with bank statements

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.

Bank Balances at 31/3/2020 were confirmed as:

<i>Co-op Deposit</i>	<i>£917,219.18</i>
<i>Co-op Current</i>	<i>£171,235.00</i>

Reserves

General Reserves are reasonable for the activities of the Council
Earmarked Reserves are identified

The Council have adequate general reserves (£81,439) and have identified the following earmarked reserves in their year end accounts:

<i>Wesley Project</i>	<i>£433,000</i>
<i>CIL</i>	<i>£125,000</i>
<i>PWLB</i>	<i>£409,000</i>

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. Creditors and Debtors are identified within the year end accounts.

Sole Trustee

The Council has met its responsibilities as a trustee

The Council is not a sole trustee.

Internal Audit Procedures

The 2019 Internal Audit report was considered by the Council at a meeting held on 20/5/2019 (Ref: 19.05.08).

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A review of the effectiveness of the Internal Audit was carried out as part of the Internal Controls review on 16/12/2019 (Ref: 19.12.14).

Heelis & Lodge were appointed as Internal Auditor at a meeting held on 18/11/2019 (Ref: 19.11.19).

External Audit

The External Auditor's report was considered at a meeting held on 16/9/2019 (Ref: 19.09.18).

There were no matters arising from the External Audit.

Additional Comments/Recommendations

- The Annual Parish Council meeting was held on 20/5/2019, within the required timescale. The first item of business was the Election of Chairman, in accordance with Standing Orders.
- 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 Assistant Clerk for their assistance during the course of the audit work



Heather Heelis
Heelis & Lodge
27 April 2020