

HEELIS&LODGE

Local Council Services • Internal Audit

Internal Audit Report for Bulmer Parish Council – 2016/17

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

Receipts: £20,146.25

Payments: £29,743.67

Reserves: £70,096.91

Annual Return Completion:

Section One: *Yes, to be signed/dated by Chair and Clerk*

Section Two: *Yes, to be signed/dated by Chair and RFO*

Section Four: *Yes, completed by Internal Auditor*

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

The Cashbook is well referenced and provides a clear audit trail. Supporting paperwork is in place and well referenced.

A sample of transactions in the Cash Book was closely examined and found to be in order.

VAT payments are tracked and identified within the Cashbook.

Payments made under the Local Government Act (LGA) 1972 Section 137 were not identified within the Cashbook or the End-of-Year accounts. The Council has yet to formally resolve to apply a General Power of Competence and accordingly there is a requirement to identify LGA 1972 Section 137 payments in the Cashbook and End-of-Year Accounts. Grants are currently listed in the Payments Schedule and the Receipts and Payments Account with no reference to the legislative power under which they have been made.

Recommendation 1: Until the Council formally resolves to apply the General Power of Competence, the Council should identify LGA 1972 s137 expenditure in the Cashbook and in the year end Receipts and Payments Account. This should be undertaken within the 2016/17 Accounts prior to the submission of the Annual Return and supporting information to the External Auditor.

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

Appointment of Responsible Financial Officer (RFO): *The Council confirmed at its meeting on 16 May 2016 that Mrs Diane Jacob should act as the Council's Clerk and RFO (Minute 16/073 refers).*

Standing Orders in place: *Yes, Standing Orders were adopted by the Council at its meeting on 16 May 2016 (Minute 16/072 refers).*

It should be noted that item 18f in 'Financial controls and procurement' in Standing Orders refers to the Public Contracts Regulations 2006 which have been replaced by the Public Contracts Regulations 2015.

Recommendation 2: The Council's Standing Orders should be up-dated during 2017/18 to include reference to the Public Contract Regulations 2015.

Financial Regulations in place: *Yes, Financial Regulations were adopted by the Council at its meeting on 16 May 2016 (Minute 16/072 refers).*

VAT reclaim in the year: *A claim to HMRC for £3,588.76 VAT paid during the period 1 April 2015 to 31 March 2016 was received at bank on 22 April 2016.*

Use of General Power of Competence: *No resolution by the Council in 2016/17 to use the Power. The Clerk has advised Internal Audit that the matter will be considered by the Council at its meeting in May 2017.*

Adoption of the Code of Conduct: *The Council adopted the Code of Conduct and Nolan Principles at its meeting on 16 May 2016 (Minute 16/072 refers).*

Data Protection registration: *Yes, the Council is registered with the Information Commissioner's Office as a data controller for the provision of council services (Registration ZA145556 refers, expiring on 16 November 2017).*

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: *The Clerk has advised Internal Audit that the Council did not undertake a risk assessment during the year 2016/17; the Council is due to undertake a review at its meeting in May 2017.*

The Accounts and Audit Regulations require that at least once during each financial year a Council must undertake a review of the effectiveness of its

Internal Control arrangements, including the management of risk, and the Minutes of the Council must formally record that the review has taken place.

Recommendation 3: To comply with the Accounts and Audit Regulations the Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during each year of account.

An independent RoSPA Play Area Safety Inspection was carried out by PlaySafety Limited on 27 September 2016.

Insurance was in place for the year of audit. The Council reviewed and confirmed the arrangements for insurance cover at its meeting on 16 May 2016 (Minute 16/073 refers). The detailed insurance schedules were presented to Internal Audit. The level of Fidelity Guarantee cover is £250,000 and meets the current recommended guidelines, which provide that cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

Transparency Code Compliance for smaller councils with income/expenditure under £25,000.

Smaller Council: *Yes*

Website: <http://www.essexinfo.net/bulmer/>

Smaller authorities should publish on their website:

- a) all items of expenditure above £100
Published – Yes
- b) annual governance statement (By 1 July)
2016 Annual Return Section 1 Published – Yes
- c) end of year accounts (By 1 July)
2016 Annual Return Section 2 Published – Yes
- d) internal audit report (By 1 July)
2016 Annual Return, Section 4 Published – Yes
- e) list of councillor or member responsibilities
Published – Yes
- f) the details of public land and building assets (By 1 July)
Published – Yes
- g) Minutes, agendas and meeting papers of formal meetings
Published – Yes

The Council met the requirements of the Transparency Code.

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

Precept 2016/17: *£5,451 (plus Localism Fund grant of £1,464.)*

Date: *18 January 2016 (Minute 16/015 refers).*

Precept 2017/18: £9,146.34

Date: 16 January 2017 (Minute 17/008 refers).

Satisfactory budgetary procedures are in place. The Precepts were agreed in full Council and the Precept decision and amount has been clearly Minuted. The Clerk ensures the Council is 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.

It is noted that the Reserves at the year-end totalled £70,096.91. It is generally accepted that revenue reserves held will usually lie between three and twelve months of gross expenditure. Accordingly, the Council's Reserves appear higher than the generally accepted level. The External Auditors normally require an explanation where the Reserves exceed twice the annual precept.

Income controls

Precept and other income, including credit control mechanisms

Income controls were checked and income received and banked cross referenced on a sample basis with the Cash Book and bank statements.

Petty Cash

Associated books and established system in place

No Petty Cash is held, an expenses system is in place.

Payroll controls

PAYE and NIC in place where necessary.

Compliance with Inland Revenue procedures

Records relating to contracts of employment

PAYE System in place: *Payroll is out-sourced and is being completed in accordance with HMRC requirements.*

Asset control

Inspection of asset register and checks on existence of assets

Cross checking on insurance cover

An Asset Register is in place and was reviewed by the Council on 16 May 2016 (Minute 16/087 refers). The Register displays a cost value of £439,200 as at 31 March 2017 (unchanged from the value at the end of the previous year, 31 March 2016).

The Asset register complies with the current requirements which provide that each asset should be recorded at its original purchase cost or where the original purchase price is unknown a current value is recorded, which acts as a proxy for the original cost and will remain unchanged until disposal.

The cost value of total of assets has been correctly recorded in Box 9 of Section 2 of the Annual Return.

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Bank Reconciliation Regularly completed and cash books reconcile with bank statements

The bank statements for the Barclays Community Account, the Barclays Business Premium Account and HSBC Business Money Manager Account agreed with the End-of-Year accounts and overall bank reconciliation as at 31 March 2017.

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.

The End-of-Year accounts are prepared on a Receipts and Payments basis. Sample audit trails were undertaken and were found to be in order.

Sole Trustee The Council has met its responsibilities as a trustee

The Council confirmed in the 2015/16 Annual Return that it was not responsible for managing Trust Funds or assets and that the figures in the accounting statements within the Annual Return did not include any Trust transactions. The draft 2016/17 Annual Return has been similarly notated.

It is noted from the Cash Book that the Payments in the year 2016/17 includes total payments of £5,860.92 in respect of the Lawrence Coe Trust (Coe's Field).

In addition, the Clerk submitted a Charity Commission Annual Return (2016) to the Charity Commission on 20 October 2016 in respect of the Lawrence Coe Recreational Trust (Charity 1099131).

The Clerk has advised Internal Audit that the Council is currently examining its status as Trustee to the Charity.

Recommendation 4: The Council should confirm the correctness of the entry in Box 11 of Section 2 of the Annual Return 2016/17 (viz. that the figures in the accounting statements do not include any Trust transactions) prior to the submission of the Annual Return to the External Auditors.

Internal Audit Procedures

The Council has satisfactory internal financial controls in place. Cheque stubs, invoices and vouchers for payment are initialled by signatories as part of the overall financial control framework exercised by the Council.

The Clerk provides comprehensive financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions.

The Internal Audit report for the previous year (2015/16) was undertaken by Mr John Reddington. The report was considered by the Council at the meeting held on 16 May 2016 (Minute 16/086 refers). The Internal Auditor had recommended that:

- a) The Council should prepare a Reserves Policy and monitor the level of Reserves being maintained.*
- b) The Council should consider establishing a Personnel Committee.*

The Council appointed Heather Heelis (Heelis & Lodge) as the Council's Internal Auditor for the year 2016/17 at the meeting held on 20 March 2017 (Minute 17/028 refers).

External Audit

The report by the External Auditors, PFK Littlejohn LLP, for the previous year 2015/16 raised only one significant issue viz. that the Council should have regard to the level of Reserves when considering future Precept requests.

Additional Comments

- *The Annual Parish Council meeting was held on 16 May 2016, within the required timescale. The first item of business was the Election of Chairman in accordance with Standing Orders.*
- *I would like to record my appreciation to the Clerk to the Council for the assistance provided during the course of the audit work.*



Trevor Brown
for
Heelis & Lodge

3 May 2017