

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Drinkstone Parish Council – 2017/18

Receipts: £6,226.91

Payments: £5,610.43

Reserves: £4,986.42 (of which
£1,333.86 is earmarked)

AGAR Completion:

Section One: *Yes, in draft*

Section Two: *Yes, in draft*

Annual Internal Audit Report: *Completed by the Internal Auditor*

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

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

The Cashbook Spreadsheets and End-of-Year Financial Statements were well presented and well referenced and provide a clear audit trail. Supporting paperwork is in place and referenced.

Payments made under Sect 137 of the Local Government Act 1972 are identified. VAT payments are also tracked and identified within the Spreadsheets and the End-of-year accounts.

A sample of transactions in the Cashbook Spreadsheets were examined and found to be in order.

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*

Financial Regulations in place: *Yes*

VAT reclaimed during the year: *A claim for £483.57 VAT paid during the period 1 April 2016 to 31 March 2017 was received at bank on 17 May 2017.*

Use of the General Power of Competence: *Not applicable.*

Data Protection registration: *Yes (ZA159726, expires 10 February 2019).*

There was no record of any tenders during the year that exceeded the £25,000 Public Contract Regulations threshold.

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: *A comprehensive Risk Assessment document is in place but there is no record that the Internal Control system and Risk Management arrangements were formally reviewed by the Council during the 2017/18 year.*

The Accounts and Audit Regulations 2015 require a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, which includes the arrangements for the management of risk, with the review to be Minuted.

Recommendation 1: To comply with the Accounts and Audit Regulations, the Council should formally consider its system of Internal Control, including its Risk Management arrangements, during the year 2018/19 and Minute the review accordingly,

The new General Data Protection Regulations will come 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 the new Data Protection Regulations should form part of the Council's Risk Assessment.

Insurance was in place for the year of audit. Public Liability cover stands at £10m. The level of Employee Dishonesty (Fidelity Guarantee) cover is £25,000 which meets the current recommended guidelines of year end balances plus 50% of the precept.

Transparency Code

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

Smaller Council: *Yes*

Website: <http://www.drinkstonevillage.co.uk/parishcouncil/>

Smaller authorities should publish on their website:

- a) all items of expenditure above £100
Published – Unable to identify that individual payments above £100 were published

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- b) annual governance statement (By 1 July)
2016/17 Annual Return, Section One Published – Yes
- c) end of year accounts (By 1 July)
2016/17 Annual Return, Section Two Published – Yes
- d) annual internal audit report (By 1 July)
2016/17 Annual Return – Yes
- e) list of councillor or member responsibilities
Published – Yes
- f) the details of public land and building assets (By 1 July)
Published – No
- g) Minutes, agendas and meeting papers of formal meetings
Published – Yes

The Council is not meeting the requirements of the Transparency Code.

Recommendation: The Council should comply with the requirements of the Transparency Code in full as soon as possible.

Budgetary controls

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

Precept 2017/18: *£4,823 (5 January 2017, Minute 2016/416)*

Precept 2018/19: *£8,440 (8 January 2018, Minute 18.01.14)*

The Council formally approved the amount of the Precepts and the amount and the approval is 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.

Income controls

Precept and other income, including credit control mechanisms

Income controls were test-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

Petty Cash is not held; an expenses system is in place.

Payroll controls	<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: <i>Payroll Services are being undertaken in-house. Payments have been made to HMRC.</i></p>
Asset control	<p>Inspection of asset register and checks on existence of assets Cross checking on insurance cover</p> <p><i>An Asset Register is in place. As at 31 March 2018 the Register displays a total value of £32,330, an increase of £9,482 over the value as at 31 March 2017. The increase reflects the purchase of 4 Grit Bins in 2017/18 and an up-lift in values to remedy the original mistake of not including grant aid in the purchase prices displayed in the Register.</i></p>
Bank Reconciliation	<p>Regularly completed and cash books reconcile with bank statements</p> <p><i>The bank statements for the Santander Current Account, the two Santander Deposit Accounts and the Lloyds Bank (Allotments) Current Account reconciled with the End-of-Year accounts and agreed with the Bank Reconciliation for all accounts.</i></p>
Reserves	<p>General Reserves are reasonable for the activities of the Council Earmarked Reserves are identified</p> <p><i>The Council has adequate general reserves.</i></p>
Year-end procedures	<p>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.</p> <p><i>End-of-Year accounts are prepared on a Receipts and Payments basis. Sample audit trails were undertaken and were found to be in order.</i></p>
Sole Trustee	<p>The Council has met its responsibilities as a trustee</p> <p><i>The Council is not a Sole Trustee.</i></p>
Internal Audit Procedures	<p><i>The Council has satisfactory internal financial controls in place. Cheque Book counterfoils and invoices/vouchers for payment are initialled by signatories.</i></p> <p><i>The Clerk/RFO provides financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions.</i></p>

External Audit

The External Auditor's report for the previous year (2016/17) raised the following matters:

- (a) The Council had omitted a payment of £39 from Box 6 on the accounting statements which resulted in an understatement of payments (Box 6) and an overstatement of the balance carried forward (Box 7).*
- (b) Some standard information had not been submitted to the External Auditors.*
- (c) Some minor errors existed within the comparative figures for the previous year.*

Additional Comments

- *The Annual Parish Council meeting was held on 8 May 2017, within the required timescale. The first item of business was the Election of Chairman, in accordance with the Local Government Act 1972.*
- *I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.*

Trevor Brown

Trevor Brown
For
Heelis & Lodge

3 May 2018

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