

HEELIS&LODGE

Local Council Services • Internal Audit

Internal Audit Report for Newton 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: £31,874.74 Expenditure: £12,039.84 Reserves: £64,102.59

AGAR Completion:

Section One: **No**

Section Two: **Yes – draft figures**

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 payments are not applicable as the Council have adopted the General Power of Competence. The cashbook is referenced providing a clear audit trail. Supporting paperwork is in place and well referenced.

The Council should confirm eligibility to continue to use the General Power of Competence following the 2019 elections.

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: **18/7/2018 (Ref: 18/096)**

Financial Regulations in place: **Yes**

Reviewed: **18/7/2018 (Ref: 18/096)**

VAT reclaimed during the year: **Yes** Registered: **No**

General Power of Competence: **No**

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There were no 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
Compliance with Data Protection regulations

Risk Assessment document in place: Yes
Data Protection registration: Yes (Certificate not provided)

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. Whilst the Council have included a reference to loss of data, GDPR also covers how the Council handle data, which includes publication of a Privacy Notice.

Recommendation: *To expand the risk of breach of GDPR in the Council's Risk Assessment.*

Privacy Policy published: *No*

A requirement of the GDPR 2018 is to publish a Privacy Notice on the Council's website.

Recommendation: *The Council should adopt and publish a Privacy Notice.*

Insurance was in place for the year of audit. The Risk Assessment was reviewed at a meeting held on 13/2/2019 (Ref: 19/28).

Internal Controls were reviewed at a meeting held on 9/1/2019 (Ref: 19/12).

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

It is good practice for signatories to initial the corresponding invoices when signing cheques.

The annual inspection has been undertaken on the play area (Ref: 10/10/2018 – item 18/121).

Fidelity Cover: £150,000 (taken from 2017-2018 IA report)

The level of Fidelity cover is within the recommended guidelines of year end balances plus 50% of the precept.

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Transparency Code	<p>Compliance for smaller councils with income/expenditure under £25,000. Smaller authorities should publish on their website from 1 April 2015:</p> <p>Smaller Council: No Website: www.newton.onesuffolk.net/home/parish-council</p> <p><i>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.</i></p>
Budgetary controls	<p>Verifying the budgetary process with reference to council minutes and supporting documents</p> <p>Precept: £10,258 (2019-2020) Date: 9/1/2019 (Ref: 19/10) Precept: £10,372.81 (2018-2019) Date: 13/12/2018 (Ref: 17/192.b)</p> <p><i>Satisfactory 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.</i></p>
Income controls	<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>
Petty Cash	<p>Associated books and established system in place</p> <p><i>A satisfactory expenses system is in place with supporting paperwork. No Petty Cash held.</i></p>
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: Yes</p> <p><i>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</i></p>

Asset control

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

A separate asset register is in place and was reviewed at a meeting held on 12/9/2018 (Ref: 18/104.b). It is noted that items with no value have been removed. Whilst items may have a nil value, they still remain on the asset register if they continue to be an asset of the Council. Values are recorded at cost value. The total value of assets are recorded at £33,648. The figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR.

It is noted that the Council purchased a printer during the year at a cost of £251.45. It appears that this has not been added to the asset register. This will affect the value of assets recorded in Section 2, Box 9 of the 2018-2019 AGAR.

Recommendation: *To update the asset register to include the printer and record the amended figure in Section 2, Box 9 of the AGAR.*

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. A minor error was found regarding unrepresented cheques at the year end. The amended reconciliation is below:

Revised Bank Reconciliation

Balance b/f	44,267.69
Add Receipts	31,874.74
Less Payments	<u>12,039.84</u>
Balance c/f	64,102.59

Represented by:

Current Account	100
Business Premium Account 1	54,869.88
Business Premium Account 2	<u>11,139.84</u>
	66109.72

Less Unrepresented Cheques

1168	240
1170	100
1171	48
1175	841.2
1179	705.32
1180	<u>72.61</u>
	2007.13
	2007.13

Balance c/f **64102.59**

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Bank Balances at 31/3/2019 were confirmed as:

*Barclays xxxx6092 £100.00
Barclays xxxx6106 £54,869.88
Barclays xxxx9936 £11,139.84*

Reserves

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

The Council have adequate general reserves in their year end accounts.

Recommendation: *That CIL receipts are shown as an earmarked reserve.*

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 a Receipts & Payments basis.

The draft figures entered in the AGAR are incorrect. The corrected figures should be used in the AGAR, Section 2:

Box 1	44,268
Box 2	10,373
Box 3	21,502
Box 4	4,302
Box 5	0
Box 6	7,738
Box 7	64,103
Box 8	64,103

Sole Trustee

The Council has met its responsibilities as a trustee

The Council is not a sole trustee.

Internal Audit Procedures

The 2018 Internal Audit report was considered by the Council at a meeting held on 9/5/2018 (Ref: 18/066.a).

A review of the effectiveness of the Internal Audit was carried out on 9/1/2019 (Ref: 19/13).

Heelis & Lodge were appointed as Internal Auditor at a meeting held on 9/5/2018 (Ref: 18/066).

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External Audit

The External Auditor's report was considered at a meeting held on 10/10/2018 (Ref: 18/118.a).

The External Auditor's report was not available for audit.

Additional Comments/Recommendations

- The Annual Parish Council meeting was held on 9/5/2018, 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 for his assistance during the course of the audit work



**Heather Heelis
Heelis & Lodge**

5 June 2019