

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Fen Ditton 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:

Income: £28,557.14 Expenditure: £32,332.63 Reserves: £105,583.49

Annual Return Completion:

Section One: [Yes – to be signed](#)

Section Two: [Yes – to be signed](#)

Section Four: [Yes](#)

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 and VAT payments are tracked and identified within the cash book. 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: [5/7/2016](#)

Financial Regulations in place: [Yes](#)

Reviewed: [5/7/2016](#)

VAT reclaimed during the year: [Yes](#) Registered: [No](#)

General Power of Competence: [No](#)

Financial Regulations and Standing Orders in place. Financial Regulations have been updated to include the Public Contracts Regulations 2015.

Recommendation: *To update Standing Order No.18 to incorporate reference to the Public Contracts Regulations 2015.*

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Recommendation: *To identify LGAs137 expenditure in the minutes.*

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: Yes

Data Protection registration: Yes

Insurance was in place for the year of audit. The Risk Assessment and Internal Controls were reviewed on 7/6/2016 (Ref: 2016/39).

The Council have satisfactory 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: £150,000

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: No

The Council is not subject to the requirements of the Transparency Code for smaller Councils.

Budgetary controls

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

Precept: £22,366

Date: 2/2/2016 (Ref: 2015/256)

Precept: £24,380

Date: 10/1/2017 (Ref: 2016/176)

Satisfactory budgetary procedures are in place. The precept was agreed in full council and the precept decision and amount has been clearly minuted for the 2016-2017 precept, however, the 2017-2018 precept figure was not minuted. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions. Budgets are monitored during the year.

The external auditor has commented on the Council having consideration on the level of reserves when setting the precept. It is noted that general reserves at 31/3/2017 were £36,101, approximately 133% of the precept and earmarked/ring fenced funds stood at £69,482, yet the Council has set a 9% increase on the 2017-2018 precept.

Whilst high earmarked reserves and ring fenced funds are acceptable when councils are budgeting for significant projects the Council should be able to justify to their electors the level of reserves vs increases in the precept.

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Recommendation: *To ensure there is sufficient justification to electors of increases to the precept when high level of reserves are held should the Council be questioned.*

Income controls	Precept and other income, including credit control mechanisms <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>
Petty Cash	Associated books and established system in place <i>A satisfactory expenses system is in place with supporting paperwork.</i>
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 <i>The Council outsource payroll to Cambridge ACRE and continue to operate RTI in accordance with HMRC regulations. All supporting paperwork is in place and a P60 is due as part of the year end process. The Council are aware of their staging date for the pension regulations and have taken the appropriate steps and responsibility for the declaration is outsourced to Cambridge ACRE.</i>
Asset control	Inspection of asset register and checks on existence of assets Cross checking on insurance cover <i>A separate asset register is in place. Values are recorded at cost value. The total value of assets are recorded at £45,191. It is noted that the village sign and war memorial have been added to the asset register (2015-2016).</i>
Bank Reconciliation	Regularly completed and cash books reconcile with bank statements <i>All were in order. The bank statements reconciled with the end of year accounts and bank reconciliations for all accounts.</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. <i>End of year accounts are prepared on a Receipts & Payments basis.</i>

Sole Trustee

The Council has met its responsibilities as a trustee

The Council are a sole trustee of the Fen Ditton Recreation Ground Trust which manages the pavilion and recreation ground. Trust funds are kept separately from the Parish Council accounts.

Internal Audit Procedures

The Council reviewed the effectiveness of the internal audit at a meeting held on 5/7/2016 (Ref: 2016/65).

The Internal Audit report was considered by the Council at a meeting held on 5/7/2016 (Ref: 2016/63).

External Audit

The External Auditor's report was considered by the Council at a meeting held on 1/11/2016 (Ref: 2016/138).

The following matters were raised by the External Auditor:

- 1. There was no formal review carried out of the Risk Assessment; Section 1:5 should have been ticked as 'no'.*
- 2. Assets have been re-valued for 2017 and not entered at cost value. It is noted that from 2017 Councils are able to use any reasonable valuation, however, this may result in having to restate the previous year.*
- 3. The Council did not comply with Regulation 15 as it failed to make proper provision during the 2016/2017 year for the exercise of public rights.*
- 4. Lack of clarification in the Section 1, boxes 2 and 7 for the 'No' responses provided by the Council.*
- 5. The Council should ensure that it has regards to the level of reserves held when considering future precept requests.*
- 6. The annual return was not fully completed before submission for review as the Council's name has been omitted from Section 2.*

Action taken by the Council:

- 1. The Council have formally reviewed their risks and internal controls during the 2017 year of audit.*
- 2. The Council are using a cost value basis for their asset figure. The Clerk confirms that there have been no purchases or disposals during the year of audit.*
- 3. The Council have met the requirements for the 2016-2017 year of audit in relation to the exercise of public rights. However, it is noted that the*

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external auditor has requested that the Council tick 'No' in the relevant box in Section 1 of the annual return.

- 4. No longer relevant – this relates directly to the 2016 audit.*
- 5. The Council hold a high level of earmarked (£12,760) and ring fenced (£56,722) funds, leaving a general reserve of £36,101. See earlier comments.*
- 6. No longer relevant – this relates directly to the 2016 audit.*

Recommendation: *To minute the Council's action plan in response to comments made by the external auditor.*

Additional Comments/Recommendations

- The Annual Parish Council meeting was held on 10/5/2016, 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 her assistance during the course of the audit work



Heather Heelis
Heelis & Lodge
11 May 2017

HEELIS&LODGE

Local Council Services • Internal Audit

www.heelisandlodge.co.uk

INVOICE

To:

Fen Ditton Parish Council

Invoice No: HL7033
Date: 11 May 2017

Details	Quantity	Amount (£)	Total (£)
To carry out Internal Audit for the year ended 31 March 2017	1	150.00	150.00
Total			150.00

Please make cheques payable to: Heelis & Lodge

Terms – 30 days

Thank you.

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