

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Broomfield Parish Council – 2020/2021

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

Income: £249,196 Expenditure: £244,337 Reserves: £330,684

AGAR Completion:

Section One: **No**

Section Two: **Yes – draft figures**

Annual Internal Audit Report 2020/2021: **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. VAT payments are tracked, however there is no evidence that LGAs137 expenditure has been identified in the cash book or year end accounts.

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: **27/5/2020 (Ref: 20/34) and 17/3/2021 (Ref: 21/59)**

Financial Regulations in place: **Yes**

Reviewed: **27/5/2020 (Ref: 20/35) and 17/3/2021 (Ref: 21/58)**

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

<i>6/5/2021</i>	<i>Period: 1/4/2020 – 31/3/2021</i>	<i>Amount: £14,585.81</i>
<i>22/4/2021</i>	<i>Period: 1/4/2018 – 31/3/2019</i>	<i>Amount: £13,013.49</i>
<i>4/11/2020*</i>	<i>Period: 1/4/2019 – 31/3/2020</i>	<i>Amount: £23,690.90</i>

**funds received*

It is noted that there was an element of VAT that had not been claimed which extended beyond the 3 years deadline. This resulted in £1,336 of VAT being written off.

General Power of Competence: No

There is no evidence in the minutes that the Council met the General Power of Competence (GPC) was adopted following the 2019 elections. Unless evidence can be provided to the contrary then the Council do not hold GPC and LGAs137 should be used where there is no other power eg the grant to the Scouts. However, it is noted that the Council do meet the criteria for GPC.

As LGAs137 is a capped expenditure, payments made under this power should be tracked and identified in the cash book and year end accounts. There is no evidence that grants paid (that should have come under LGAs137) have exceeded the limit.

Recommendation: *When resolving to spend funds as one-off payments eg grants, the Council should identify in the minutes the power they are using to do so.*

Recommendation: *The Council should either formally adopt GPC at a meeting, and minute the adoption, or include a code for LGAs137 in the cashbook.*

There was no evidence in the minutes of tenders during the year that exceeded the £25,000 Public Contract Regulations threshold.

Committee Terms of Reference were considered at a meeting held on 27/5/2020 (Ref: 20/37).

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: Z2217969)

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.

Recommendation: *To include reference to GDPR in the Council's Risk Assessment.*

Privacy Policy published: Yes

Insurance was in place for the year of audit. Separate cover for vehicles is held.

There was no evidence in the minutes that the Risk Assessment, including Internal Controls, had been reviewed during the year of audit.

Recommendation: *To ensure the annual review of the Risk Assessment and Internal Controls is carried out during the year of audit.*

It is noted that Councillors are able to individually access the bank account and undertake transactions. This significantly weakens internal controls and consideration should be given to rectifying the situation.

Recommendation: *The Council's internal financial controls could be significantly improved by ensuring that a bank account with dual authorisation is used.*

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

A selection of payments were examined. It was noted that:

Whilst there was no supporting receipt for a debit payment to Plumbase for £87.99 documents are generally referenced and can be cross-referenced with bank statements and the cash book. It is noted that a new numbering system has been introduced from April 2021 which gives each transaction a unique reference that will improve and enhances the audit trail.

Fidelity Cover: £250,000

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

Recommendation: *To review the level of Fidelity cover (Employee Dishonesty).*

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.broomfieldessex.co.uk

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:

2020 Annual Return, Section Three Published – No (not returned from the External Auditor)

*2020 Annual Return, Section One Published – Yes
2020 Annual Return, Section Two Published - Yes*

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

Notice of period for the exercise of public rights
Published – Yes

Period of Exercise of Public Rights

Start Date 18/12/2020 End Date 1/2/2021

The Council have not met the 2020 AGAR publication requirements as the Period of Exercise of Public Rights was not undertaken within the required timescale and Section 3 of the 2020 AGAR has not yet been published.

Budgetary controls supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: £139,500 (2021-2022) Date: 16/12/2020 (Ref: 20/172)
Precept: £139,316 (2020-2021) Date: 18/12/2019 (Ref: 19/249)

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.

It is noted in the year end accounts that the annual budget was overspent by £101,116, with the majority of the overspend down to grants amounting to £81,344, play equipment £32,560 and allotment maintenance £4,727. It is good practice, when resolving to spend funds to further resolve to vire monies from either EMR or general reserves to the relevant budget heading.

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.

Petty Cash

Associated books and established system in place

A satisfactory petty cash system is in place with supporting paperwork. A sample of receipts were examined from April 2020 to March 2021 and cross referenced with vouchers and the cash book.

It is noted the a sporting receipt was missing for voucher No.1

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. Supporting paperwork is not in place for the year of audit and there is no evidence that P60s have been produced as part of the year end process. It is noted that supporting paperwork is in place from March 2021 to date.

Recommendation: *To verify whether the Council has met their legal requirements regarding issuing P60s to staff.*

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. The total value of assets are recorded at £200,765.59. The figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR.

The asset register would benefit from additional column information eg:

- *Date of purchase (if known)*
- *Details of asset*
- *Location of asset*
- *Cost value of asset*
- *Disposal date*
- *Notes*

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 March were confirmed as:

<i>Co-op Current</i>	<i>xxxx8587</i>	<i>£190,353.68</i>
<i>NS&I</i>	<i>xxxx9402</i>	<i>£126,594.90 (1/1/2021)</i>

Reserves

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

The Council have adequate general reserves (£91,494.82) and have identified earmarked reserves (£194,076.74) in their year end accounts.

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 a Trustee of the Broomfield Village Hall Charity (Reg. No: 301266).

The last annual submission of the accounts was made for the year ended 31/3/2020. Income £69,900 Expenditure £58,350.

Internal Audit Procedures

The 2020 Internal Audit report was considered by the Council at a meeting held on 16/12/2020 (Ref: 20/173).

External Audit

The Council formally approved the 2020 AGAR at a meeting of the full Council held on 16/12/2020 (Ref: 20/174).

The 2020 External Auditor's report has not been considered yet as it is still with PKF Littlejohn.

The 2018-2019 External Auditor's report was considered at a meeting held on 16/12/2020 (Ref: 20/175).

Additional Comments/Recommendations

- Due to the Coronavirus pandemic the requirement to hold the Annual Parish Council meeting was removed until May 2021.
- It is noted that whilst the minutes reflect the date and year in the footer, minutes should detail the year as well as the day and month of the meeting in the meeting title.
- 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
2 June 2021

HEELIS&LODGE

Local Council Services • Internal Audit

www.heelisandlodge.co.uk

INVOICE

To:

Broomfield Parish Council
Broomfield Village Hall
158 Main Road
Broomfield
Essex
CM1 7AH

Invoice No: HL9182
Date: 2 June 2021

Details	Quantity	Amount (£)	Total (£)
To carry out Internal Audit for the year ended 31 March 2021	1	350.00	350.00
Total			350.00

Please make cheques payable to: Heelis & Lodge

Bank Details: Account 02539349 Sort Code 72-00-00

Terms – 30 days

Thank you.

HEELIS&LODGE

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