

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Highwood Parish Council – 2022/2023

The following Internal Audit was carried out on the adequacy of systems of control based on information presented for the audit and information found on the Council's website. The following recommendations/comments have been made:

Income: £42,051.04 Expenditure: £40,274.23 Reserves: £50,006.16

AGAR Completion:

Section One: [Not available](#)

Section Two: [Not available](#)

Annual Internal Audit Report 2022/2023: [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. The Council hold the General Power of Competence and LGAs137 does not apply.

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: [16/5/2022 \(Ref: 10/22\)](#)

Financial Regulations in place: [Yes](#)

Reviewed: [16/5/2022 \(Ref: 10/22\)](#)

VAT reclaimed during the year: [Yes](#)

Registered: [Yes – however, they are in the process of deregistering](#)

General Power of Competence: [Yes \(Ref: 16/5/2022 – 6/22\)](#)

There were no tenders during the year that exceeded the £25,000 Public Contract Regulations threshold.

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The Council have a comprehensive suite of policies, which were reviewed at a the annual meeting on 16/5/2022 (Ref: 10/22).

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: ZA759740)

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.*

The minutes provided for the audit do not reflect the controls detailed in the risk assessment. There is mention of a Finance Committee, however, the minutes were not available on the website for inspection. We therefore cannot confirm if the risk controls are in place as per the risk assessment.

Recommendation: *To review the Financial Risk assessment with a view to ensure it reflects what the Council are doing in practice.*

Privacy Policy published: Yes

Insurance was in place for the year of audit. The Risk Assessment, including internal controls, was reviewed at a meeting held on 16/5/2022 (Ref: 10/22).

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

The annual play area inspection has been undertaken during the year (Ref: 18/7/2022 - 28/22).

Fidelity Cover: £250,000

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

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:

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Smaller Council: No
Website: <https://highwoodpc.org/>

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** councils must publish on their website:

External audit report

2022 Annual Return, Section One Published – Yes

2022 Annual Return, Section Two Published – Yes

2022 Annual Return, Section Three Published – Yes – however, this was not the signed version issued by PKF

Under **The Accounts & Audit Regulations** councils must publish on their website:

Notice of period for the exercise of public rights

Published – No – the links on the website did not link to the document and there was no minute referencing the inspection period. The dates below were obtained from the published AGAR, which included the documents submitted for the External Audit. The dates were incorrect as the commencement of the inspection period falls before the AGAR was approved by the Council on 18/7/2022. This is reflected in the External Auditor's report.

Period of Exercise of Public Rights

Start Date 13/6/2022

End Date 22/7/2022

Under the requirements of the **Accounts and Audit Regulations 2015 13(2b)** council are required to display AGAR's for the five years 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 on their website.

The Council have not met the publication requirements.

Budgetary controls supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: £n/k (2023-2024)

Date: 23/1/2023 (Ref: 8/23.f)

Precept: £40,030 (2022-2023)

Date: 15/11/2021 (Ref: 70.21.d)

Satisfactory budgetary procedures are in place. The precept was agreed in full council and the precept decision and amount has been minuted for the 2022-2023 precept.

It appears that the setting of the 2023-2024 precept has not been carried out. The sole reference is found in the minutes of 23/1/2023 (Ref: 8/23.f) which reads:

'Members to consider the financial report and resolve on the Precept figure for 24/25 to be submitted to Chelmsford City Council.'

There appears to be no resolution and no precept figure in the minutes.

Recommendation: *The Council should formally consider the budget to set a precept, which should then be recorded by resolution in the minutes.*

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 expenses system is in place with supporting paperwork. No Petty Cash held.

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**
Employer's Reference: **083/MA50292**
P60s issued: **Yes**

The Council continue to operate RTI in accordance with HMRC regulations. Supporting paperwork is in place and a P60 has been produced as part of the year end process. Eligible employees have joined the nominated pension scheme.

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/insurance value. The total value of assets are recorded at £59,477 / £70,454. The Council should ensure that the figure in the asset register corresponds with the 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.

Bank Balances at 31 March were confirmed as:

<i>Unity Trust</i>	<i>xxxx8887</i>	<i>£49,796.81</i>
<i>Unity Trust</i>	<i>xxxx8735</i>	<i>£209.35</i>

Reserves

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

The Council have adequate general reserves (£9,235.16) and have identified earmarked reserves (£40,771) in their year end accounts.

The PWLB outstanding amount at 31/3/2023 was 181,743.68.

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, however, whilst the draft figures for the 2023 AGAR were not available, the cash book and bank reconciliations were on file.

Sole Trustee

The Council has met its responsibilities as a trustee

The Council is not a sole trustee.

Internal Audit Procedures

The 2022 Internal Audit report was considered by the Council at a meeting held on 18/7/2022 (Ref: 26/22).

External Audit

The Council formally approved the 2022 AGAR at a meeting of the full Council held on 18/7/2022 (Ref: 26/22). It is noted that the date of approval falls outside of the statutory deadline of 30/6/2022.

The External Auditor's report was considered at a meeting held on 23/1/2023 (Ref: 8/23.d). The minutes state that 'Clerk reported received with no issues', however this differs with the PKF report dated 28/11/2022.

The following matters were brought to the attention of the Council:

'The smaller authority failed to approve the AGAR in time to publish it before 1 July 2022, the date required by the Accounts and Audit Regulations 2015, and did not disclose this by answering 'No' to Section 1, Box 1'

'We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2022/23 for the exercise of public rights, since the approval date was after the start of the period for the exercise of public rights. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2022/23 and ensure that it makes proper provision for the exercise of public rights during 2023/24.'

'In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to weaknesses in relation to risk assessment and GDPR. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.'

***Recommendation:** To ensure that councillors are issued with the External Audit report.*

***Recommendation:** As per the External Auditor's opinion from the 2022 audit, the Council must answer 'No' in Section 1, Box 4 and must make proper provision for the exercise of public rights during 2023-2024.*

Additional Comments/Recommendations

- The Annual Parish Council meeting was held on 16/5/2022. The first item of business was the Election of Chairman, in accordance with Standing Orders.
- It is noted that a number of the links in the Council's Finance section do not link to the stated document.
- 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 their assistance during the course of the audit work



Heather Heelis
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29 May 2023

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INVOICE

To:

Highwood Parish Council

Invoice No: HL9352
Date: 29 May 2023

Details	Quantity	Amount (£)	Total (£)
To carry out Internal Audit for the year ended 31 March 2023 (£25,001 - £50,000 banding)	1	220.00	220.00
Courier	2	15.00	30.00
Total			255.00

Please make cheques payable to: Heelis & Lodge

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

Terms 14 Days

Thank you.

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