

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Framlingham Town Council – 2019/2020

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

Income: £500,762 Expenditure: £320,695 Reserves: £698,214

AGAR Completion:

Section One: **No**

Section Two: **No – RBS year end figures available**

Annual Internal Audit Report 2019/2020: **Yes**

Certificate of Exemption: **No**

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

The Council hold the General Power of Competence and LGAs137 does not apply.

RBS Alpha software is used and 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**

Financial Regulations in place: **Yes**

VAT reclaimed during the year: **Yes**

<i>14/4/2020</i>	<i>£2,484.71</i>
<i>11/2/2020</i>	<i>£13,012.34</i>
<i>21/1/2020</i>	<i>£12,267.45</i>
<i>4/11/2019</i>	<i>£8,214.46</i>

Registered: **Not for the year of audit. Registration effective of 1/4/2020**

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General Power of Competence: Yes

The Council confirmed eligibility to adopt the General Power of Competence at the Annual Town Council meeting held on 16/5/2019 (Ref: 8116519).

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

The annual review of policies was undertaken at a meeting held on 12/12/2019 (Ref: 81121219).

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: Z9303797)

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. The Risk Assessments, including Internal Controls were reviewed at a meeting held on 7/11/2019 (Ref: 9171119).

The following risk assessments were noted:

- Cemetery
- Churchyard
- Pageant Field
- The Fens
- Allotments
- Jeaffreson's Well
- Rights of Way Walks
- Town Council Office
- Financial Management and Controls
- Tuesday and Saturday Markets
- Credit Card
- Third Party Events on Market Hill
- Speed Indicator Advice
- Lone Worker

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The Council have effective 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.

The annual play area inspection has been undertaken during the year (Ref: 20/11/2019 – item 7).

An initial risk assessment has been undertaken on the new pavilion (Ref: 15/1/2020 – item 7).

Bank signatories were confirmed at the annual meeting held on 16/5/2019 (Ref: 20516519).

Fidelity Cover: £250,000

The level of Fidelity cover is below the recommended guidelines of year end balances plus 50% of the precept (£777,214). Whilst these are guidelines, should the Council decide a different (lower) level of cover the minutes should reflect what mitigation has been put into place to justify their decision.

Recommendation: *To review the level of Fidelity cover in line with the recommended guidelines.*

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: <https://framlingham.com/framlingham-town-council>

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:

- a) external audit report
2019 Annual Return, Section Three Published – Yes

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

- b) notice of period for the exercise of public rights (2019)
Published – Yes

Period of Exercise of Public Rights (2019)

Start Date 17/6/2019

End Date 26/7/2019

Budgetary controls
supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: £148,782 (2019-2020)

Date: 3/1/2019 (Ref: 1343119)

Precept: £157,916 (2020-2021)

Date: 2/1/2020 (Ref: 1372120)

Effective 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.

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.

Allotment and cemetery fees were reviewed at a meeting held on 18/9/2019 (Ref: 19318919 and 19418919).

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

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

Staff annual appraisals have been undertaken (Ref: 6/2/2020 – items 1566220 and 1576220).

It is noted that the Council paid 2 weeks untaken leave at the end of the financial year to the Deputy Clerk and carried over 31.5 hours. Whilst the carry over of 31.5 hours for the 2019-2020 financial year is now allowed under the Covid-19 (Coronavirus) Regulations, the payment of untaken statutory leave is not, unless an employee is leaving the employment.

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Extracts from <https://www.gov.uk/government/news/rules-on-carrying-over-annual-leave-to-be-relaxed-to-support-key-industries-during-covid-19>

'Workers who have not taken all of their statutory annual leave entitlement due to COVID-19 will now be able to carry it over into the next 2 leave years, under measures introduced by Business Secretary Alok Sharma today (Friday 27 March).

Currently, almost all workers are entitled to 28 days holiday including bank holidays each year. However, most of this entitlement cannot be carried between leave years, meaning workers lose their holiday if they do not take it.

There is also an obligation on employers to ensure their workers take their statutory entitlement in any one year – failure to do so could result in a financial penalty.

The regulations will allow up to 4 weeks of unused leave to be carried into the next 2 leave years, easing the requirements on business to ensure that workers take statutory amount of annual leave in any one year.

2. The 4 weeks of annual leave granted by regulation 13 cannot generally be carried between leave years, with exceptions when a worker cannot take annual leave due to sickness or maternity leave. The 1.6 weeks of annual leave granted by regulation 13A can be carried forward one leave year (but no further) through an agreement between workers and their employers.

*3. There is an obligation on an employer to ensure that their workers have an adequate opportunity to take their holiday. **This holiday cannot be replaced with a payment in lieu unless the worker is leaving employment.**'*

***Recommendation:** It is recommended that the above information is noted by the Council.*

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 £383,697. The figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR. The Council has correctly identified the 3 long term cash investments in the asset register.

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 31/3/2020 were confirmed as:

<i>HSBC Current</i>	<i>xxxx0192</i>	<i>£61,896.54</i>
<i>HSBC Capital</i>	<i>xxxx9575</i>	<i>£29,741.28</i>
<i>HSBC Money Manager</i>	<i>xxxx1177</i>	<i>£341.98</i>
<i>HSBC BMM FTE</i>	<i>xxxx2476</i>	<i>£7,107.45</i>
<i>HSBC Skatepark</i>	<i>xxxx0756</i>	<i>£1.73</i>
<i>HSBC CIL</i>	<i>xxxx2130</i>	<i>£150,000</i>
<i>HSBC CIL</i>	<i>xxxx7467</i>	<i>£149,095</i>
<i>HSBC CIL Investment</i>	<i>xxxx5755</i>	<i>£0.00</i>
<i>HSBC S106 Investment</i>	<i>xxxx5289</i>	<i>£0.00</i>
<i>HSBC EMR Savings</i>	<i>xxxx4130</i>	<i>£40,356.00</i>
<i>HSBC CIL Investment</i>	<i>xxxx4157</i>	<i>£258,068.24</i>
<i>HSBC CIL Investment</i>		<i>£0.00 (no bank statement available)</i>

Reserves

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

The Council have adequate general reserves and have identified earmarked reserves 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 not a sole trustee.

Internal Audit Procedures

The 2019 Internal Audit report was considered by the Council at a meeting held on 16/5/2019 (Ref: 20716519).

A review of the effectiveness of the Internal Audit was carried out at a meeting held on 5/12/2019 (Ref: 13451219)

Heelis & Lodge were appointed as Internal Auditor at a meeting held on 13/2/2019 (Ref: 5/3).

External Audit

The External Auditor's report was considered at a meeting held on 12/9/2019 (Ref: 5).

There were no matters arising from the External Audit.

Additional Comments/Recommendations

- The Annual Town Council meeting was held on 16/5/2019, within the required timescale. The first item of business was the Election of Chairman, in accordance with Standing Orders.
- It is suggested that when noting councillors' interests in item on the agenda, the interest is recorded as 'pecuniary' or 'non-pecuniary' (Ref: 6/2/2020 – item 4).
- 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
27 April 2020

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www.heelisandlodge.co.uk

INVOICE

To:

Framlingham Town Council
The Old Court House
Bridge Street
Framlingham
IP13 9AJ

Invoice No: HL9089

Date: 28 April 2020

Details	Quantity	Amount (£)	Total (£)
To carry out Year End Internal Audit for Framlingham Town Council for the year ended 31 March 2020	1	300.00	300.00
Total			300.00

Please make cheques payable to: Heelis & Lodge

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

Terms – 30 days

Thank you.

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