TOPLIS ASSOCIATES LTD.

STREETHAY LODGE
STREETHAY
LICHFIELD
STAFFORDSHIRE WS13 8LR

TEL: 01543-419202

28 May, 2024

The Chairman
Barton under Needwood Parish Council
c/o Mrs S Rumsby - Clerk
Village Hall
Crowberry Lane
Barton under Needwood
DE13 8AF

Dear Councillor

Conclusion of Internal Audit of your Parish Council
For the year ended 31st March 2024

Following the completion of my work for the above year we are writing to inform the Council that having carried out the year-end review I have been able to sign the Annual Governance and Accountability Return Form 3 ("AGAR") without any qualification.

The independent internal examination of the Councils governance, financial affairs and certification of the 2023-24 AGAR to the External Auditor was carried out in accordance with the standards laid out in the Accounts and Audit Regulations, 2015 and embodied in the Joint Panel on Accountability and Governance Practitioners Guide March 2023.

In summary, we covered the following areas in our examination:

- Proper Bookkeeping
- Financial Regulations, Standing Orders and Payment Controls
- Risk Management and Insurance arrangements
- Budgetary Controls
- Income Controls
- Payroll Controls
- Asset Control
- Bank Accounts and Reconciliation
- Year End Procedures.
- Charitable Trusts (when appropriate)

This year we have carried out a review of your web site to evaluate its conformance to the Local Government Transparency Code 2015 which is to be viewed as a minimum standard. We confirm your web site meets this requirement.

We carried out two reviews during the fiscal year and were accorded with full co-operation by your Clerk. Any issues which we raised with the Clerk during the conduct of our work have either been satisfactorily rectified or are noted below.

A copy of our Annual Internal Audit certification (page 3 of the AGAR) for 2023-24 is attached.

We would wish to draw your attention to the "Publication Requirements" on page 1 of the AGAR

We would also wish to draw your council's attention to the following matters:

1. We note that your general reserves cover (after the exclusion of properly voted earmarked funds of £87,329.80) is 0.78 years. We consider this to be a comfortable level of general reserves balance at the year end. You will appreciate I am not allowed to instruct you on this matter but we have taken the liberty of attaching page 38 of the Practitioners Guide 2021 which in para 5.32 gives guidance on General Reserves;
2. We note that your councils Model Publication Scheme has not been ratified for some years and that the schedule is not attached. The council must publish both the model scheme and ratify it each year with the other key council documents;
3. We note that you have considered the advice on burial ground maintenance reserves and has decided not to proceed with that advice;
4. We note that the insurance cover for Buildings correctly does not cover the value of the Village Hall premises as this is covered by the charity. It is still your council's responsibility as landlord to carry out periodic checks to ensure that your tenant has sufficient insurance cover up to the value stated on the councils asset register. We would recommend that in addition you revalue the property for insurance purposes at least every 5 years and communicate this to your tenant. For your information we attach a copy of an article from the November 2023 issue of the Clerk magazine which gives advice on the matter.

In respect of the new Council year we make the following additional observations and recommendations for your consideration:

1. We recommend that during the fiscal year your council should review the Risk Assessment to ensure that it still reflects the current environment. Your council should then minute its ratification;
2. During the fiscal year your council should review your Standing Orders and Financial Regulations to ensure that they still reflect the current environment. Your council should then minute that ratification. Please note that it is important that your Financial Regulations meet the standard set by those published by the National Association of Local Councils ("NALC"). New Model Financial Regulations templates were produced by NALC during April 2024. These new templates are a major rewrite of the previous (2019) version and contain a number of important legal changes. We strongly recommend that your Council considers the changes made but rather than tries to embody them in to your existing regulations you should adopt (with suitable tailoring as recommended within the template) and embrace the new version as the Council's on-going Financial Regulations. We shall base our future internal audit plans on the version of the regulations ratified by your council. As the External Auditor will always base their audit on the version considered extant by NALC it is important that you are always closely in line with the NALC template;
3. Copies of both your current Standing Orders, Finance Regulations and Risk Assessment should be displayed on your councils web site and must show the latest date of revision and ratification;
4. You are reminded that when the council discusses, amends or ratifies significant documents copies should be made available on your web site for members of the public to view. These documents should be either appendices to published minutes and agenda papers or as separate documents on the web site (preferably with a hypertext link to facilitate ease of searching);
5. You must discuss the appointment of your internal auditor and ratify and minute the appointment during the current financial year. We were pleased to have been your internal auditor during 2023-24 and offer ourselves for re-appointment. Your Clerk will be aware that it is my intention to start to wind down some of my Internal Audit commitments. With this in mind I would like to hand over the internal audit of your council to my colleague Mrs Kim Squires who has worked with me on your audit already. I shall continue to work closely with Kim and will continue to be available to give advice when required. You may use either our company name or preferably refer to Kim Squires in her own right by name in the minutes;
6. If your council wishes to carry forward earmarked funds at the yearend these must have been ratified by your council. This is best done at the time you draw up the next budget or at final meeting of the fiscal year.

It is your Council's responsibility to note these comments and to consider what action should be taken.

Can we take this opportunity to remind you that when the AGAR comes back from the External Auditor you do have a duty to display the accompanying notice of Completion of Audit on each of your usual notice boards and on your council's website.

The complete AGAR and any auditor's comments or qualifications should also be displayed on your web site to allow electors to see the complete card and read the External Auditors comments if they wish to do so.

> *In accordance with Regulation 13 (of the Audit and Accounts Regulations), after the conclusion of the period for the exercise of public rights), the authority must publish (including on its website) the annual governance statements, statement of accounts, and the external auditor's certificate and report – Sections 1, 2 and 3 of the Annual Governance and Accountability Return. Authorities must keep copies of these documents for purchase by a person at a reasonable sum and ensure that they remain available for public access for 5 years*

Please do remember to retain a copy of the notice on file as proof that you have followed the requirements of the Local Government Act. You should also minute the External Auditors approval of the AGAR and any qualification or comments made and resolve to take action where necessary.

We will make our next visit in October/November but please do not hesitate to contact me should you require advice in the meantime.

Yours sincerely,

Alan Vophis

Annual Internal Audit Report 2023/24

BARTON-UNDER-NEEDWOOD PARISH COUNCIL

www.bartonunderneedwood-pc.gov.uk

During the financial year ended 31 March 2024, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2023/24 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments ~~or income and expenditure~~), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. **If** the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")*			✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations *(during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).*	✓		
N. The authority has complied with the publication requirements for 2022/23 AGAR *(see AGAR Page 1 Guidance Notes).*	✓		

O. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken: 15/11/2023 22/05/2024

Name of person who carried out the internal audit: A.Toplis/K.Squires-Toplis Associates Ltd

Signature of person who carried out the internal audit: Alan Toplis

Date: 28/05/2024

***If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).**

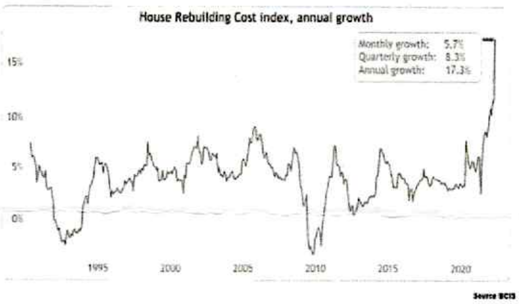
**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

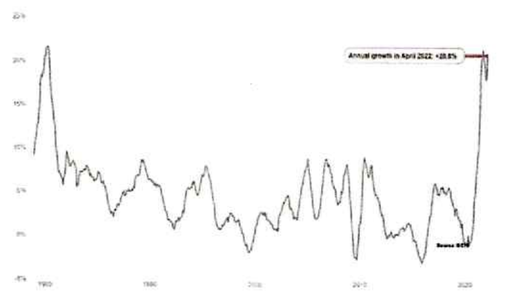
ARE YOUR BUILDINGS AND ASSETS PROPERLY INSURED?

Ross Jarvie BSc (Hons) MRICS, Director at DWPS Chartered Surveyors, provides an in-depth look at insurance reinstatement costs.

Councils are finding their assets are worryingly underinsured. I have recently undertaken several insurance reinstatement valuations for parish councils within my local area and have found them all to be substantially underinsured based on valuations undertaken only a few years ago. This prompted me to contact SLCC as I felt members should be informed.

Having been involved in property for over 25 years, I have undertaken thousands of surveys over a wide geographical area. The vast majority of these have included an insurance reinstatement cost. The post-Covid world, however, has seen a more volatile economy. Individual factors locally surrounding obtaining materials have increased building and maintenance costs, along with other contributing issues pushing up prices, such as steel being stuck in the Suez Canal!





Insurance reinstatement costs have increased significantly as a result of these material costs, along with other economic factors. So much so the traditional method of adding inflation to previous calculations is no longer appropriate. It has become apparent, having undertaken a number of village halls and community asset insurance valuations, there is often a significant discrepancy between the current insurance figure and the amount the property is actually insured for.

There are various risks of being underinsured; the most obvious being in the event of catastrophic loss there will be insufficient funds to reinstate the asset. However, claims can also be significantly reduced as a result of being underinsured. For instance, if you are underinsured by 10% and claim £100,000 your claim may be reduced to £90,000 - causing a funding shortfall of £10,000.

There are several factors that directly impact upon reinstatement cost, including: age, materials used in construction, construction methodology, geographical location and size. Listed buildings or those within a conservation area are also of particular complexity as there will be restrictions to the type of materials that can be utilised in the rebuild.

It is also vitally important (and often overlooked!) that reinstatement costs be updated if any extensions are carried out. Costs should also include substantial areas of hard standing and an allowance for boundary construction, particularly if stone or brick walls form the perimeter.

I know several local authorities and parish councils are looking at improving the thermal efficiency of the assets and reducing consumption of services. Installations such as rainwater harvesting, air source heat pumps and solar panels should also be incorporated into revised insurance valuations. Although some of these may be separately insured and warrantied by manufacturer and installers.

A qualified member of the Royal Institution of Chartered Surveyors (RICS) will be able to account for all these factors in carrying out an insurance valuation on your asset.

I am sure many parish councils work closely with surveying firms, and some will be able to provide this service. Once the updated valuation has been obtained, this can be updated on a desktop basis annually or upon insurance renewal at, one would assume, a minimal charge.

If, however, you are struggling to obtain the information you require please do not hesitate to contact me directly and I will be happy to assist or recommend someone who can. It is frequently more cost effective to have all buildings/assets valued at the same time as these can be incorporated into a single report.

You can contact me directly by emailing ross@dwps.uk.com or calling 01777708098 or 07764491512.

Reserves:

5.30. As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.

5.31. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.

General reserves:

5.32. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.33. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

5.34. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.35. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

5.36. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

Earmarked and other reserves:

5.37. None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.

5.38. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors.