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14 July 2019

Cllr. Kerry Burn
Pikeman's Rest
Top Road
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IP30 0SJ

Dear Kerry

**RATTLESDEN PARISH COUNCIL
INTERNAL AUDIT 2018/19**

Having completed my audit for the year, I am enclosing my letter to the Council for consideration at the July meeting. I am also sending this letter to Doug for him to copy to the Councillors with their meeting papers. Please let me know if you would like any explanations or further information.

Doug has not been able to meet me yet to discuss these recommendations in detail, but we have spoken briefly on the phone. Less significant points arose which I expect to take up with Doug prior to the meeting.

Perhaps you and I could then meet, together with Russell and Doug. I'd be interested to hear what further parish development is anticipated and, in particular, the latest on your dealings with Hartog Hutton and their development proposals for the land by Roman Rise.

Kind regards

Yours sincerely



Graham Reid

cc Doug Reed, Rattlesden Parish Clerk

14 July 2019

The Councillors
Rattlesden Parish Council
c/o Cllr. Kerry Burn
Pikeman's Rest
Top Road
Rattlesden
Suffolk
IP30 0SJ

Ladies and Gentlemen

RATTLESDEN PARISH COUNCIL ('THE COUNCIL')
INTERNAL AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2019

In accordance with your Internal Audit Plan, I have completed my review for 2018/19, having regard to the requirements of "Governance and Accountability for Smaller Authorities in England (March 2019)". The work covered the Council's financial and accounting procedures and internal control systems, based upon a risk assessment of the Council's affairs.

My Internal Audit Report for the Annual Governance and Accountability Return for 2018/19 was provided to the Parish Clerk and is summarised below. I also comment in this letter on matters that arose during this year's work relating to the Community Infrastructure Levy.

INTERNAL AUDIT REPORT

As a result of my audit review, I was able to provide the Internal Audit Report for this year's Annual Governance and Accountability Return without qualification. This means that, in all material respects, I was satisfied that the internal control objectives of the Council for that year had been achieved to a satisfactory standard, namely:-

- Appropriate accounting records were properly kept throughout the financial year; and monthly and year-end bank reconciliations were properly carried out, reviewed and approved.
- The Council complied with its financial regulations; payments were supported by invoices and receipts; all expenditure was approved; and VAT was appropriately accounted for.
- The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of the arrangements to manage these, including insurance cover.
- The annual precept resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.
- Expected income was received, properly recorded and promptly banked.
- Employees' salaries and expenses were paid in accordance with the Council's approvals; and PAYE and NI requirements were properly applied.
- The Register of Assets was complete and accurate and properly maintained; and the existence of assets was confirmed, and their condition assessed.
- Statements of receipts and payments were properly prepared throughout the year, on the correct accounting basis, and were in agreement with the cash book and were supported by an adequate audit trail from underlying records.

MATTERS ARISING

1 Recommendations from earlier years

- 1.1 During my work, I noted that the recommendations made last year had been considered and approved by the Councillors, and that action has since been taken on all significant matters.

2 The Community Infrastructure Levy

- 2.1 Since 2016, Mid-Suffolk District Council ('MSDC') has charged the Community Infrastructure Levy ('CIL') on building developments. This charge is collected by MSDC when work commences and each half-year the Council receives 15% of collections for housing developments in Rattlesden parish, to be used for improvements to parish infrastructure. None of the amounts received has so far been spent.
- 2.2 The parish element of this income is having a growing impact on the Council's affairs. The first sums received were £2,875 in 2017/18 and £8,477 last year for the development opposite Roman Rise. There is an outstanding sum of £8,132 re Fen Farm now being pursued, and further income of £33,624 to come once building starts on the approved developments in Top Road and adjacent to St Nicholas Close.
- 2.3 This significant new source of income brings new responsibilities for the Councillors:-
- A CIL financial report must be prepared each financial year for MSDC and for publication on the Council's website (see 3 below);
 - The Councillors must spend the CIL income on local infrastructure or similar improvements, and do so within five years of receipt or repayment may be demanded (see 4 below);
 - Controls over expected CIL income should be introduced and actual receipts and payments should be separately recorded and reported (see 5 below).

3 Preparing the annual CIL financial report

- 3.1 To provide transparency, the Council is required to produce a CIL report for every financial year in which CIL monies are received. The report must be sent to the charging authority (MSDC) and placed on the Council's website. It must show total receipts; total expenditure; what receipts have been spent on; and amounts of unspent receipts carried forward, identifying the years of receipt.
- 3.2 A CIL financial report has not been prepared for the Council for either 2017/18 or 2018/19.

Recommendations

- 3.3 To bring matters up to date, the outstanding financial reports should now be prepared, for approval by the Council Chairman. The reports should be sent to MSDC and published on the Council's website. The MSDC website provides a suitable template.
- 3.4 The timely production of this report should be incorporated into the Council's internal Record of Annual Governance. MSDC asks for the report to be sent to them by 30 June each year and it must be published on the Council's website by 31 December.

4 Planning CIL expenditure

- 4.1 In January 2019, the Councillors decided to earmark CIL income for amenity expenditure relating to community land adjacent to Roman Rise. This land is to be made available from a proposed housing development that has received outline planning permission. A budget for this expenditure has not been prepared and the timing of any spend will depend on when, or whether, the development proceeds.
- 4.2 Meanwhile, CIL receipts will be accumulating. Spending this income is a major responsibility given to the Councillors and it will be advisable for them to demonstrate a formal decision-making process. The potential amount of the income, and the interest among parishioners in how it will be spent, warrant a formal appraisal of possibilities for infrastructure investment, especially if the Councillors decide to hold back substantial sums for a future purpose. The five-year time limit must also be borne in mind.

- 4.3 MSDC encourages parish councils to engage with the local community about CIL spending, and also recommends that a Parish Infrastructure Investment Plan is prepared to help identify and prioritise the infrastructure spending needs. This exercise would provide a firm evidence base for the Councillors' spending decisions and, by publication on the Council's website, transparency for the local community. MSDC's website contains guidance on the process and a template for the investment plan.

Recommendations

- 4.4 A formal investment plan should be prepared to determine CIL spending priorities, based on the MSDC template but proportionate to the size of the community and anticipated levels of development. At least one readily-available, back-up option would be advisable, in case a chosen priority for future investment does not materialise or there is a risk of having to repay unspent receipts from earlier years.
- 4.5 The Councillors should consider consultation with the local community as part of this process. If that is not felt to be practicable, opportunity for comment might be provided by indirect exposure of spending proposals, perhaps via Rattlesden Revelations.
- 4.6 To aid transparency, the final plan should be published on the Council's website. It should be reviewed annually, in the light of the funds available and the investment needs at the time.
- 4.7 It may be helpful to establish a CIL expenditure working group – or to use the existing working groups – to carry out the initial exercise, and thereafter to provide progress reports to the Council. Furthermore, 'CIL income and expenditure' merits inclusion as a separate agenda item for Council meetings. The relating minutes would then reinforce transparency within the local community.

5 Controlling and recording CIL income and expenditure

- 5.1 The Councillors have a general duty to ensure financial control over the receipt of expected CIL income. Although it will not be practicable to budget for CIL receipts, as the timing of building starts cannot be forecast with any accuracy, the MSDC website contains a Developer Contributions Database ('the Database') which is updated daily and provides useful information specific to each parish.
- 5.2 The Database shows charges that have been raised, the amounts collected, any amounts outstanding and the half-yearly payments to the Council, specifying the individual developments to which these amounts relate. Monitoring this information will confirm both the CIL income already paid to the Council and the amounts that can be expected at the next payment date. This should provide adequate control.
- 5.3 The Database also discloses the potential CIL income that will arise from approved developments that are yet to be started. This information will be of interest to the Councillors when planning ahead.

Recommendations

- 5.4 The use of CIL monies is restricted and CIL receipts and payments must be recorded separately from the Council's general income and expenses. Councillors should be provided with periodic financial details sufficient to inform them of what CIL income has been received, what has been spent and what remains to be spent. The age of the unspent receipts should also be noted.
- 5.5 CIL monies carried forward must be treated as a discrete financial reserve since they can only be used for permitted expenditure. Financial control would be strengthened by using a separate bank account for CIL receipts and payments, interest-bearing if monies are likely to be held for lengthy periods.
- 5.6 Amounts charged by MSDC that are outstanding, or have been collected but not yet paid to the Council, and potential amounts 'in the pipeline' where building work is yet to begin may be very material to the planning of future Council activities, especially the annual approval of a budget and precept. Councillors should be kept informed, when appropriate; perhaps by circulating a copy of the Database information.
- 5.7 The Database details identify those chargeable developments that have been given planning permission but have not yet been started. Developers should submit a Commencement Notice when building work begins, but MSDC suggests that the Councillors report this to the District Infrastructure Team as soon as they become aware. This would help to ensure that charges are raised and collected without delay.

5.8 The procedures necessary for monitoring, recording and reporting CIL income and expenditure should be included in the Council's Financial Regulations.

5.9 The possibility of CIL income not being received when due should be added to the Risk Register, as it will be reliant on the monitoring and collection procedures of MSDC. The risk of having to repay any receipts unspent after five years should also be recorded there.

6 The Council's status as a 'small authority'

6.1 Bolstered by CIL monies, the Council's total income for 2018/19 exceeded £25,000, meaning that it no longer qualified as a 'small authority'. A small authority is exempt from an external audit of its accounts but must comply instead with the Transparency Code and put detailed financial data on its website.

6.2 Future CIL receipts make it probable that the Council's annual income will continue to total more than £25,000 and so an external audit will be mandatory, but the Council will not then be required to produce and publish on its website the financial information set out in the Transparency Code.

Recommendations

6.3 At present, the introduction to the 'Finance' section of the Council's website suggests that the Council is a small authority and therefore exempt from the need for an external audit. This should be amended to reflect the new status. The Councillors should then decide, as a matter of policy, whether to continue publishing Transparency Code information. If they decide not to, the status should be checked annually in case it reverts to that of a 'small authority' and so falls again within the Transparency Code regime.

7 The Parish Clerk's workload

7.1 I am conscious that putting in place my recommendations regarding the CIL will increase the burden on the Parish Clerk, particularly at the outset. Nevertheless, I consider it essential that this substantial new source of income and its disbursement is controlled and managed effectively.

Recommendation

7.2 If the Council decides to implement these recommendations, the Parish Clerk should estimate the likely time involved in the short term and, looking ahead, for monitoring, recording and reporting. A further time allowance may then be agreed by the Council, and reviewed after the implementation phase.

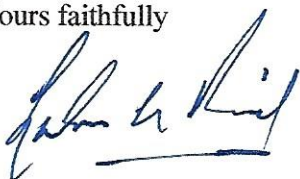
CONCLUSION

The matters raised in this report come from the introduction of the CIL and its expected impact on the Council's affairs, which I feel will be significant for the next few years. Minor points also arose during my work, which I hope to be able to discuss with the Parish Clerk in the near future.

The Council's policies, procedures and governing documents have been overhauled in recent years and, in my opinion, the systems and procedures are now generally of a high standard and the records well maintained. Once procedures in respect of CIL income and expenditure have been fully developed, the Councillors will be well placed to meet their governance obligations.

Finally, I take this opportunity to thank Doug Reed for the usual comprehensive documentation that he provided.

Yours faithfully



Graham Reid

cc Mr Doug Reed, Parish Clerk