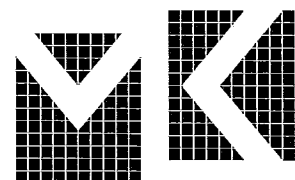


Our ref: LMK/AM/HO1058G



McEllin Kelly
Chartered Accountants
& Chartered Tax Advisers

Mrs Nicola Clarke
Clerk of Holmes Chapel Parish Council
1 Church Walk
Holmes Chapel
Cheshire
CW4 7AZ

Abacus House
35 Cumberland Street
Macclesfield · Cheshire
SK10 1DD

Tel: 01625 611676
Fax: 01625 265197
www.mcellinkelly.co.uk

12 May 2017

Dear Councillors of Holmes Chapel Parish Council, Parish Clerk and Assistant to the Clerk

Internal audit for the year ended 31 March 2017

We have completed our internal audit work for the year ended 31 March 2017 and we write to you with our observations and recommendations. We would like to thank the Clerk, the Assistant Clerk and Councillors Savage and Clowes for their assistance during our interim and final audit visits.

This was the first year of our being appointed as your internal auditors. We conducted an interim audit which looked at your accounting policies and procedures, your structure and your governance. At the final audit we reviewed the Annual Return with the year-end financial statements and we vouched the totals into your accounting systems and conducted spot-checks on the income and expenditure.

We found that internal financial controls at Holmes Chapel Parish Council were overall satisfactory with some elements being good, particularly the controls over purchase payments which require two councillors to check and approve online payments before they can be made from the Unity Trust bank account.

We have a small number of recommendations in respect of the 2016-17 reported figures and for improvements in internal control, which are as follows:

1.a We found that two assets (a new parish boundary sign (£3,570) and Phase 1 of the Skate Park (£26,313)), which were purchased during the year, had not been added to the fixed asset register. We recommend that they are added to the register in 2016-17.

Principal:
Lee M Kelly MA (Oxon) ACA CTA

Registered to carry on audit work
in the UK and Ireland by
The Institute of Chartered
Accountants in England and Wales

The second phase of the Skate Park should be added in the financial year 2017-18 on the date when the invoice was issued to the Parish Council.

1.b As part of the quarterly accounts review, we recommend that purchases in the period are reviewed to identify any items of expenditure that should be added to the fixed asset register.

1.c We note that more work has been undertaken on the Community Centre (including a contribution of £144,000 towards the Phase 2 refurbishment undertaken by ES&R). However, this was not included in the asset register as it had been deemed to be an expense rather than an asset. We recommend that whenever substantial refurbishment is undertaken at the Community Centre, the Parish Council should consider whether they believe it to be an improvement that has enduring value, and should therefore be capitalised within the cost of the asset; or whether it is part of the planned programme of maintenance, and is therefore to be treated as an expense. We would recommend that this be included as an item on the agenda, so that a minute is recorded for the treatment of it, together with the council's reasons for their choice of treatment.

With regard to the expenditure already undertaken in respect of Phases 1 and 2 of the Community Centre refurbishment project, we understand from Nicola Clarke that the total expenditure now stands at around £400,000 and represents in some measure a significant improvement and an ongoing benefit to the Community Centre and its users. It is likely in our view, given the scale of the expenditure, that some of the expenditure may qualify to be treated as capital expenditure.

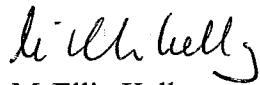
However, in order to identify specific qualifying items a detailed analysis of the expenditure incurred on both Phases 1 & 2 would need to be compiled, reviewed, and subjected to audit.

In the meantime, the Annual Return needs to be signed and submitted. We would suggest that it is submitted in its current form (after the assets identified in 1a above have been added), pending a council decision as to whether it believes a full review of the Community Centre expenditure is necessary. We have appended a note to Section H to explain that the Council is conducting a review of historical refurbishment expenditure to identify whether any items may be capitalised.

2. We understand that throughout the year Cllr Clowes conducts spot checks on the accounts to ensure that all payments have been properly authorised and posted to the correct nominal ledger. Other councillors can also review the financial records at any time. This is a good control which introduces an additional level of independent checks into the accounting system throughout the financial year.

We recommend that whenever a councillor checks the financial records, he or she initials and dates those documents that have been reviewed so that we, the external auditors and anyone else reviewing the accounts can see evidence of these checks having taken place.

Yours sincerely

A handwritten signature in cursive script, appearing to read "McEllin Kelly".

McEllin Kelly
Chartered Accountants