

# HEELIS & LODGE

Local Council Services • Internal Audit

## **Internal Audit Report for Three Saints South Elmham Parish Council – 2016/17**

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

Receipts: £3,785.35

Payments: £2,758.55

Reserves: £5,554.06

### Annual Return Completion:

Section One: *Yes, to be signed/dated by Chair and Clerk*

Section Two: *Yes, in draft and to be signed by Chair and RFO*

Section Four: *Yes (signed by the Internal Auditor)*

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

*The Cashbook was examined and was found to be in good order. The Cashbook is referenced and provides a clear audit trail. Local Government Act 1972 Section 137 payments and VAT payments are separately identified. Supporting paperwork is in place and well referenced.*

*Receipts include a written back cheque of £40.00. It should be noted that it has been recommended by the External Auditors that because cheques written back are not Receipts per se, they should be deducted from Payments in the Accounts.*

***Recommendation 1: The Cashbook and the End-of-year Accounts should be amended to display the written-off cheque 100568 for £40.00 as a deduction from the Payments in the year.***

*The bank statements presented to Internal Audit for the Barclays Community (Current) Account and Business Premium Account reconciled with the End-of-Year accounts and overall Bank Reconciliation. However, the Business Premium Account statement only included transactions up to and including 29 September 2016. The End of Year Accounts must reflect the actual bank balances as at 31 March each year.*

***Recommendation 2: The Cashbook, the End-of-year Accounts and Annual Return should be amended, as necessary, to include any bank account transactions during the period 30 September 2016 to 31 March 2017 in respect of the Business Premium Account.***

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***This is required to ensure that the Cashbook, the End-of-year Accounts and the Annual Return reflect the actual bank balances at the Year-End 31 March 2017. This must be undertaken prior to the submission of the Annual Return and supporting documentation to the External Auditor.***

## **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, agreed and adopted by the Council at its meeting on 9 November 2016 (Minute 8f refers).*

*It is noted that the Standing Orders presented to Internal Audit and published on the Council's web-site refer (at item 18f) to the Public Contract Regulations 2006. These regulations have been replaced by the Public Contract Regulations 2015.*

***Recommendation 3: The Council's Standing Orders should be up-dated during 2017/18 to include reference to the Public Contract Regulations 2015.***

Financial Regulations in place: *Yes, agreed and adopted by the Council at its meeting on 9 November 2016 (Minute 8c refers).*

*It is noted that the Financial Regulations presented to Internal Audit and published on the Council's web-site refer (at Section 11k) to the Public Contract Regulations 2006. These regulations have been replaced by the Public Contract Regulations 2015.*

***Recommendation 4: The Council's Financial Regulations should be up-dated during 2017/18 to include reference to the Public Contract Regulations 2015.***

Appointment of Responsible Financial Officer (RFO): *The Clerk and RFO, Sally Chapman, was appointed with effect from 1 August 2016. The Council formally approved the Clerk's contract at its meeting on 14 September 2016 (Minute 8 refers).*

VAT reclaimed in the year: *Yes, the claim to HMRC of £158.36 VAT paid for the period 1 April 2014 to 30 September 2016 was received at bank on 25 November 2016.*

General Power of Competence: *Not applicable.*

Code of Conduct: *The Council agreed and adopted the Code of Conduct at its meeting on 9 November 2016 (Minute 8b refers).*

Data Protection registration: *No registration by the Council.*

## **Risk Assessment**

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: *Yes, the risk assessment and risk management documentation was agreed and approved by the Council at its meeting on 9 November 2016 (Minute 8e refers).*

*Insurance was in place for the year of audit. The level of Employee Dishonesty (Fidelity Guarantee) cover is £25,000 and meets the recommended guidelines of year end balances plus 50% of the precept.*

## **Transparency Code**

Compliance for smaller councils with income/expenditure under £25,000.

Smaller Council: *Yes*

Website: <http://threesaintssouthelmham.onesuffolk.net>

Smaller authorities should publish on their website from 1 April 2015:

- a) all items of expenditure above £100  
*Published – Yes, included within the Minutes of the Council*
- b) end of year accounts (By 1 July)  
*2015 Annual Return, Section One Published – Yes*
- c) annual governance statement (By 1 July)  
*2015 Annual Return, Section Two Published – Yes*
- d) internal audit report (By 1 July)  
*2015 Annual Return, Section Four Published – Yes*
- e) list of councillor or member responsibilities  
*Published – Yes*
- f) the details of public land and building assets (By 1 July)  
*Published – Yes*
- g) Minutes, agendas and meeting papers of formal meetings  
*Published – Yes*

*The Council is meeting the requirements of the Transparency Code.*

## **Budgetary controls**

Verifying the budgetary process with reference to council minutes and supporting documents

Precept 2016/17: *£3,000 (approved by Council at its meeting on 25 January 2016, Minute 8 refers).*

Precept 2017/18: *£3,200 (approved by Council at its meeting on 9 November 2016, Minute 7c refers).*

*Satisfactory budgetary procedures are in place. The Precepts were agreed in full Council and the precept decision and amount has been clearly minuted. The*

*Clerk ensures the Council is 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.*

**Income controls**

Precept and other income, including credit control mechanisms

*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

*No Petty Cash is held, an expenses system is in place.*

**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 is registered with HMRC and the payroll system is being operated in accordance with HMRC requirements. The P60 End-of-Year Certificate was presented to Internal Audit.*

**Asset control**

Inspection of asset register and checks on existence of assets  
Cross checking on insurance cover

*The Council agreed and adopted the Asset Register at its meeting on 9 November 2016 (Minute 8a refers).*

*The Asset Register presented to Internal Audit totalled £10,845.78 but included two negative amounts of £92.50 relating to scrapped notice boards. Items that are scrapped and no longer owned should not be included in the Asset Register or should have a nil value and not a minus value.*

***Recommendation 5: The Asset Register should be examined to ensure that the correct values are placed against each asset recorded so that Box 9 of Section 2 of the Annual Return displays the cost value (or proxy value if the original purchase cost is not known) of all the assets the Council owns.***

**Bank Reconciliation**

Regularly completed and cash books reconcile with bank statements

*The bank statements presented to Internal Audit for the Barclays Community Account and Business Premium Account reconciled with the End-of-Year accounts and overall bank reconciliation.*

*As reported in the Proper Book-keeping item above, the bank statements for the Business Premium Account showed transactions to 29 September 2016 only. Accordingly, Internal Audit was unable to confirm the Bank Reconciliation as at 31 March 2017.*

***Recommendation 6: The Bank Reconciliation should be amended, if necessary, to include any bank account transactions during the period 30 September 2016 to 31 March 2017 in respect of the Business Premium Account.***

***This is required to ensure that the Bank Reconciliation reflects the actual bank balances at the Year-End 31 March 2017. This must be undertaken prior to the submission of the Annual Return and supporting documentation to the External Auditor.***

**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 (see the Proper Book-keeping above).*

**Sole Trustee** The Council has met its responsibilities as a trustee

*The Council is not a sole trustee.*

**Internal Audit Procedures**

*The Clerk provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. Cheque stubs and invoices are initialled by signatories.*

*The Internal Audit Report for the previous year 2015/16 had made the following recommendations relating to financial controls:*

- 1. Fully populate the figures under the VAT component heading in the Cash Book to ensure that all VAT payments are clearly identified for purposes of re-claim to HMRC (this has been addressed).*
- 2. The Council's Standing Orders and Financial Regulations should be up-dated to include reference to the Public Contract Regulations 2015 (this has not been addressed - see the Standing Orders and Financial Regulations items above).*
- 3. The Council should promptly re-claim from HMRC the VAT payments made in the years 2013/14, 2014/15 and 2015/16 and for the previous years as far back as HMRC may now allow (this has been addressed).*
- 4. To comply with the requirements of the Transparency Code (this has been addressed).*
- 5. The Asset Register should be up-dated (see the Asset Register item above).*
- 6. Cheque 100568 (for £40.00) should be written off in the Accounts during 2016/17, as a deduction from Payments (the write-off has been added to Receipts and not deducted from Payments – accordingly, a correction is required to the End-of-Year Accounts - see Recommendation 1).*

**External Audit**

*The External Auditor's report for the 2015/16 year was considered by the Council at the meeting held on 9 November 2016 (Minute 7b refers). The External Auditors reported that the Council must implement the recommendations made by the Internal Auditor (see Internal Audit Procedures item above) no later than the end of the 2016/17 financial year.*

**Additional Comments**

- *The Annual Parish Council meeting was held on 18 May 2016, within the required timescale. The first item of business was the Election of Chairman, in accordance with Standing Orders.*
- *I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.*

**Trevor Brown**

*for  
Heelis & Lodge*

**7 May 2017**