

# HEELIS & LODGE

Local Council Services • Internal Audit

## **Internal Audit Report for Three Saints South Elmham Parish Council – 2014/15**

Receipts: £4,057.58

Payments: £2,475.30

Reserves: £4,649.58

### Annual Return Completion:

Section One: *Yes (In draft, to be signed/dated by RFO and Chair)*

Section Two: *No (To be completed and signed/dated by Clerk and Chair)*

Section Four: *Yes, completed by Internal Auditor*

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

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

*The Cash Book was examined and was found to be in good order. The Cash Book 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.*

*The audit identified omissions under the VAT component heading in the Cash Book as follows:*

- a) The payment to Van Dijk Accountants (cheque 100578 dated 28 May 2014) included £3.00 VAT which has not been recorded in the Cash Book.*
- b) The payment of £6.00 to SALC (cheque 100585 dated 16 July 2014) included £1.00 VAT which has not been recorded in the Cash Book.*
- c) The payment of £36.00 to BDO - external auditors (cheque 100590 dated 24 September 2014) included £6.00 VAT which has not been recorded in the Cash Book.*

*Accordingly, care will need to be taken to identify all VAT payments when a re-claim is submitted to HMRC.*

***Recommendation 1: The Clerk is recommended to fully populate the figures under the VAT component heading in the Cash Book for the 2014/15 year to ensure that all VAT payments are clearly identified for purposes of re-claim to HMRC.***

**Financial regulations** Standing Orders and Financial Regulations

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## 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, updated and adopted by the Council at its meeting on 16 July 2014 (Minute 3 refers) and amended at the meeting on 25 March 2015 (Minute 4 refers).*

Financial Regulations in place: *Yes, updated and signed by the Chair at the Council meeting on 16 July 2014 (Minute 8 refers).*

VAT reclaimed in the year: *No. Both Internal Audit and the External Auditors have previously recommended that the Council re-claims VAT payments made from 2010. This recommendation has yet to be acted upon. Whilst the sums involved are relatively small there is a 3 year limit on claims so the Council needs to ensure that recovery is not lost due to delay in submitting a claim. Accordingly,*

***Recommendation 2: The Council should promptly re-claim from HMRC the VAT payments made in 2014/15 and for previous years as far back as HMRC may now allow.***

Code of Conduct: *The revised Suffolk Local Code of Conduct was adopted by the Council at its meeting on 16 July 2014 (Minute 2 refers).*

Data Protection registration: *No Registration for the provision of council services has been made.*

***Recommendation 3: The Council should confirm with the Information Commissioner's Office whether it is necessary for the Council to be registered with the Commission as a Data Controller (further information and advice can be obtained from the Commission's website: [ico.org.uk](http://ico.org.uk)).***

## Risk Assessment

Review by Council of the effectiveness of internal controls, including risk assessment, and minuted accordingly

*Whilst the Council carried out a review of the Council's procedures and practices at its meeting on 18 March 2014 (Minute 6 refers) and found them satisfactory and also reviewed the maintenance needs of the Council's Assets at the same meeting (Minute 12 refers), documents relating to the internal control review and the risk assessment documents have not been provided to Internal Audit. There is no formal record of the Council undertaking a review of its risk assessment and internal control arrangements during the year 2014/15.*

*The Accounts and Audit Regulations require that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, and the Minutes of the Council must formally record that the review has taken place. Accordingly,*

***Recommendation 4: To comply with the Accounts and Audit Regulations the Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during the 2015/16 year.***

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

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

Precept 2014/15: *£2,750*

*Satisfactory budgetary procedures are in place. The precept was agreed in full Council and the precept decision and amount has been Minuted (Council Meeting on 11 November 2013, Minute 5 refers). 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 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, Payroll is out-sourced to Van Dijk Accountants. Detailed pay slips are produced and regular payments have been made to HMRC.*

## **Asset control**

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

*The Council undertook an assessment of Parish Assets on 18 March 2014 (Minute 12 refers). The Clerk provided a list of assets to the External Auditor on 18 June 2014 showing a total value of £8,955 as at 31 March 2014. This value remains unchanged as at 31 March 2015 and has been entered into Box 9 of Section 1 of the Annual Return as the Total of fixed assets and long term assets.*

## **Bank Reconciliation**

Regularly completed and cash books reconcile with bank statements

*All was in order. The bank statements for the Barclays Community Account and the Barclays Business Saver Account reconciled with the End of Year accounts and overall bank reconciliation.*

*The Bank Reconciliation included cheque 100568 to HM Land Registry for £40.00 as being unrepresented as at 31 March 2015. The cheque was prepared on 9 July 2013 and should now be written off and a replacement cheque issued if necessary.*

***Recommendation 5: Cheque 100568 (for £40.00) should be written off in the Accounts during 2015/16, as a deduction from payments.***

## **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.

*The End of Year accounts are prepared on a Receipts and Payments basis; sample audit trails were undertaken and were found to be in order.*

## **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 Auditors' Report in relation to the 2013/14 year was noted by the Council at its meeting on 28 May 2014 (Minute 7 refers). The Internal Auditors made recommendations relating to financial controls, as follows:*

*(1) The Council should review and adopt Standing Orders and Financial Regulations as soon as possible in 2014/15 and Minute the action taken. (This has been addressed).*

- (2) *The Council should promptly re-claim from HMRC the VAT payments made in 2013/14 and for previous years as far back as HMRC may allow. (This recommendation remains outstanding).*
- (3) *The Council should ensure that the original copy of Council Minutes are either bound or are consecutively numbered after initialled/signature to ensure a lawful and authentic record is maintained. (This is being addressed).*
- (4) *At the end of the 2014/15 year the Council should provide the internal control review documents and the risk assessment documents to Internal Audit for review. (This recommendation remains outstanding).*
- (5) *At the end of the 2014/15 year the Council should provide the insurance documents to Internal Audit for confirmation that the cover is adequate and appropriate for the Council's requirements. (This has been addressed).*
- (6) *The Council to confirm that the asset valuations in the Asset Register meet the current requirements for valuation of assets prior to entering the total valuation figure into Box 9 of Sect 1 of the Annual Return. (This has been addressed).*

## **External Audit**

*The External Auditors' Report in relation to the 2013/14 year was noted by the Council at its meeting on 24 September 2014 (Minute 8 refers). The following matters were raised by the External Auditors:*

- (1) *The Council should undertake a review of Internal Controls and Risk Assessment on an annual basis. (This remains outstanding).*
- (2) *The Council must implement the recommendations made by the Internal Auditor. (This has partly been addressed).*
- (3) *The Council's Minutes were not consecutively numbered or initialled by the person signing the Minutes. (This is being addressed).*
- (4) *The Council did not submit a VAT return to HMRC during the year. (This remains outstanding).*
- (5) *Not all fixed assets were included in the prior year's Annual Return. (The position regarding Assets has been addressed in the 2014/15 year).*

## **Additional Comments**

- *The Annual Parish Council meeting was held on 28 May 2014, 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  
Heelis & Lodge**

30 May 2015

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