

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Three Saints South Elmham Parish Council – 2015/16

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

Receipts: £2,750.70

Payments: £2,873.02

Reserves: £4,527.26

Annual Return Completion:

Section One: *No*

Section Two: *Yes, in draft*

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 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 an omission under the VAT component heading in the Cash Book viz. the payment to Van Dijk Accountants (cheque 100601 dated 20 May 2015) included £12.00 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 2015/16 year to ensure that all VAT payments are clearly identified for purposes of re-claim to HMRC.

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, 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).*

It is noted that the both Standing Orders (at item 18) and Financial Regulations (at item 11) refer to the Public Contract Regulations 2006 which have since been replaced by the Public Contract Regulations 2015.

Recommendation 2: The Council's Standing Orders and Financial Regulations should be up-dated during 2016/17 to include reference to the Public Contract Regulations 2015.

VAT reclaimed in the year: *No. Both Internal Audit and the External Auditors have previously advised the Council to re-claim VAT payments made from 2010. This advice has yet to be acted upon. Whilst the sums involved within each year 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.*

Recommendation 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.

General Power of Competence: *Not applicable.*

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: *Yes, internal financial controls and risk management were discussed, approved and signed at the Council meeting held on 24 June 2015 (Minute 6 refers). The Council also carried out an assessment of financial procedures and management of the Council's finances at the meeting on 9 March 2016 (Minute 6 refers).*

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

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
- b) end of year accounts (By 1 July)
2015 Annual Return, Section One Published – No
- 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 – No
- e) list of councillor or member responsibilities

Published – No

f) the details of public land and building assets (By 1 July)

Published – No

g) Minutes, agendas and meeting papers of formal meetings

Published – Yes

Regarding item d) above, the Code requires the Internal Audit report in the Annual Return (Section 4) to be published on-line and not the separate report by Heelis & Lodge.

The Council has yet to meet the requirements of the Transparency Code.

Guidance on documents that need to be published can be found on:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf

Recommendation 4: To comply with the requirements of the Transparency Code in accordance with the attached guidance.

Budgetary controls

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

Precept 2015/16: £2,750 (approved by Council at its meeting on 26 November 2014, Minute 8 refers).

Satisfactory budgetary procedures are in place. The Precept was 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

All were found to be in order. 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, 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

Cross checking on insurance cover

The Council undertook a review of Parish Assets and agreed to add two bridges (total cost for both £1,150) to the Asset Register. The Asset Register presented to Internal Audit (which is unchanged from 31 March 2015) accordingly requires up-dating to reflect the addition of the two bridges prior to the cost value of all assets being entered into Box 9 of Section 2 of the Annual Return.

Recommendation 5: The Asset Register should be up-dated to reflect the addition of the two bridges prior to the cost value of all assets being entered into Box 9 of Section 2 of the Annual Return.

Bank Reconciliation Regularly completed and cash books reconcile with bank statements

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 un-presented as at 31 March 2016. The cheque was prepared on 9 July 2013 and should now be written off.

Recommendation 6: Cheque 100568 (for £40.00) should be written off in the Accounts during 2016/17, as a deduction from Payments in the year.

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 and were all in order. Sample audit trails were undertaken and all 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 Audit Report for the previous year 2014/15 was considered by the Council at its meeting on 24 June 2015 (Minute 6 refers). The Internal Auditors made recommendations relating to financial controls, as follows:

- (1) The Council should promptly re-claim from HMRC the VAT payments made (This recommendation remains outstanding).*
- (2) 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 (This has been addressed).*

(3) The out-of-date cheque 100568 (for £40.00) should be written off in the Accounts as a deduction from payments (This recommendation remains outstanding).

External Audit

The External Auditor's report was considered by the Council at the meeting held on 25 January 2016 (Minute 6 refers). The following matters were raised by the External Auditor in relation to the year, 2014/15:

- 1. The Council did not carry out during 2014/15 a risk assessment as part of its review of the effectiveness of internal control (This matter was addressed during the year 2015/16).*
- 2. The Council did not submit a VAT return to HMRC during the year 2014/15 (This matter remains outstanding).*
- 3. The Council must implement the recommendations made by the Internal Auditor (see Internal Audit Procedures item above).*
- 4. Minutes must be maintained in accordance with the Local Government Act 1972 (This matter has been addressed by the Clerk).*

Additional Comments

- The Annual Parish Council meeting was held on 20 May 2015, 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 2016