

HEELIS&LODGE

Local Council Services • Internal Audit

Internal Audit Report for Shottisham Parish Council – 2015/16

Receipts: £4,857.17

Payments: £3,415.61

Reserves: £8,360.03

Annual Return Completion:

Section One: *Yes*

Section Two: *Yes*

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 receipts and payments listed in the Cash Book are well referenced and provide a clear audit trail. Supporting paperwork is in place and well referenced. VAT payments are tracked and identified within the End-of-Year accounts. Payments made under the Local Government Act 1972 Section 137 have been identified.

A sample of transactions in the Cash Book was closely examined. It was noted that the payment to CAS Insurance on 24 September 2015 included 'Insurance Premium Tax' of £19.19 which in error has been placed in the Cash Book as 'VAT paid' and liable for re-claim.

Recommendation 1: The Clerk should make the necessary correction to the Cash Book and Receipts and Payments Account prior to the submission of the Annual Return to the External Auditors.

The Statement of Accounts lists the Clerk's Salary and Expenses as £1,255.65 and this figure (rounded to £1,256) has been placed in Staff Costs in Box 4 of Section 2 of the Annual Return. However, all Clerk's Expenses (viz. general office and travel expenses etc.) should be shown in Box 6 and only items directly relating to the employee of the Council (i.e. pay, training costs and employment taxes) should be shown in Box 4.

Recommendation 2: The Clerk should confirm that Staff Costs in Box 4 of Section 2 of the Annual Return contains only items directly relating to the employee of the Council prior to the submission of the Annual Return to the External Auditors.

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, approved by the Council at its meeting on 12 January 2016 (Minute 9-12/01/16 refers).*

Financial Regulations in place: *Yes, approved by the Council at its meeting on 8 March 2016 (Minute 9-8/03/16 refers).*

VAT reclaimed: *The most recent re-imburement from HMRC was received at bank on 26 March 2013. No claims to HMRC were made during the 2014/15 and 2015/16 years. Whilst the sums involved are relatively small there is a 3 year time 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 is recommended to promptly re-claim from HMRC the VAT payments made since the previous re-claim in 2013.

Appointment of Interim Clerk: *The Council appointed Jenny Webb at the meeting held on 14 July 2015 (Minute 7-14/7/15 refers).*

Appointment of RFO: *The Council appointed Jenny Webb at the meeting held on 14 July 2015 (Minute 9-14/7/15a refers).*

Use of General Power of Competence: *Not Applicable.*

Data Protection registration: *Yes, Registration Z3516076 (expiring on 22 January 2017) provides for the provision of council services.*

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: *Yes, comprehensive documentation is in place. The Council's records show that the Risk Register was presented to Council and discussed in detail at the meeting held on 10 March 2015 (minute 7-10/3/15 refers) shortly before the beginning of the 2015/16 year. There is no record of the risk assessment documentation being formally considered by the Council during 2015/16.*

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 2016/17 year.

Insurance was in place for the year of audit. Employee Dishonesty (Fidelity Guarantee) cover is £25,000 which meets the current 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://shottisham.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 – 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

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

Precept (2015/16): *£3,907 (13 January 2015, Minute AG15 -13/01/2015 refers).*

Precept (2016/17): *£4,250 (12 January 2016, Minute 8-12/01/16 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	<p>Associated books and established system in place</p> <p><i>Petty Cash is not held; an expenses system is in place with supporting paperwork.</i></p>
Payroll controls	<p>PAYE and NIC in place where necessary. Compliance with Inland Revenue procedures Records relating to contracts of employment</p> <p>PAYE System in place: <i>The P60 End-of-Year Certificate for the tax year ending 5 April 2016 was presented to Internal Audit.</i></p>
Asset control	<p>Inspection of asset register and checks on existence of assets Cross checking on insurance cover</p> <p><i>An Asset Register is in place and displays a value of £44,679 as at 31 March 2016, unchanged from the value at the end of the previous accounting year. Box 9 on the Annual Return has recorded the cost value/proxy value of assets in accordance with Regulations.</i></p>
Bank Reconciliation	<p>Regularly completed and cash books reconcile with bank statements</p> <p><i>The Santander bank statements reconciled with the End-of-Year Accounts and bank reconciliations for all accounts.</i></p>
Year-end procedures	<p>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.</p> <p><i>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.</i></p>
Sole Trustee	<p>The Council has met its responsibilities as a trustee</p> <p><i>The Council is not a sole trustee.</i></p>
Internal Audit Procedures	<p><i>The Council has satisfactory internal controls in place. Cheque stubs are initialled by signatories. The Clerk provides financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions.</i></p>
External Audit	<p><i>No matters were raised by the External Auditor in relation to the 2014/15 Audit.</i></p>

Additional Comments

- *The Annual Parish Council meeting was held on 9 June 2015, which was not within the required lawful timescale.*

The Local Government Act 1972 provides that a local council must meet annually and in an election year this annual meeting must take place on the day councillors take office or within 14 days thereafter. In any other year it may be held on any day in May (if either of those periods ends on a vacation day it may be extended to include the next non-vacation day thereafter). The Council's annual meeting on 9 June 2015 was outside of the lawful dates.

Recommendation 5: The dates of future Annual Parish Council meetings must be in accordance with the requirements of the Local Government Act 1972. (It is noted that the Annual Parish Council meeting in 2016 was set for 10 May 2016, within the required timescale).

I would like to record my appreciation to the Interim Clerk to the Council for her assistance during the course of the audit work.

**Trevor Brown
for
Heelis & Lodge**

16 May 2015