

HEELIS&LODGE

Local Council Services • Internal Audit

Internal Audit Report for Heveningham 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: £2,522.16

Payments: £1,600.45

Reserves: £4,961.81

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 Cashbook, detailing the financial transactions in the year, is referenced and provides an audit trail. Supporting paperwork is generally in place and referenced. No payments are recorded as having been made under the Local Government Act 1972 Section 137.

All payments made are recorded as 'gross' in the Cashbook and any VAT element is not separately identified.

Recommendation 1: VAT payments should be separately identified within the Cashbook 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

Appointment of Responsible Financial Officer (RFO): *The current Clerk, Mrs Karen Forster, began her duties in November 2015 and was welcomed to the Council meeting on 25 November 2015 (Minute 1/15 refers). However, Internal Audit is unable to locate within the Council's Minutes Mrs Forster's formal appointment as RFO.*

Recommendation 2: The Council should formally confirm the appointment of Mrs Karen Forster as the Council's RFO as soon as practically possible.

Standing Orders in place: *Yes, the Standing Orders are signed to confirm that they were adopted by the Council on 11 April 2016.*

Financial Regulations in place: *Yes, the Financial Regulations are signed to confirm that they were adopted by the Council on 11 April 2016.*

It is noted that the Standing Orders item 18 'Financial Controls and Procurement' refers to the Public Contract Regulations 2006 (at section f) which have since been replaced by the Public Contract Regulations 2015.

Recommendation 3: The Council's Standing Orders should be up-dated during 2016/17 to include reference to the Public Contract Regulations 2015.

VAT reclaimed during the year: *No claim was made within the year of account. The records presented to Internal Audit did not identify when a claim was last made. Although the VAT paid by the Council may be relatively small, there is a 3 year limit on re-claims so the Council needs to ensure that VAT recovery is not lost due to a delay in submitting a re-claim. The Clerk has advised that she will be submitting a re-claim during 2016/17.*

General Power of Competence: *Not applicable.*

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 was agreed by the Council at its meeting on 26 August 2015 (Minute 6 refers).*

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

The Clerk provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions. The Clerk has advised Internal Audit that a copy of paid cheques are attached to a copy of the paid invoices in order to avoid any discrepancies between cheque payments and the relating invoices/vouchers.

Transparency Code

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

Smaller Council: *Yes*

Website: *A web-site has yet to be developed. The web-site <http://heveninghamvillage.btck.co.uk> is referred to in the Minutes of the Council meeting held on 14 January 2015.*

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

- a) all items of expenditure above £100
Published – No
- 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 – No
- 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 – No

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 for year 2015/16: *£1,501.95 (The Minute confirming Council's approval was not presented to Internal Audit).*

Precept for year 2016/17: *£1,791.40 (approved by Council at its meeting on 7 December 2015, Minute 17/15 refers).*

The Precept for 2016/17 was agreed in full Council and the precept decision and amount has been clearly Minuted. Budget papers were prepared to support the Precept decision for 2016/17 and to ensure that Councillors had sufficient information to make an informed decision.

It is noted that the Reserves at the year-end totalled £4,961.81. It is generally accepted that revenue reserves held will usually lie between three and twelve months of gross expenditure. As such the Council's Reserves appear slightly higher than the generally accepted level. The External Auditors normally require an explanation where the Reserves exceed twice the annual precept. Accordingly, the amount of the Reserves earmarked for specific projects/events should be highlighted to the External Auditors in the form of a supporting note to the Annual Return.

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	<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>Yes, a payroll service is undertaken by SALC on behalf of the Council.</i></p>
Asset control	<p>Inspection of asset register and checks on existence of assets Cross checking on insurance cover</p> <p><i>The Clerk has advised Internal Audit that she was unable to locate an Asset Register following her appointment as Clerk and has created one for adoption at a forthcoming meeting of the Council. The Asset Register displays a total purchase price value of £2,750. This is an increase of £1,000 from the value stated in the Annual Return at the end of the previous year and accordingly an explanation should be provided to the External Auditors in the form of a supporting note to the Annual Return to explain the change in overall value.</i></p> <p><i>The cost price value as at 31 March 2016 has been correctly entered into Box 9 of Section 2 of the Annual Return.</i></p>
Bank Reconciliation	<p>Regularly completed and cash books reconcile with bank statements</p> <p><i>The bank statements presented to Internal Audit for the Barclays Community Account and the Barclays Business Saver Account reconciled with the End-of-Year accounts and overall bank reconciliation but only included transactions up to and including 30 March 2016. The End of Year Accounts must reflect the actual bank balances as at 31 March each year. The Clerk has confirmed that no transactions took place at bank on 31 March 2016.</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>End-of-year accounts are prepared on a Receipts & 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 Internal Audit for the 2014/15 year was undertaken by Mrs Lesley Sutton and not Heelis & Lodge. The Council reviewed the effectiveness of the internal audit at a meeting held on 26 August 2015 (Minute 7 refers).</i></p>
External Audit	<p><i>The External Auditor's report for 2014/15 was considered by the Council at the meeting held on 25 November 2015 (Minute 5/15b refers). The following matters were raised by the External Auditor in relation to the 2014/15 year:</i></p>

- 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 checks undertaken by the Internal Auditor in respect of the 2014/15 Annual Return year were incomplete. This issue has been addressed; the Internal Audit for the 2015/16 year will meet all requirements under the 2015/16 Annual Return.*
- 3. The Council did not prepare a budget to support the 2014/15 Precept. This has been addressed, a budget was prepared to support the Precept set for 2015/16 Precept.*
- 4. A number of minor issues were raised regarding the completion of the Annual Return for 2014/15. These issues have been addressed.*
- 5. The Council must implement the Recommendations put forward by Internal Audit to improve the financial systems in operation.*

Additional Comments

- The Annual Parish Council meeting was held on 13 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 the assistance provided during the course of the audit work.*

**Trevor Brown
for
Heelis & Lodge**

12 May 2016