

HEELIS&LODGE

Local Council Services • Internal Audit

Internal Audit Report for Easton Parish Council – 2014/15

Receipts: £9,365.95 Payments: £3,667.38 Reserves: £20,581.26

Annual Return Completion:

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

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

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 is referenced and provides a clear audit trail. Supporting paperwork is in place and well referenced. VAT payments are tracked and identified within the End-of-year accounts. Following consultation with the Clerk, the payments made under Section 137 of the Local Government Act 1972 were separately identified within the Accounts.

Examination of the End-of-Year Accounts and supporting documentation revealed the following:

1. *Two deposits into the bank do not have any details of the cheque listed on the reverse of the paying-in slip so it is has not been possible for the current Clerk or Internal Audit to identify the drawer of the cheque or (in the event of burial fees) the individual burial involved. The deposits involved are those paid into bank on 8 May 2014 (£25.00), on 17 September 2014 (£75.00). These sums have been allocated to Cemetery Receipts in the End-of- Year Accounts.*
2. *Bank statements for the period 29 November 2014 to 31 January 2015 inclusive for the Barclays Community Account were not made available to Internal Audit so it has not been possible to confirm the transactions through that Account during that period. Similarly, the bank statements for the period 30 September 2014 to 31 December 2014 inclusive were not available for Internal Audit's examination so it has not been possible to confirm the transactions through that Account during that period.*

3. Only cheque book stubs relating to payments made in the year under cheques 100911 to 100916 inclusive were made available to Internal Audit. The Clerk advised Internal Audit that the Council's cheque book containing cheque numbers ending 100944 had been stolen from her possession; accordingly, cheque stubs relating to the payments in the year under cheques 100917 to 100935 inclusive were not examined by Internal Audit.

Recommendation 1:

- (a) All deposits paid into bank should have details entered on the back of the paying-in slip in order that the drawer of the cheque and the purpose of the payment to the Council can be clearly identified.
- (b) At the end of the 2015/16 year, bank statements/cheque stubs covering the entire financial year should be made available to the Council's Internal Auditor.

Financial regulations	<p>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</p> <p>Standing Orders in place: <i>The Council's Standing Orders were adopted by the Council at the meeting on 4 March 2014 (Minute EPC048/14 refers).</i></p> <p>Financial Regulations in place: <i>The Council's Financial Regulations were adopted by the Council at the meeting on 4 March 2014 (Minute EPC048/14 refers).</i></p> <p>Appointment of RFO: <i>The appointment of Sally Loader (as from 10 February 2015) as Clerk/RFO was formally confirmed by the Council at the meeting held on 5 March 2015 (Minute EPC033/15 refers).</i></p> <p>VAT reclaimed during the year: <i>The Clerk has advised Internal Audit that very few VAT records are held by the Council and that the most recent reimbursement from HMRC of VAT paid was £408.80 on 16 June 2013. No VAT records were made available to Internal Audit.</i></p>
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Recommendation 2:

- (a) During 2015/16, the Council should contact the VAT Unit, HMRC to obtain confirmation of the Council's most recent VAT re-claim, including the period covered by the re-claim,

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- in order that future re-claims will commence at the appropriate date;*
- (b) Suitable VAT records, including a copy of all re-claims, should be retained by the Council and presented to Internal Audit at the year end.**

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

Code of Conduct: *The Council adopted the 2012 Code of Conduct at a meeting held on 11 September 2012 (Minute EPC001/12 refers). There is no record in the Minutes that the revised 2014 Code of Conduct has been adopted. The Clerk has advised Internal Audit that the new Code was presented to the Council at its meeting in May 2015 with the view of formal adoption during 2015/16.*

Risk Assessment Appropriate procedures in place for the activities of the council

Risk Assessment document in place:

The Accounts and Audit Regulations require a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, which includes the arrangements for the management of risk.

The Council has a Risk Assessment document for the period 1 April 2013 to 31 March 2014 which is noted as having been reviewed and adopted by the Council on 4 July 2013 (Minute EPC084/13 refers). At the Council meeting on 4 March 2014 (Minute EPC043/14) the Clerk informed the Council that the Risk Assessment must be completed by the March 2015 meeting. However, there is no record that in the 2014/15 year the Council formally considered its Internal Control arrangements, including its Risk Management arrangements, and Minuted the review accordingly.

Recommendation 3: In order to meet the requirements of the Accounts and Audit Regulations, the Council should undertake during 2015/16 a review of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, and Minute the review accordingly.

Insurance was in place for the year of audit. The Fidelity cover is £25,000 which 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: *£7,100* Date: *14 January 2014 (Minute EPC013/14 (3) refers)*

Precept 2015/16: £7,000 Date: 13 January 2015 (Minute EPC013/14 (3) 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.

It is noted that the Reserves at the year-end totalled £20,581.26. It is generally accepted that revenue reserves held will usually lie between three and twelve months of gross expenditure. Accordingly the Council's Reserves appear higher than the generally accepted level. The External Auditors normally require an explanation where the Reserves exceed twice the annual precept.

Income controls Precept and other income, including credit control mechanisms

See Proper Book-keeping item above. Income controls were checked and income received cross referenced with the available bank statements.

Cemetery Burial Costs were reviewed by the Council at its meeting on 16 September 2014 (Minute EPC124/14 refers) when an up-dated price schedule and new rates were agreed by the Council.

Petty Cash Associated books and established system in place

Petty Cash is not used; an expenses system is in place with supporting paperwork.

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, PAYE was operated through Ladywell Accountancy Services during 2014/15. Detailed pay-slips were produced.

It was noted that on the instruction of Ladywell Accountancy Services the salary payment of £337.88 to Mrs D.S. Ottway on 13 January 2015 was made net of PAYE (£80.20). However, there is no record of the Council making payment to HMRC of the amount of PAYE deducted.

Recommendation 4: The Council should consult Ladywell Accountancy Services regarding the apparent outstanding payment to HMRC.

Asset control	Inspection of asset register and checks on existence of assets Cross checking on insurance cover <i>The Council's Assets are recorded as part of the End-of-Year Accounts and display a total value of £20,309.02, which reflects the acquisitions in the year. This value has been entered into Box 9 of the Annual Return.</i>
Bank Reconciliation	Regularly completed and cash books reconcile with bank statements <i>The Barclays Business Current Account and Business Savings Account bank statements reconciled with the end of year accounts and bank reconciliations for all accounts.</i>
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. <i>End of year accounts are prepared on a Receipts and Payments basis and, subject to the matters raised in the Proper Book-keeping item above, were in good order. Sample audit trails were undertaken and all were found to be in order.</i>
Sole Trustee	The Council has met its responsibilities as a trustee <i>The Council is not a sole trustee.</i>
Internal Audit Procedures	<i>The Internal Audit in the previous year, 2013/14, was not undertaken by Heelis & Lodge. The Internal Audit Report from the previous year has not been made available to Heelis & Lodge.</i> <i>The Council has satisfactory internal financial controls in place, including the initialling of invoices for payment. The initialling of cheque stubs by signatories is also an important financial control mechanism and care should be taken to ensure that each cheque stub is initialled by signatories. Amongst the cheque book stubs made available to Internal Audit relating to payments made in the year (under cheques 100911 to 100916 inclusive) one cheque stub (100915) had no initials by signatories.</i> <i>The Clerk provides financial reports to council meetings. Councillors are provided with information to enable them to make informed decisions.</i>
External Audit	<i>The External Auditor's report for the year 2013/14 was not presented to Heelis & Lodge.</i>

Additional Comments

- *The Annual Parish Council meeting was held on 13 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**

28 June 2015