

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Hollesley Parish Council – 2013/14

Receipts: £31,991.09

Payments: £18,559.50

Reserves: £44,845.60

Annual Return Completion:

Section One: *Yes*

Section Two: *Yes*

Section Four: *Yes, completed by Internal Audit*

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, the Receipts & Payments (R&P) Account and Bank Reconciliation presented to Internal Audit required significant correction and, without amendment, would result in the incorrect completion of the Annual Return.

The Cash Book recorded a number of payments which were made after 31 March 2014 and should not have been included in the 2013/14 accounts. Similarly, some receipts included in the Cash Book should not have been accounted for in the 2013/14 year. These transactions needed to be removed and corrected totals for both receipts and payments obtained. A revised Receipts and Payments Account was required to be constructed.

The Bank Reconciliation provided to Internal Audit was incorrect. It did not display the correct bank balance in the Current Account as at 31 March 2014 and the number/value of unpresented cheques at the year end was similarly recorded incorrectly. As a result, a corrected Bank Reconciliation was required to be constructed.

There were some other areas of detail that needed to be addressed e.g. the Staff Costs heading in the Cash Book included a payment other than direct salary and HMRC payments and required correction to ensure that Box 4 of Section 1 of the Annual Return was correctly completed.

After consultation with the Clerk it was agreed that Internal Audit would produce a corrected R&P Account and Bank Reconciliation. All receipts and payments in the year and all items passing through the Council's bank accounts were examined in detail by Internal Audit. A corrected R&P Account Summary and a

corrected Bank Reconciliation as at 31st March 2014 were constructed as follows:

	£	£
<i>Account Balance at 1 April 2013:</i>		<i>31,414.01</i>
<i>Add Receipts in the Year:</i>		
<i>Precept</i>	<i>26,086.00</i>	
<i>Interest</i>	<i>14.04</i>	
<i>VAT repaid from HMRC</i>	<i>5,108.70</i>	
<i>Burial Fees etc.</i>	<i>388.85</i>	
<i>Allotment Rents</i>	<i>393.50</i>	
	-----	<i>31,991.09</i>
<i>Deduct Payments in the Year:</i>		
<i>Staff Costs</i>	<i>2,853.30</i>	
<i>General Office Expenses</i>	<i>3,699.02</i>	
<i>Cemetery</i>	<i>1,041.14</i>	
<i>Highways</i>	<i>870.81</i>	
<i>Playing Field</i>	<i>1,746.91</i>	
<i>PWLB</i>	<i>4,009.36</i>	
<i>Contribution to Village Hall</i>	<i>3,320.00</i>	
<i>VAT paid</i>	<i>764.96</i>	
<i>LGA Sect 137</i>	<i>254.00</i>	
	-----	<i>18,559.50</i>

<i>Account Balance at 31 March 2014:</i>		<i>44,845.60</i>

	£	£	£
<i>Represented By:</i>			
<i>Barclays Community A/C</i>			
<i>at 31 March 2014:</i>			
		<i>17,013.10</i>	
<i>Deduct unrepresented</i>			
<i>cheques:</i>			
<i>101854</i>	<i>125.00</i>		
<i>101859</i>	<i>40.00</i>		
<i>101862</i>	<i>158.06</i>		
<i>101863</i>	<i>23.69</i>		
	-----	<i>346.75</i>	
		-----	<i>16,666.35</i>
<i>Barclays Business Base Rate Tracker A/C</i>			
<i>at 31 March 2014: (Note 1)</i>			
			<i>28,179.25</i>

<i>Bank Balance at 31 March 2014:</i>			<i>44,845.60</i>

Note 1: The Bank Statement for this account gives a balance as at 14 March 2014. A Bank Statement as at 31 March was not submitted to Internal Audit.

Accordingly, the R&P Account and Bank Reconciliation may require further amendment to reflect any transactions falling into this Account between 15 March 2014 and 31 March 2014.

Recommendation 1: The necessary amendments to the Cash Book, Receipts and Payments Account and Bank Reconciliation should be made as detailed above prior to presentation to the External Auditors.

The above corrections will be reflected in Section 1 of the Annual Return as follows (rounded as required for purposes of the Annual Return):

<i>Balances at beginning of year (1 April 2013):</i>	<i>Box 1: £31,414</i>
<i>Annual Precept 2013/14:</i>	<i>Box 2: £26,086</i>
<i>Total Other Receipts:</i>	<i>Box 3: £5,905</i>
<i>Staff Costs:</i>	<i>Box 4: £2,853</i>
<i>Loan interest:</i>	<i>Box 5: £4,009</i>
<i>All Other payments:</i>	<i>Box 6: £11,697</i>
<i>Balances carried forward (31 March 2014):</i>	<i>Box 7: £44,846</i>
<i>Total cash/short term investments</i>	<i>Box 8: £44,846</i>

For clarification, it should be noted that only items relating to the employee of the Council (i.e. pay, training costs and employment taxes) should be shown in Box 4 of Section 1 of the Annual Return; all other general expenses incurred should be shown in Box 6, hence the importance of correct allocation of payments in the Cash Book.

Recommendation 2: Section 1 of the Annual Return (boxes 1 to 8) should be corrected in accordance with the above and all amendments initialled by the RFO and Chair. The amendments should be reported to the next meeting of the Council.

The Cash Book is referenced and provides an audit trail. Supporting paperwork is largely in place and referenced. Payments under the Local Government Act (LGA) Section 137 are identified. VAT payments are tracked and identified within the Cash Book and Receipts & Payments Account.

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, adopted by the Council on 1 December 2011 (Minute 8.2 refers). Following its review of the 2012/13 year Internal Audit recommended that the Council should review its Standing Orders during the year 2013/14 in the light of the adoption of the 2012 Code of Conduct. This recommendation remains outstanding.

Recommendation 3: The Council should review its Standing Orders during the year 2014/15 and consider making reference to the new NALC Model Standing Orders recently issued.

Financial Regulations in place: *Yes, adopted by the Council at its meeting held on 9 July 2009. Following its review of the 2012/13 year Internal Audit recommended that the Council should review its Financial Regulations during the year 2013/14 in order to ensure that they are up-to-date and fit for purpose. This recommendation remains outstanding.*

Recommendation 4: The Council should review its Financial Regulations during the year 2014/15 and consider making reference to the new NALC Model Financial Regulations recently issued.

VAT reclaimed during the year: *A claim for £5,108.70 of VAT paid was submitted to HMRC on 2 October 2013 and was received at bank on 21 October 2013.*

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

Risk Assessment

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

There is no record of the Council undertaking a review of its Internal Control arrangements or undertaking a Risk Assessment in the year 2013/14. Accordingly, the Council failed to comply with the Accounts and Audit Regulations 2011, which 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 management of risk, with the review suitably Minuted.

Recommendation 5: To comply with the Accounts and Audit Regulations 2011 the Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during the 2014/15 year.

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

Recommendation 6: Bearing in mind the range of services being managed (including the Cemetery), 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 web-site: ico.org.uk).

Insurance was in place for the year of audit. Separate insurance cover is in place for the Hollesley Pavilion. The Fidelity Cover is £55,000 which is slightly lower

than that recommended in current guidelines which provide that cover should be at least the sum of the year-end balances plus 50% of the precept.

Budgetary controls

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

Precept 2013/14: *£26,086*

The Council Minutes confirming approval of the Precept for 2013/14 were not provided to Internal Audit.

Precept 2014/15: *£27,200*

Budgetary procedures were in place leading to Council's consideration of the 2014/15 Precept. The Minutes of the Council meeting on 16 January 2014 record that 'The budget as prepared by the Budget Working Group for 2014/15 was presented and discussed, all queries were answered. The budget was unanimously approved'. The Minutes of the Council meeting on 6 February 2014 records the amount of the Precept for the year 2014/15.

Income controls

Precept and other income, including credit control mechanisms

See the 'Proper Book-keeping' item above.

Cemetery charges were last reviewed by the Council on 7 February 2012 (Minute 1/13/11a refers) and the updated regulations and revised fee schedules were agreed by the Council at the meeting on 7 March 2013 (Minute 2/13/11a refers).

A review of allotment rents and tenancy agreements was undertaken in the year.

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: *Payroll services in the year 2013/14 were operated for the Council by SALC. Regular payments were made to HMRC and detailed pay slips were produced.*

Asset control

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

An Asset Register is in place with the total value of £99,376 as at 31 March 2014. The Asset Register complies with the current requirements which provide

that each asset should be recorded at its original purchase cost or where the original purchase price is unknown at the time of first recording on the asset register, a current value is recorded, which acts as a proxy for the original cost and will remain unchanged until disposal.

Bank Reconciliation Regularly completed and cash books reconcile with bank statements

See the 'Proper Book-keeping' item above. Following construction of a corrected Bank Reconciliation by Internal Audit, the bank statements reconciled with the End-of-Year accounts.

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 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. Cheque stubs are initialled by signatories. A schedule of payments and receipts is also signed by the Chairman at Council meetings.

The Internal Audit for the year 2012/13 made the following recommendations relating to financial control:

- (1) The Council should review its Standing Orders during the year 2013/14 in the light of the adoption of the 2012 Code of Conduct. This recommendation remains outstanding (see Recommendation 1 above)*
- (2) The Council's Financial Regulations date from July 2009 and require review and up-dating. This recommendation remains outstanding (see Recommendation 2 above).*
- (3) The Council should submit a re-claim to HMRC as soon as possible for VAT paid since March 2012. This has been addressed.*

External Audit *There were no matters raised by the External Auditors in relation to their review of the 2012/13 year.*

Additional Comments

- *The Annual Parish Council meeting was held on 9 May 2013, 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
Heelis & Lodge

23 May 2014