

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Hollesley Parish Council – 2014/15

Receipts: £30,521.72

Payments: £23,866.45

Reserves: £51,500.87

Annual Return Completion:

Section One: *Yes (to be signed and dated)*

Section Two: *No (to be completed, signed and dated)*

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 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. The Clerk consulted the Internal Auditor regarding the End-of-Year Accounts and subsequently the following Receipts and Payments Account Summary and Bank Reconciliation was agreed:

	£	£
<i>Account Balance at 1 April 2014:</i>		<i>44,845.60</i>
<i>Add Receipts in the Year:</i>		
<i>Precept</i>	<i>27,200.00</i>	
<i>Total Other Receipts</i>	<i>3,321.72</i>	
	-----	<i>30,521.72</i>
<i>Deduct Payments in the Year:</i>		
<i>Staff Costs</i>	<i>4,147.20</i>	
<i>PWLB</i>	<i>3,969.55</i>	
<i>All Other Payments</i>	<i>15,749.70</i>	
	-----	<i>23,866.45</i>

<i>Account Balance at 31 March 2015:</i>		<i>51,500.87</i>

/Continued

	£	£	£
<i>Represented By:</i>			
<i>Barclays Business Current A/C</i>			
<i>at 31 March 2015:</i>		<i>23,180.58</i>	
 <i>Deduct unrepresented</i>			
<i>cheques:</i>			
<i>101926</i>	<i>48.00</i>		
<i>101932</i>	<i>125.00</i>		
<i>101937</i>	<i>200.00</i>		
	-----	<i>373.00</i>	
		-----	<i>22,807.58</i>
 <i>Barclays Business Base Rate Tracker A/C</i>			
<i>at 31 March 2015:</i>			<i>28,693.29</i>

<i>Bank Balance at 31 March 2015:</i>			<i>51,500.87</i>

The above figures are listed in Section 1 of the Annual Return for 2014/15 (rounded as required for purposes of the Annual Return).

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 and adopted by the Council on 3 July 2014 (Minute AG14-03/07/14 refers). Standing Orders were further up-dated at the Council's meeting on 11 September 2014 (Minute AG17-11/9/14 refers).*

Financial Regulations in place: *Yes, adopted by the Council at its meeting held on 9 July 2009. Internal Audit has previously recommended that the Council should review its Financial Regulations and this recommendation remains outstanding. The National Association of Local Councils has recently issued new Model Financial Regulations to assist Local Councils in the review exercise.*

Recommendation 1: The Council should review its Financial Regulations during the year 2015/16 in order to ensure that they are up-to-date and fit for purpose.

VAT reclaimed during the year: *A claim to HMRC for £1,616.98 VAT paid for the period 1 May 2013 to 30 November 2014 was received at bank on 17 February 2015.*

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

Appointment of RFO/Clerk: *The Council appointed Sally Loader as Clerk and RFO at its meeting on 1 May 2014 (Minute 4/14/8 refers) the appointment to take effect from 1 June 2014.*

Data Protection registration: *No Registration for the provision of council services was made in the year. Internal Audit has previously recommended that the advice of the Information Commissioner should be sought regarding registration because personal data held by the Council, including that relating to staff, allotments and cemeteries, may be relevant in terms of a requirement within law to register as a data controller. It is noted that the Council considered the matter at its meeting on 5 March 2015 (Minute AG19-05/03/15 refers).*

Risk Assessment

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

The Risk Assessment document was considered by the Council at its meeting on 5 March 2015 (Minute AG19-05/03/15 refers). The document covers Financial and Management risks and those risks attached to Physical Equipment etc. The document identifies the risks faced by the Council, the action taken to mitigate those risks and provides an assessment of the adequacy of the procedures in place/action taken.

Insurance was in place for the year of audit. The Fidelity Guarantee (Employee Dishonesty) cover of £55,000 is significantly below the current recommended guidelines of year end balances plus 50% of the precept (approx. £65,600 as at 31 March 2015).

Recommendation 2: The Council should keep the level of Fidelity Guarantee cover under review during 2015/16 as part of the risk assessment process in the year with the view of bringing the cover into line with the recommended guidelines of year end balances plus 50% of the precept.

There is a separate insurance policy for the Village Hall.

Budgetary controls

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

Precept 2014/15: *£27,200 (agreed at Council meeting on 6 February 2014)*

Precept 2015/16: *£28,200 (agreed at Council meeting on 11 December 2014)*

Budget papers are prepared to ensure councillors have sufficient information to make informed decisions. The precepts were agreed in full Council and the precept decision and the amounts have been clearly minuted.

It is noted that the Reserves at the year-end totalled £51,500.87. 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 significantly 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

Income controls were checked and income received and banked cross referenced on a sample basis with the Cash Book and bank statements.

An Allotments Register is maintained to monitor/control the fees received in respect of each plot. A review of allotment rents and tenancy agreements was undertaken in the year 2013/14.

Council Minutes reveal that 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).

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 2014/15 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

A detailed Asset Register is in place with the total value of £99,376 as at 31 March 2015 (unchanged from the valuation at the end of the previous year).

Bank Reconciliation

Regularly completed and cash books reconcile with bank statements

See the 'Proper Book-keeping' item above. The Barclays Business Current Account and Business Base Rate Tracker Account bank statements reconciled with the end of year accounts and bank reconciliations for all 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.

See the 'Proper Book-keeping' item above. 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.

External Audit

The External Auditors raised the following matters in relation to the 2013/14 year:

- 1. The Council had not carried out a risk assessment as part of its review of the effectiveness of internal control during 2013/14 (this has been addressed during the 2014/15 year).*
- 2. The Council had been unable to undertake a full reconciliation of bank statements to Cashbook at 31 March 2014 (this has been addressed as at 31 March 2015).*
- 3. Fidelity Guarantee insurance cover appeared insufficient in the light of balances held as at 31 March 2014 (this issue remains outstanding).*
- 4. The Council must implement the recommendations of the Internal Auditor (this is being addressed).*
- 5. Minor issues regarding the completion of the 2013/14 Annual Return.*

Additional Comments

- The Annual Parish Council meeting was held on 1 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**

10 June 2015