

Report to Hollesley Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2016

1. Summary

During the 2015/16 year the Council and the current Clerk worked energetically to develop and adopt effective governance arrangements in order to achieve a robust and effective framework of internal control. The Internal Audit review has confirmed that adequate overall financial arrangements are currently in place and the Council now displays many examples of good financial practice. The Council and the Clerk are to be commended in achieving within the 2015/16 year a significant improvement in the financial administration and financial control arrangements.

By examination of the 2015/16 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

The Accounts for the year confirm the following:

Total Receipts for the year: £32,536.95
Total Payments in the year: £40,386.52
Total Reserves at year-end: £43,651.31

The Annual Return to the External Auditors was examined and the following figures agreed with the Clerk for inclusion in Section 2 - Accounting Statements 2015/16 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2015):</i>	<i>Box 1: £51,501</i>
<i>Annual Precept 2015/16:</i>	<i>Box 2: £28,200</i>
<i>Total Other Receipts:</i>	<i>Box 3: £4,336</i>
<i>Staff Costs:</i>	<i>Box 4: £3,669</i>
<i>Loan interest:</i>	<i>Box 5: £18,602</i>
<i>All Other payments:</i>	<i>Box 6: £18,115</i>
<i>Balances carried forward (31 March 2016):</i>	<i>Box 7: £43,651</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £43,651</i>
<i>Total fixed assets:</i>	<i>Box 9: £69,834</i>
<i>Total borrowings:</i>	<i>Box 10: £8,552</i>

Sections One and Two of the Annual Return to the External Auditors, BDO LLP, are due to be approved and signed at a forthcoming meeting of the Council. Some comparative figures for the previous year (2014/15) have been re-stated in the Annual Return in accordance with the requirements of the External Auditors.

The Internal Auditor has completed the Annual Internal Audit Report 2015/16 within the Annual Return.

The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan. Comments and any recommendations arising from the review are made below.

2. Proper book-keeping (examination of entries in the Cash Book, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts).

The Cash Book was found to be in good order and well presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cash Book.

The Cash Book is well referenced and provides an adequate audit trail to the Bank Statements and Cheque Book stubs and the monthly financial information prepared by the Clerk. These documents provided good evidence in support of the receipts and payments in the year. Supporting vouchers, invoices and receipts covering the 2015/16 year were largely in place.

3. Financial regulations and Standing Orders (examination of Financial Regulations and Standing Orders, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Cheque books, paying in books and other relevant documents).

Standing Orders and Financial Regulations are in place. They were reviewed by the Council at its meeting on 4 February 2016 (Minute 7 refers) and both documents are signed by the Chair and Clerk to confirm that they were adopted by the Council at its meeting on 3 March 2016.

The Council formally appointed Mrs Judi Hallett as the Responsible Finance Officer at its meeting on 5 November 2015 (Minute 5 refers).

The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year.

A VAT claim of £2,214.66 for the period 1 January 2015 to 31 January 2016 was submitted to HMRC. Re-imbursment from HMRC was received at bank on 12 February 2016.

The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services under Data Protection legislation (Registration ZA150248 refers, expiring 16 November 2016).

The Suffolk Local Code of Conduct has been signed by the Chair and Clerk to confirm that it was adopted by the Council at its meeting on 3 March 2016.

The Council discussed the provision of a pension for the Clerk at its meeting on 3 March 2016 (Minute 6 refers) and it was agreed that members of the Finance Group would meet to address the new legislative requirements regarding pensions.

4. Internal Control & the Management of Risk (*Review by Council of the effectiveness of internal controls, including risk assessment, and minuted accordingly*)

The Council's Risk Assessment documents were reviewed by the Council at its meeting on 4 February 2016 (Minute 7 refers). The documents provide an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified. Both the Risk Assessment – Financial and Risk Assessment – Non Financial documents are signed by the Chair and Clerk to confirm that they were adopted by the Council at its meeting on 3 March 2016.

The Council's Internal Control mechanisms and the effectiveness of Internal Audit were reviewed by the Council at its meeting on 3 March 2016 (Minute 14b refers).

Accordingly, the Council complied with the Accounts and Audit Regulations which require a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, with the review suitably Minuted.

Insurance was in place for the year of audit. The current Zurich Municipal policy includes cover for Fraud and Dishonesty (Fidelity Guarantee) at £100,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

5. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*)

Precept 2015/16: £28,200 (agreed by Council on 11 December 2014).

Precept 2016/17: £28,200 (agreed by Council on 3 December 2015).

The Council and the current Clerk developed improved budgetary and budgetary control procedures during the year leading to the consideration of the budget for the 2016/17 year. Budget papers were suitably prepared to ensure that Councillors had sufficient information to make informed decisions. The detailed estimates of the annual budget for the year 2016/17 and of receipts and payments can be used effectively for financial control and budgetary control purposes.

The Precept for 2016/17 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 3 December 2015, Minute 14b refers). The Clerk ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves.

The Reserves available to the Council at the year-end were appropriate. As at the 31 March 2016 the Council maintained sufficient reserves and contingency sums in order to meet, within reason, any unforeseen items of expense that may occur.

6. Income controls (*Regarding Precept and other income, including credit control mechanisms*)

Receipts recorded in the Cash Book were cross referenced with the bank statements and were found to be in order.

The Council discussed the revision of Cemetery Fees at its meeting on 3 March 2016 (Minute 10b refers).

New terms and conditions for Allotments were agreed by the Council at its meeting on 4 June 2015 (Minute 14 refers).

7. Petty Cash ***(Associated books and established system in place)***

A Petty Cash system is not in use; a satisfactory expenses system is in place, with cheques being made out for expenses incurred.

8. Payroll controls ***(PAYE and NIC in place; Compliance with Inland Revenue procedures; Records relating to contracts of employment)***

Payroll Services are operated by SALC on behalf of the Council; PAYE is in operation.

9. Asset control & valuation ***(Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover).***

A comprehensive Asset and Responsibility Register is in place and is signed by the Chair and Clerk to confirm that it was adopted by the Council at its meeting on 3 March 2016.

The 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. As at 31 March 2016 the Asset Register gave a total value of £69,834, which has been correctly placed in Box 9 of the Annual Return.

10. Bank Reconciliation ***(Regularly completed and cash books reconcile with bank statements)***

The bank statements for the Barclays Community (Current) Account and Business Base Rate Tracker Account supported the Bank Reconciliation as at 31 March 2016 and reconciled with the End of Year accounts.

11. Year End procedures ***(Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate).***

End of Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.

12. Internal Audit Procedures (*That the Council has satisfactory internal financial controls in place and any previous recommendations implemented*).

The Council has satisfactory internal financial controls in place. The Clerk provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

Cheque stubs are initialled by cheque signatories and payments are listed in the Council's Minutes as part of the overall financial control framework.

Following its review of the previous year, 2014/15, Internal Audit made the following recommendations relating to financial control:

- a) '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'. This has been addressed.
- b) 'The Council should keep the level of Fraud and Dishonesty (Fidelity Guarantee) insurance 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'. This has been addressed; the insurance cover stands at £100,000 which meets the recommended guidelines.

13. External Audit (*Recommendations put forward or comments made following the annual review*)

The report by the External Auditors BDO LLP for the previous year (2014/15) was considered by the Council at its meeting on 5 November 2015 (Minute 13b refers). The following issues were raised by the External Auditors:

- a) 'The level of fidelity guarantee cover appears insufficient'. This has been addressed; the insurance cover meets the recommended guidelines.
- b) 'The Council must implement the recommendations made by the Internal Auditor'. This has been addressed (see item 12 above).
- c) 'Fixed Assets should be recorded at cost in Box 9 of the Annual Return'. This has been addressed (see item 9 above).
- d) 'Box 10 of the Annual Return should record the balance of any loans outstanding'. This has been addressed; Box 10 of the 2015/16 Annual Return records the amount of two PWLB loans outstanding.

14. Additional Comments

The Annual Parish Council meeting was held on 14 May 2015. 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, CPFA

Internal Auditor

24 April 2016