

# HEELIS&LODGE

Local Council Services • Internal Audit

## **Internal Audit Report for Mendham Parish Council – 2014/15**

Receipts: £7,028.60

Payments: £4,015.30

Reserves: £12,077.51

### Annual Return Completion:

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

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

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 was found to be in order; it is referenced and provides a clear audit trail. Supporting paperwork is in place and well referenced. A sample of transactions was closely examined and all were found to be in order.*

*Local Government Act 1972 Sect. 137 payments and VAT payments are tracked and identified within the Cash Book.*

*The Receipts & Payments (R&P) Account for 2014/15 was in good order; two corrections are required within the comparative year column for the payments made in the previous year 2013/14, as follows:*

- a) Salaries should be stated as £1,744.73 (not £1,774.78).*
- b) The written-back cheque 100006 is a deduction so should be shown as -£100 (i.e. minus £100).*

*Once these amendments have been made the Payments for the previous year 2013/14 will correctly total £4,863.31. The amendments should be made prior to the presentation of the R&P Account to Council and the External Auditors.*

**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, Standing Orders were approved by the Council at its meeting on 18 November 2013 (Minute 8 refers) and amended by the Council on 16 March 2015 (Minute 4 refers).*

Financial Regulations in place: *Yes, Financial Regulations were reviewed, updated and adopted by the Council at its meeting on 14 July 2014 (Minute 9 refers).*

VAT reclaimed during the year: *Reclaims were last made in 2013.*

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

Code of Conduct: *The revised Suffolk Local Code of Conduct was adopted by the Council at its meeting on 14 July 2014 (Minute 2 refers).*

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

***Recommendation 1: 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](http://ico.org.uk)).***

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

Risk Assessment document in place:

*Whilst the Council reviewed the effectiveness of its overall governance arrangements at its meeting on 17 March 2014 (Minute 6 iii refers), documents relating to the internal control review and the risk assessment documents have not been provided to Internal Audit. There is no formal record of the Council undertaking a review of its risk assessment and internal control arrangements during the year 2014/15.*

*The Accounts and Audit Regulations require that at least once during each financial year a Council must undertake a review of the effectiveness of its Internal Control arrangements, including the management of risk, and the Minutes of the Council must formally record that the review has taken place. Accordingly,*

***Recommendation 2: To comply with the Accounts and Audit Regulations the Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during the 2015/16 year.***

*Insurance was in place for the year of audit. The level of Fidelity Guarantee cover is £25,000 and 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: *£5,700 (Council on 20 January 2014, Minute 7 refers)*

Precept 2015/16: *£5,700 (Council on 19 January 2015, Minute 8 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.*

**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**

PAYE and NIC in place where necessary.  
Compliance with Inland Revenue procedures  
Records relating to contracts of employment

PAYE System in place: *Yes, Payroll is out-sourced to Van Dijk Accountants. Detailed pay slips are produced and regular payments have been made to HMRC.*

**Asset control**

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

*A separate Asset Register is in place but the total of the values listed did not agree with the value of £7,169 placed in Box 9 of Section 1 of the Annual Return (the relevant value of total fixed assets).*

***Recommendation 3: The Council should identify the items included in the Asset Register that constitute the total asset value of £7,169 which has been entered into Box 9 of Section 1 of the Annual Return.***

**Bank Reconciliation**

Regularly completed and cash books reconcile with bank statements

*All was in order. The bank statements reconciled with the end of year accounts and the bank reconciliations for the Barclays Community Account and the Barclays Business Saver Account.*

**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.

*End of year accounts are prepared on a Receipts and Payments basis and were all in order. 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 Council has satisfactory internal financial controls in place. Cheque stubs and invoices are initialled by signatories. The Clerk provides financial reports to council meetings. Councillors are provided with information to enable them to make informed decisions.*

*The Internal Audit Report in relation to the 2013/14 year was noted by the Council at its meeting on 20 May 2014 (Minute 7 refers). The Internal Auditors made a recommendation relating to financial control, as follows:*

- 1. The Council should review and up-date its Risk Assessment documentation in 2014/15 in order to ensure adequate and effective control of the risks faced by the Council; a copy of the documentation should be provided to Internal Audit. (There is no record that this has been addressed by the Council. Accordingly the recommendation remains outstanding).*

**External Audit**

*There were no matters of concern raised by the External Auditor in relation to the 2013/14 year's audit.*

**Additional Comments**

- *The Annual Parish Council meeting was held on 20 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**

30 May 2015