

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Darsham Parish Council – 2016/17

The following Internal Audit was carried out on the adequacy of systems of control. The following recommendations/comments have been made:

Receipts: £5,648.01

Payments: £5,015.77

Reserves: £8,761.34

Annual Return Completion:

Section One: No

Section Two: Yes, in draft

Section Four: Yes, completed by Internal Auditor

Proper book-keeping Cash Book, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

The Cash Book is maintained in the form of a hand-written ledger. Each transaction listed in the Cash Book is referenced and provides an audit trail. Supporting paperwork is in place and well referenced.

Local Government Act 1972 Section 137 payments are separately identified within the year-end accounts (donations to the Citizens Advice Bureau can be made under Section 142 (2A) of the Act and not under Section 137).

VAT payments are tracked and identified within the Cash Book.

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.*

Reviewed: *14 February 2017 (Minute 2-5 refers).*

It is noted that the Standing Orders item 18 'Financial controls and procurement' refers to the Public Contract Regulations 2006 (at item f). These Regulations have been replaced by the Public Contract Regulations 2015, as explained in the previous Internal Audit Report for the year 2015/16.

Recommendation 1: The Council's Standing Orders should be up-dated during 2017/18 to include reference to the provisions of the Public Contract Regulations 2015.

Financial Regulations in place: *Yes.*
Reviewed: *14 February 2017 (Minute 2-6 refers).*

It is noted that the Financial Regulations item 'Contracts' (at item 11.1 k) refers to the Public Contract Regulations 2006. These Regulations have been replaced by the Public Contract Regulations 2015.

Recommendation 2: The Council's Financial Regulations should be up-dated during 2017/18 to include reference to the provisions of the Public Contract Regulations 2015.

VAT reclaimed during the year: *No, the previous reimbursement (of £94.32) from HMRC was received at bank on 14 April 2014.*

General Power of Competence: *Not applicable.*

Code of Conduct: *The Suffolk Local Code of Conduct was adopted by the Council at its meeting on 9 June 2015 (Minute 06-3 refers).*

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

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: *Yes, the Financial Risk Assessment and the annual audit plan were reviewed by the Council at its meeting on 11 October 2016. It was also reported at the meeting that the Chairman had carried out a half-yearly review of the Council's books (Minute 10-5 refers).*

The Financial Risk Assessment was checked and approved by the Council at its meeting on 14 March 2017 (Minute 3-5 refers); the Council was satisfied that the financial procedures of the Council were in order.

Insurance was in place for the year of audit. The detailed policy documents were made available to Internal Audit; the Fraud and Dishonesty (Fidelity Guarantee) cover of £150,000 meets the current recommended guidelines of year end balances plus 50% of the precept.

Transparency Code Compliance for smaller councils with income/expenditure under £25,000. Smaller authorities should publish on their website from 1 April 2015:

Smaller Council: *Yes*

Website: <http://darsham.onesuffolk.net/parishcouncil>

- a) all items of expenditure above £100
Published – Yes
- b) end of year accounts (By 1 July)
2015 Annual Return Published – Yes
- c) annual governance statement (By 1 July)
2015 Annual Return Published – Yes
- d) internal audit report (By 1 July)
2015 Annual Return, Section Four Published – Yes
- e) list of councillor or member responsibilities
Published – Yes
- f) the details of public land and building assets (By 1 July)
Published – Yes
- g) Minutes, agendas and meeting papers of formal meetings
Published – Yes

The Council is meeting the requirements of the Transparency Code.

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

Precept 2015/16: *£4,700* Date: *12 January 2016 (Minute 1.6 refers)*

Precept 2017/18: *£5,250* Date: *17 January 2017 (Minute 1.6 refers)*

Satisfactory budgetary procedures are in place. The precepts were agreed in full Council and the precept decision and amount has been 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/banked cross referenced with the Cash Book and bank statements.

Allotment Rents are kept under review by the Council. A List of Allotment Holders, detailing the plots, fees due and fees paid, is maintained by the Council.

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 is being administered by van Dijk Accountants Ltd in accordance with HMRC requirements. PAYE is in place; payments are being made to HMRC. Detailed pay slips are produced.*

Asset control

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

The Council's Assets were considered by the Council at its meeting on 14 March 2017 (Minute 3-8 refers); the list of assets was confirmed, condition assessed and any repairs noted.

The List of Assets presented to Internal Audit (with the heading Register of Assets for Insurance) displays a total of £39,555. However, Box 9 of Section 2 of the Annual Return shows a total asset value of £31,205 (unchanged from the previous year 2015/16).

The figure entered into Box 9 of the Annual Return should be clearly identified from the Asset Register.

Current valuation requirements 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.

Recommendation 3: The Council should confirm that:

- (a) the valuation of assets recorded in the Asset Register complies with the current valuation requirements as set out above.***
- (b) the correct figure is entered into Box 9 of the Annual Return and can be clearly identified from the Asset Register.***

Bank Reconciliation

Regularly completed and cash books reconcile with bank statements

The bank statements for the Barclays Community Account (as at 31 March 2017) the Barclays Business Saver Account (as at 30 December 2016) reconciled with the End of Year accounts and bank reconciliation.

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 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 Internal Audit report for the year 2015/16 was considered by the Council at the meeting held on 10 May 2016 (Minute 05-9 refers). The Report put forward the following recommendations relating to financial control:

- a) The Transparency Code should be fully complied with. This has been addressed.*
- b) The Allotment Register should be presented to Internal Audit. This has been addressed, the list of Allotment Holders has been presented to Internal Audit.*
- c) Full insurance policy documents should be presented to Internal Audit. This has been addressed, the detailed insurance schedules have been presented to Internal Audit.*

Heelis & Lodge were appointed Internal Auditors for the year 2016/17 at a meeting of the Council held on 14 February 2017 (Minute 2-6 refers).

External Audit

The External Auditor's report for the year 2015/16 was considered by the Council at its meeting on 13 September 2016 (Minute 09-6 refers). No matters of significance were raised in the report.

Additional Comments

- The Annual Parish Council meeting was held on 10 May 2016, 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
for
Heelis & Lodge

13 May 2017.

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