

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Fressingfield Parish Council – 2015/16

Receipts: £19,416.13

Payments: £17,096.49

Reserves: £39,563.31

Annual Return Completion:

Section One: *Yes*

Section Two: *Yes*

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 Cashbook, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

The Cashbook is very well referenced and provides a clear audit trail. Supporting paperwork is in place and well referenced. VAT payments are tracked and identified within the Cashbook.

The Cashbook and End-of-Year Accounts omitted a small amount of bank interest received from Barclays Bank prior to the change to the Unity Trust Bank viz. the £0.19 of interest received on 14 December 2015. The addition of that amount to the total Receipts in the year will enable to Accounts to balance with the End-of-Year cash holdings in the Bank.

The 'Bank Reconciliation Statement' produced as at 31 March 2015 only listed the total bank account figures and the earmarked reserves and did not reconcile with the Account Balance at 31 March 2016. Accordingly the following recommendation is put forward:

Recommendation 1: A detailed Reconciliation should be constructed between the Account Balance as at 31 March 2016 and the Council's Bank Accounts total figure (as at 31 March 2016) in order that it may be presented as part of the Annual Return to External Audit.

There is one payment recorded under the Local Government Act (LGA) 1972 Section 137 viz. £560 relating to a defibrillator cabinet. However, many donations, including those to Fressingfield Methodist Church (£200), Fressingfield PCC (£900), FPMC (£400), East Anglian Air Ambulance (£500), Fressingfield Sports & Social Club (£400) and Borderhoppa (£100), would appear to have been made under that legislation. There is a requirement to identify LGA 1972 s137 expenditure in the Cash Book and End-of-Year Accounts. (The donation of £100 to the Diss & District CAB can be designated as payment under Sect 142(2)).

Recommendation 2: The Council should identify all payments made under the Local Government Act (LGA) 1972 Section 137 and make all necessary amendments to the Cash Book and Receipts and Payments Account prior to the submission of the Annual Return to the External Auditors.

The entries made in the Annual Return for 2015/16 were examined. Internal Audit was unable to confirm the correctness of the entry under Staff Costs (Box 4 of Section 2). Only items directly relating to the employee of the council (i.e. pay, training costs and employment taxes) should be shown in Box 4. All general office and travel expenses should be shown in Box 6. Accordingly, the Council should confirm the correctness of the entry in Box 4 prior to the submission of the Annual Return to the External Auditor.

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: *Standing Orders were reviewed by the Council on 19 May 2015 (Minute 15.9.1).*

Financial Regulations in place: *Financial Regulations were reviewed by the Council on 19 May 2015 (Minute 15.9.2).*

It is noted that the Standing Orders item 'Financial Controls and Procurement' refers to the Public Contract Regulations 2006 (at section 18 f) which have been replaced by the Public Contract Regulations 2015. Similarly, the Financial Regulations refer to the Public Contract Regulations 2006 (at section 11.1.k).

Recommendation 3: The Council's Standing Orders and Financial Regulations should be up-dated during 2016/17 to include reference to the Public Contract Regulations 2015.

VAT reclaimed in the year: *The reimbursement of the claim to HMRC for £318.84 (VAT paid in the period April 2014 to March 2015) was received at bank on 27 May 2015.*

Use of the General Power of Competence: *Not applicable.*

Data Protection registration: *Yes, Registration Number Z2005342, which expires on 4 February 2017.*

Code of Conduct: *The Suffolk Local Code of Conduct was adopted by the Council at its meeting on 19 May 2015 (Minute 15.9.4 refers).*

Risk Assessment

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

Risk Management documentation is in place and was considered at the Council's meeting on 19 May 2015.

Both Internal Audit and External Audit have, in previous years, highlighted the fact that the Council's Fidelity Guarantee cover of £25,000 is lower than the current recommended guidelines.

Fidelity Guarantee insurance cover is aimed to recover any financial losses incurred by the Council through dishonesty of Councillors and/or Council staff and is particularly relevant where significant sums of money are being held by the authority on behalf of taxpayers. It is noted that the Council has previously considered the recommendation to increase the Fidelity Guarantee sum but were 'unanimously content to keep the cover as is' (Council meeting on 20 May 2014, Minute 14.10.3 ii refers). This was confirmed by the Council when it considered the External Audit report for 2013/14 at its meeting on 18 November 2014 (Minute 14.9.3 refers).

The matter was considered again by the Finance & General Purposes Group on 13 October 2015. The Group noted the auditors' recommendations.

It is the responsibility of the Council's Internal Auditor to state that the level of Fidelity Guarantee cover as at 31 March 2016 still remains below the current recommended guidelines of year end balances plus 50% of the precept (approx. £47,400 as at 31 March 2016). Accordingly,

Recommendation 4: The Council should continue to keep the level of Fidelity Guarantee Cover under review during 2016/17 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.

Transparency Code

Compliance for smaller councils with income/expenditure under £25,000.

Smaller Council: *Yes*

Website: <http://fressingfield.onesuffolk.net/>

Smaller authorities should publish on their website from 1 April 2015:

- a) all items of expenditure above £100
Published – Yes, included within Minutes published
- b) end of year accounts (By 1 July)
2015 Annual Return, Section One Published – No
- c) annual governance statement (By 1 July)
2015 Annual Return, Section Two Published – No
- d) internal audit report (By 1 July)
2015 Annual Return, Section Four Published – No
- e) list of councillor or member responsibilities
Published – Yes
- f) the details of public land and building assets (By 1 July)
Published – No
- g) Minutes, agendas and meeting papers of formal meetings
Published – Yes

Regarding items b), c) and d) above, the Code requires Sections 1, 2 and 4 of the Annual Return to be published on-line.

The Council has yet to fully meet the requirements of the Transparency Code. Guidance on documents that need to be published can be found on:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf

Recommendation 5: To meet the requirements of the Transparency Code in full in accordance with the attached guidance as soon as practically possible.

Budgetary controls

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

Precept 2015/16: *£15,300 (Council meeting 20 January 2015, Minute 15.8.3)*

Precept 2014/15: *£15,750 (Council meeting 19 January 2016, Minute 16.9.4)*

Good budgetary procedures are in place and detailed financial information and budget papers are provided to the Council to ensure well informed decision-making takes place. The precepts were agreed in full Council and the precept decision and amount has been clearly minuted. The Clerk ensures that the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves.

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.

The Finance & General Purposes Group reviewed cemetery charges at its meeting on 13 October 2015.

Petty Cash

Associated books and established system in place

No Petty Cash 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: *The Council is operating Real Time Information in accordance with HMRC regulations. Payments have been made to HMRC.*

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 and displays a total value of £29,353, an increase of £1,313 from the value recorded at the end of the previous year, 31 March 2015. The Supporting Notes to the Council's Accounts for the year ended 31 March 2016 confirmed that a projector was disposed of in the year.

The Register includes the date each asset was acquired, the purchase cost (where known) and the location of the asset.

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. As a result, the External Auditors in their 2014/15 report asked the Council to ensure that the asset value in Box 9 only represents the cost to the Council of the assets held. In this respect, it is noted that the Asset Register (and Box 9) includes values for a plaque on the village sign that had no cost and similarly a Defibrillator that was donated free of charge.

Recommendation 6: The Council should confirm that the entry in Box 9 of Section 2 of the Annual Return complies with current valuation requirements and the request made last year by the External Auditors.

Bank Reconciliation Regularly completed and cash books reconcile with bank statements

The Council changed from the Barclays Bank to Unity Trust Bank during the year of account. The Banking change was agreed by the Council at its meeting on 21 July 2015 (Minute 15.8.4 refers).

Reconciliation between the Account Balance at the end of the year and the Bank Account Statements had not been performed. Following the inclusion of the Barclays Bank interest received in the year of account (see the Proper Book-keeping item above) Internal Audit was able to reconcile the bank statement for the Unity Trust Account as at 31 March 2016 with the End-of-year Accounts.

The Bank Reconciliation includes Barclays Bank cheques 100479 for £20.00 and 101512 for £100.00 as being unpresented as at 31 March 2016. Both these cheques were prepared during the year 2014/15 and are now out of date.

Recommendation 7: Cheques 100479 and 100512 should be written off in the Accounts during 2016/17, as a deduction from Payments.

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.

Sole Trustee The Council has met its responsibilities as a trustee

The Council is not a sole trustee.

Internal Audit Procedures

The Parish Council has satisfactory internal financial controls in place. The Clerk provides comprehensive financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions. Cheque stubs and payment vouchers are initialled by signatories.

External Audit

The following matters were raised by the External Auditors in relation to the previous year (2014/15):

- 1. The Council should seek legal advice in respect of any contractual obligations regarding sickness and gratuity obligations it feels it may have to fulfil as these may have been made void by 2011 Regulations.*
- 2. The Council must ensure that the asset value in Box 9 of Section 1 of the Annual Return represents the cost to the Council of the assets held.*
- 3. The level of Fidelity Guarantee insurance cover appears insufficient. The Council should consider the level of cover; the cover should be sufficient to cover the maximum amount of money the Council holds at any one time.*

Recommendation 8: In the Supporting Notes to the Accounts for the Year 2015/16 the Council should confirm that the External Auditors' three recommendations have been addressed or have been considered/noted.

Additional Comments

- The Annual Parish Council meeting was held on 19 May 2015, within the required timescale. The first item of business was the Election of Chairman.*
- 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**

11 June 2016