

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Tivetshall Parish Council – 2011/12

Receipts: £10,566.28

Payments: £9,050.30

Reserves: £10,340.04

Annual Return Completion:

Section One: *Yes*

Section Two: *Yes*

Section Four: *Yes, completed by Internal Auditor.*

The Council has acknowledged within Section 2 of the Annual Return that an adequate system of internal control was not maintained in the year 2011/12. The Council is currently working towards a governance framework that is both efficient and robust. Considerable progress has been achieved since the appointment of the existing Clerk and it is clear that the Council is committed to continue the development process. It is hoped that the Internal Audit recommendations in this report will assist the Council to build upon the progress already achieved.

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 well referenced and provides a clear audit trail. Supporting paperwork is generally in place and well referenced. LGA s137 and VAT payments are tracked and identified within the Cash Book. No supporting vouchers were made available to Internal Audit regarding Clerk's salary payments under cheques 101050, 101059, 101069 and 101071 and accordingly Internal Audit is unable to verify the payments made. However, the Council's records include a copy of the HMRC end-of-year certificate P60 which provides a total of the previous Clerk's salary/income tax.

The Cash Book did not include a receipt of 0.71p bank interest received in the Business Saver Account on 5 March 2012. This was because the statement used in the Bank Reconciliation only covered transactions prior to 5 March 2012 and not to the end-of-year date, 31 March 2012. Once corrected, the Total Receipts for the year are £10,566.28 and the Reserves are £10,340.04.

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Recommendation 1: Box 7 and Box 8 in Section 1 of the Annual Return should be changed from £10,339 to £10,340 to correctly reflect the revised total of balances and reserves. The amendment should be initialled by the Chair and the RFO.

In making this amendment, Box 7 of the Annual Return will then correctly display the total of Boxes 1 + 2 + 3 less Boxes 4 + 5 + 6.

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, adopted by the Council on 8 November 2011.*

Financial Regulations in place: *Yes, adopted by the Council on 13 September 2011.*

Recommendation 2: During the 2012/13 year the Council should consider adopting the National Association of Local Council's model Standing Orders and Financial Regulations. Further details and copy of the model documents can be supplied by Heelis & Lodge, as required.

VAT reclaimed during the year: *A claim was made on 29 September 2011 and re-imburement from HMRC was received at bank on 13 October 2011. A further claim was made on 25 April 2012 and re-imburement from HMRC was received at bank on 15 May 2012.*

Internal Control & the management of risk

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

The Council acknowledges in Section 2 of the Annual Return (the Annual Governance Statement) that an adequate system of internal control was not maintained in the year (Box 2). Similarly, the Council confirmed that it did not carry out an assessment of the risks being faced by the Council nor took appropriate steps to manage those risks (Box 5).

The Accounts and Audit Regulations 2011 require a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, which includes the arrangements for the management of risk. The review must be minuted accordingly.

Recommendation 3: The Council should formally consider its Internal Control arrangements, including its Risk Management arrangements, and Minute the review accordingly, during the 2012/13 year.

Insurance was in place for the year of audit. The Fidelity Cover for the year of account was £20,000. It is noted that the Council has since secured a significant improvement in the level of insurance cover in many areas as from May 2012 at a lower cost to the Council. Both the Council and the Clerk are to be commended for taking this positive action.

Budgetary controls

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

Precept: £9,850 (2011/12); £8,865 (2012/13)

Satisfactory budgetary procedures are in place. The precept was agreed in full Council and the precept decision and amount has been clearly minuted (Meeting on 8 November 2011, Minute 9g refers to the 2012/13 Precept).

Income controls

Precept and other income, including credit control mechanisms

All were found to be in order. 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 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

The Council is registered with HMRC as an employer (confirmed by HMRC on 2 September 2011) and a PAYE system is in place.

Asset control & valuation

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 but it is unclear whether the valuation of £22,537 listed in Box 9 of the Annual Return meets the current valuation requirements viz. 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.

The Asset Register accordingly requires additional columns to include the cost value and other details in order to evidence that the amount placed in Box 9 of Section 1 of the Annual Return complies with the current requirements.

Recommendation 4: During the year 2012/13, the Council should provide additional columns within the Asset Register to describe each asset, list details as far as possible of the date of purchase, the purchase cost, location, insurance value, and date of disposal. This will in turn provide evidence that the amount placed in Box 9 of Section 1 of the Annual Return complies with the current requirements.

Bank Reconciliation Regularly completed and cash books reconcile with bank statements

The Barclays Community Account and the Business Saver Account bank statements reconciled with the end of year accounts and the 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.

End of year accounts were 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 Council and its Clerk are currently working towards securing adequate and efficient internal financial controls and aiming to achieve a robust and effective overall governance framework, including improved risk management processes. The Council has already taken a number of positive steps, including addressing some of the inadequacies acknowledged by the Council at Box 6 of Section 2 of the Annual Return in terms of maintaining an adequate and effective Internal Audit. This development process can be continued by the Council in 2012/13 by the implementation of the recommendations put forward in this Internal Audit report.

In support of this process, the Clerk provides comprehensive financial reports to Council meetings and provides Councillors with information to enable them to make informed decisions.

Additional Comments/Recommendations

- *There are no additional comments/recommendations to make in relation to this audit.*
- *I would like to record my appreciation to the Clerk to the Council for the assistance provided during the course of the audit work.*

Heelis & Lodge

17 June 2012

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