HEELIS*&*LODGE

## Local Council Services • Internal Audit

# **Internal Audit Report for Otley Parish Council – 2015/16**

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

Receipts: £8,687.88 Payments: £8,221.12 Reserves: £8,923.71

Annual Return Completion:

Section One: *In draft*

Section Two: *In draft*

Section Four: *Yes, signed by Internal Auditor*

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

 *The Cashbook is well referenced and provides a clear audit trail. The print-out recording bank payments correctly reflected the transactions passing through the bank accounts in the year.*

 *For clarification purposes, Internal Audit constructed the following Bank Reconciliation summary as at 31 March 2016 from the Cashbook entries:*

 *£ . p*

*Account Balance at 1 April 2015: 8,456.95*

*Add Receipts in the Year: 8,687.88*

*Deduct Payments in the Year: 8,221.12*

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 *Account Balance at 31 March 2016: 8,923.71*

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*Represented By:*

*Barclays Community (Current) A/C 611.51*

*Barclays Saver (Deposit) A/C 8,312.20*

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 *Bank Balance at 31 March 2016: 8,923.71*

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***Recommendation 1: The Bank Reconciliation signed by the RFO and Chair on 19 April 2016 should be amended, as displayed above.***

 *Supporting paperwork is in place and well referenced. A sample of transactions in the Cash Book was closely examined and found to be in order. VAT payments are tracked and identified within the Cash Book. Payments made under the Local Government Act 1972 Section 137 are identified within the End-of-Year accounts.*

**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

 Appointment of Responsible Financial Officer (RFO): *The current Clerk, Mrs Rachel Green, has a contract of employment which confirms her appointment as Clerk and RFO from 1 June 2015.*

Standing Orders in place: *Yes, Standing Orders were approved by the Council at its meeting on 14 March 2016 (Minute 15.205d refers).*

Financial Regulations in place: *Yes, Financial Regulations were approved by the Council at its meeting on 14 March 2016 (Minute 15.205d refers).*

VAT reclaim in the year: *Yes, re-imbursement from HMRC of £798.46 VAT paid was received at bank on 10 February 2016.*

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

 Adoption of the Local Code of Conduct: *The Council adopted the up-dated Suffolk Local Code of Conduct on 14 July 2014.*

Data Protection registration: *Yes, Registration Z2934889 is in place; expires on 11 December 2016.*

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

 Risk Assessment document in place: *Yes, risk assessment documentation was reviewed and adopted by the Council at the meeting held on 14 March 2016 (Minute 15.2015d refers).*

 *Insurance was in place for the year of audit. The Employee Dishonesty (Fidelity Guarantee) cover is £25,000 and meets the current recommended guidelines which provide that cover should be at least the sum of the year-end balances plus 50% of the precept/grants.*

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

Smaller Council: *Yes*

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

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

1. 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 – 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 item d) above, the Code requires the Internal Audit report in the Annual Return (Section 4) to be published on-line and not the separate report by Heelis & Lodge.*

 *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*](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf)

 ***Recommendation 2: To fully comply with the requirements of the Transparency Code in accordance with the attached guidance.***

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

 Precept 2015/16: *£4,500 (plus Council Tax support grant of £131.04)*

 Date: *1 December 2014 (Minute 14.86d refers)*

Precept 2016/17: *£4,500 (plus Council Tax support grant of £38.68)*

 Date: *14 December 2015 (Minute 15.091f refers)*

 *Satisfactory budgetary procedures are in place. The Precepts were 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: *Regarding the requirement that the Parish Council registers as an employer with HMRC and operates PAYE on the income the Clerk earns, Internal Audit has noted that Mrs Green received written advice from HMRC on 21 April 2016 to clarify that where (inter alia) the Clerk’s earnings are below the Lower Earnings Limit for Class 1 National Insurance, a PAYE record is not required to be maintained by the Council.*

**Asset control** Inspection of asset register and checks on existence of assets

 Cross checking on insurance cover

 *An Asset Register is in place and was approved by the Council at its meeting on 14 March 2016 (Minute 15.205d refers). The Register displays a value of £18,398.43 under the heading of insurance value.*

 *It should be noted that current requirements provide that each asset should be recorded at its original purchase cost or where the original purchase price is unknown a current value is recorded, which acts as a proxy for the original cost and will remain unchanged until disposal. The value of total of assets to be recorded in Box 9 of Section 2 of the Annual Return should comply with these requirements.*

 ***Recommendation 3: Prior to completion of the Annual Return (Box 9 of Section 2) the Council should ensure that all entries in the Asset Register are recorded/valued at purchase cost in accordance with current requirements.***

**Bank Reconciliation** Regularly completed and cash books reconcile with bank statements

 *The bank statements presented to Internal Audit for the Barclays Community Account and the Barclays Business Saver Account reconciled with the End-of-Year accounts and overall bank reconciliation but only included transactions up to and including 30 March 2016.* *The End of Year Accounts must reflect the actual bank balances as at 31 March each year.*

 **Recommendation 4: The Bank Reconciliation should be amended, if necessary, to include any bank account transactions on 31 March 2016 (in order to reflect the actual bank balances at the Year-End 31 March 2016) prior to the submission of the Annual Return and supporting documentation to the External Auditor.**

**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

 *There is no record of the Council being 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 Council’s Finance Committee reviewed the effectiveness of Internal Audit and reported to Council at the meeting held on 14 March 2016 (Minute 15.205d refers). An Audit Plan is in place.*

**External Audit** *There were no matters of concern raised by the External Auditor in relation to the previous year’s audit (2014/15).*

## **Additional Comments/Recommendations**

* *The Annual Parish Council meeting was held on 18 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 the assistance provided during the course of the audit work.*

### Trevor Brown

### for

**Heelis & Lodge**

**12 May 2016**