

# INTERNAL AUDIT REPORT 2014-15 SUTTON ON TERN PARISH COUNCIL

## 1 INTRODUCTION

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The following audit areas were examined:

Accounting Records; Bank Reconciliations; Receipts, Payments; Council Policies; Insurance; Risk Assessment; Payroll; General Administration & Council Minutes, Council's Internal Control arrangements and the Annual Return's Compilation.

These meet the internal control objectives as listed on Section 4 of the Parish Council's Annual Return.

## 2 OVERALL

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**The standard of administration and system of internal controls relating to the audit areas examined was considered to be of a high standard.**

**Having completed a comprehensive examination of Council records presented to me I have completed Section 4 of the Annual Return positively with one exception the need to improve the Fixed Asset Register. I can give reasonable assurance from the audit work undertaken that the Council's financial affairs are properly conducted and free from miss statement.**

## 3 DETAILED FINDINGS & RECOMMENDATIONS

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The following outlines the areas covered during the internal audit which support the above statement. Items which require attention are shown in bold.

### 3.1 Appropriate books of account have been properly kept.

The primary accounts record examined (i.e. the excel ledger) was found to be accurate and provided an adequate audit trail and sufficiently detailed analysis of accounting records.

### 3.2 Expected income was fully received, based on correct prices, properly recorded and promptly banked.

Total receipts for the year were £3,548.25, which were satisfactorily traced to banking records and supporting documentation. It comprised mainly of a precept receipt of £3,124.50 which was agreed to the SC request.

3.3 The Council's financial regulations imbedded in their standing orders have been met, payments were supported by invoices/vouchers, and expenditure was approved.

Total payments for the year were £6,369.08. A sample of 20 payments were examined and agreed to the bank statements, financial accounts, and Council minutes. The payments were appropriately supported by invoices etc. Council authorisation supporting the payment can be easily traced in the minutes and is evidenced usually by two councillors initialing cheque stubs. **Councillors do not always remember to initial/sign supporting invoices/documents.** (E.g.10 invoices had not been initialed.) **The latter is recognized as an important control and should be encouraged as it demonstrates that the councillors have checked the documentation.**

Two payments cheque 100158 £132.00 Payee "D Gresty" and 100184 £290.40 Payee "B Maddox & Son" could not be traced to having been approved by Council for payment in the minutes. **It is recommended that these are minutes as approved in retrospect.** Please also note cheque 100170 is shown as £24.00 in Council minutes but was made out for £48.00.

The accounting records enable VAT to be easily identified.

All HSBC issued cheques 100153-184 were satisfactorily accounted for.

The Council has demonstrated that it seeks best value when spending public money as quotes were received for the Council's insurance contract in May 2014.

3.4 The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council adopted a comprehensive financial, physical and management risk assessment schedule in May 2014. It has:

- Reviewed its insurance needs and its fixed asset register during the year.
- Examined the Internal and External Auditors' reports. Appointed an Internal Auditor.
- Approved and adopted the 2013-14 yearend accounts and periodic bank reconciliations as presented by the Clerk. (The latter being evidenced as checked by a councillor)

3.5 The annual precept requirement resulted from an adequate budgetary process; and spend against the budget was found to be adequately monitored by the council; and reserves were appropriate.

In Year Budget Monitoring– The Clerk's has provided regular detailed budget monitoring reports for 2013/14 and in particular used one to forecast a year end position for 2015 on which the 2015/16 budget was based.

Precept 2015/16 – The Council set a precept of £ 3,161 at its Jan 2015 meeting recognizing that a high level of reserves are currently being held. An expenditure budget was set but its monetary amount not documented within the minutes.

Reserves – The year end balances of £15,316 is high when compared with annual expenditure; however it has been recognized that the Council has taken action to reduce it. **There is a need to show the costs of the identified projects (earmarked reserves) the Council is looking to deliver in 2015/16 to account for this particularly when completing the Variance Analysis report for Mazars.**

3.6 Petty Cash Float - No petty cash float is held by the Clerk. Incidental office expenses are reclaimed via the completion of a reimbursement form to which receipts are attached; **VAT is not currently being recovered for these and can be where a VAT receipt is provided and supports the claim.** During the year approximately £77 could have been reclaimed.

3.7 Council Meetings - A review of Council meeting minutes confirmed that the necessary number of councillors were in attendance meeting the required quorum. Council minutes were appropriately signed and minutes were found to be of a good standard; but required a number of amendments: Agendas examined were issued within the required timescale as required by Standing Orders.

### 3.8 Standing Orders and Financial Regulations

The Council's has adopted revised Standing Orders in May 2014 as per NALC's model standing orders. It was the Clerk's intention to ensure that new Model Financial Regulations were to be adopted in June/July 2014; however this has been deferred by Council. **It is recommended that the Council adopts the new model Financial Regulations as soon as possible.**

3.9. Bank Reconciliations - A year end bank reconciliation for 2014-15 has been carried out by the Clerk and will be presented to Council at its May meeting, together with the completed Annual Return.

The yearend bank reconciliation was independently re-performed and agreed by the Auditor.

Detailed Treasurer's reports are regularly provided to Council by the Clerk, the appointed RFO. These detailed reports provide bank balances, a bank account reconciliation; receipts and payments.

### 3.10 Insurance

The Council's fixed assets as at 31/3/14 per the AR are £6,424 as at 31/3/2015 they are shown as £7,356 presumably the Buntingsdale bus shelter has been added? The Council's fixed asset register was unavailable at the time of the audit.

The Council's insurance cover is considered appropriate as street furniture and street lights are valued for insurance purposes as £14,107. It includes employer's liability, public liability insurance cover of up to £10,000,000 and fidelity insurance £250,000. The Zurich policy expires on 31 May 2015.

**The Clerk has been advised to adopt a fixed asset register record as recommended in the Practitioners' Guide. The use of an additional column used to evaluate the condition of the asset is also recommended.**

### 3.11 Approved salaries have been paid to employees and PAYE & NI requirements properly applied

Evidence was presented of the HMRC RTI payroll submissions being regularly made during the year. The Clerk's 12 monthly payments were based on a monthly salary of £174.03; (authorized by Council in 2013/14). The NJC non-consolidated pay award has been paid and apportioned between the 6 parish councils the Clerk is employed by as approved by Council. The Clerk's amended P60 was checked and agreed to the ledger entries for total taxable pay. A further spinal increment has been agreed by Council and is to commence on 1/4/2015, as requested by the Clerk.

The Clerk's contract of employment was not examined.

**The Council are advised to ensure that the Clerk has paid her personal tax due, (£3.21) as her employer, unpaid tax or NI becomes the responsibility of the Council to pay.**

3.12. VAT Reclaims – A VAT refund of £196.00 was received in year and relates to the period 25/5/11 – 31/01/14. A sample of VAT transactions in the current year were agreed to invoices, supporting the ledger entries totaling £291.52.

3.13 Annual Return (AR) 2014, Statement of Accounts, Variance Analysis.

The AR, Statement of Accounts were agreed to the accounting records (i.e. excel ledger). **I would recommend that Box 2 Annual Precept is shown as £3,124 to ensure the figures shown balance to £15,316.**

A comprehensive variance analysis report has been prepared by the Clerk which was considered reasonable; however given the External Auditor's comments I recommend adding more narrative. The yearend balance needs to more fully explained with regard to ring fenced sums allocated to projects.

3.14 Trust Funds - The Council is not responsible for a trust fund.

In conclusion I urge the Parish Council as a small council to carefully consider the ramifications of the Transparency Code which the Clerk has brought to its attention and the future changes with regard to external audit arrangements.

Should you have any queries with regard to this report please do not hesitate to contact me.

Regards,

*S D Hackett*

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4 May 2015