

HEELIS&LODGE

Local Council Services • Internal Audit

Internal Audit Report for Cottenham Parish Council – 2014/15

Income: £392,936

Expenditure: £239,115

Reserves: £513,311

Annual Return Completion:

Section One: **Yes - signed**

Section Two: **Yes - signed**

Section Four: **Yes**

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

All were found to be in order. LGA1972 s137 and VAT payments are tracked and identified within the year end accounts. The cashbook is referenced providing a clear audit trail. Supporting paperwork is in place and referenced.

A good referencing system is in place, however, this relies on access to SAGE in order to be implemented.

Recommendation: *To record the cheque number on the corresponding invoice to enhance the current referencing system. Ideally signatories should initial the invoice.*

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: **26/2/2015**

Financial Regulations in place: **Yes**

Reviewed: **22/10/2014 and 3/2/2015**

VAT reclaimed during the year: **Yes** Registered: **Yes**

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General Power of Competence: No

Financial Regulations and Standing Orders in place. It is noted that the Council are in the process of changing bank accounts to Unity Trust and will be using online banking. Financial Regulations are comprehensive and make provision for online banking and credit and debit cards.

The tender threshold is set at £60,000. Tender processes have been followed.

Interest on the building society account is correctly paid gross.

Terms of Reference are in place for committees.

The Council became registered for VAT on 1/1/2015.

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: Yes

Data Protection registration: No

Insurance was in place for the year of audit. The Risk Assessment was adopted on 26/2/2015. The Risk Assessment covers the activities of the Council and makes good reference to Financial Regulations.

The Council have good internal financial controls in place. Cheque stubbs 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.

Fidelity Cover: £420,000

The figure for Fidelity cover in the Risk Assessment is detailed as £150,000

The level of Fidelity cover is below the recommended guidelines of year end balances plus 50% of the precept. However, it is noted that 2 major capital expenditure projects are currently underway and the remaining bank balances will bring the cover within the guidelines.

Budgetary controls

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

Precept: £237,745

Date: 14/1/2014

Good budgetary procedures are in place. The precept was agreed in full council and the precept decision and amount has been clearly minuted. The Clerk ensures the council are 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. Budgets are monitored throughout the year.

Income controls	<p>Precept and other income, including credit control mechanisms</p> <p><i>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.</i></p>
Petty Cash	<p>Associated books and established system in place</p> <p><i>A satisfactory expenses system is in place with supporting paperwork. No petty cash is held.</i></p>
Payroll controls	<p>PAYE and NIC in place where necessary. Compliance with Inland Revenue procedures Records relating to contracts of employment</p> <p>PAYE System in place: Yes</p> <p><i>The Council are operating RTI in accordance with HMRC regulations. Payroll is outsourced. Year end paperwork is in place, detailed wage slips and P60s have been produced. All staff have contracts in place.</i></p> <p><i>The Council are aware of their staging date for pensions.</i></p>
Asset control	<p>Inspection of asset register and checks on existence of assets Cross checking on insurance cover</p> <p><i>A separate asset register is in place. The cost value/purchase price of assets are recorded. The asset register needs updating to include all values. A comprehensive list of assets is identified within the year end accounts. It is noted that the Council have disposed of a number of assets during the year due to the outsourcing of grass cutting.</i></p> <p><i>Recommendation:</i> <i>To ensure that all assets have a value. It is suggested that where a cost value is not known, to use the last insured value and where an asset is land then it may be more appropriate to give the land a 'community value' of £1.</i></p>
Bank Reconciliation	<p>Regularly completed and cash books reconcile with bank statements</p> <p><i>All were in order. The bank statements reconciled with the end of year accounts and bank reconciliations for all accounts. Reserves are identified within the balance sheet.</i></p>

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 are prepared on a Receipts and Payments basis and were all in order. Sample audit trails were undertaken and all were found to be in order. Creditors and debtors are identified.

Sole Trustee The Council has met its responsibilities as a trustee

The Council is perceived to be a sole trustee of the King George Field (Charity No: 1082174). There is a query around whether the Parish Council as a corporate body is the Trustee of the Charity and research is being undertaken to ascertain this.

Recommendation: *To tick 'yes' in Box 11 of Section 1 of the Annual Return and again in Box 9, Section 2.*

Recommendation: *To identify whether the Parish Council as a corporate body is the trustee of the Charity.*

Recommendation: *To clarify with the Parish Council insurance company where liability would lie, ie with the Charity or with the Parish Council. Dependent on their answer, the Charity may require its own insurance. If so, this may require separate accounts including bank account.*

Internal Audit Procedures

The Council reviewed the effectiveness of the internal audit at a meeting held on 26/2/2015.

There were no recommendations made from the 2013-2014 Internal Audit report carried out by Michael Williamson.

External Audit

The following matters were raised by the External Auditor in relation to the 2013-2014 External Audit:

'The body was unable to provide documentary evidence to demonstrate risk management has been considered by those charged with governance during the year.'

The Council have implemented an action calendar for reviews to ensure that the mandatory reviews are timetabled into meetings and are carried out within the year.

Other minor matters were the balance figure in Box 10, Section 1 and a lack of an adequate explanation for the variance between the prior and current year values in Boxes 2 and 3 of Section 1.

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Additional Comments/Recommendations

- The Annual Parish Council meeting was held on 3/6/2014, within the required timescale. The first item of business was the Election of Chairman, in accordance with Standing Orders. The signed minutes were not available
- **Recommendation:** To have a copy of the signed minutes in the minute folder.
- There are no additional comments/recommendations to make in relation to this audit.
- I would like to record my appreciation to the Chairman and the Clerk to the Council for her assistance during the course of the audit work



Heather Heelis
Heelis & Lodge
4 June 2015