

Report to Tunstall Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2015

1. Summary

During the 2014/15 year the Council and the Clerk worked energetically to develop and adopt effective governance arrangements in order to achieve a robust and effective framework of internal control. The Council now displays many examples of good financial practice. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor, has confirmed the overall adequacy of the financial arrangements in place within the Council.

By examination of the 2014/15 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

The Accounts for the year confirm the following:

Total Receipts for the year: £35,139.53
Total Payments in the year: £28,052.84
Total Reserves at year-end: £41,385.67

The Annual Return to the External Auditors was examined and the following figures agreed with the Clerk for inclusion in Section 1 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2014):</i>	<i>Box 1: £34,299</i>
<i>Annual Precept 2014/15:</i>	<i>Box 2: £8,475</i>
<i>Total Other Receipts:</i>	<i>Box 3: £26,664</i>
<i>Staff Costs:</i>	<i>Box 4: £3,110</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £24,943</i>
<i>Balances carried forward (31 March 2015):</i>	<i>Box 7: £41,385</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £41,385</i>
<i>Total fixed assets:</i>	<i>Box 9: £58,321</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

Sections One and Two of the Annual Return to the External Auditors are due to be approved and signed at the meeting of the Council in May 2015. The Internal Auditor has provided the required certification at Section Four.

The following Internal Audit work was carried out on the adequacy of systems of internal control. Comments and recommendations arising from the review are made below.

2. Proper book-keeping (examination of entries in the Cash Book, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts).

The Cash Book was found to be in good order and well presented. Local Government Act 1972 (Section 137) payments and VAT payments are tracked and identified within the Cash Book.

The Cash Book is well referenced and provides an adequate audit trail to the Bank Statements and Cheque Book stubs and the monthly financial information prepared by the Clerk. These documents provided good evidence in support of the receipts and payments in the year. Supporting vouchers, invoices and receipts were in place.

3. Financial regulations and Standing Orders (examination of Financial Regulations and Standing Orders, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Cheque books, paying in books and other relevant documents).

Both Standing Orders and Financial Regulations are in place; they were adopted by the Council at the meeting on 12 March 2014 (Minute 10d refers).

The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year.

VAT claims dated 28 April 2014 and 3 February 2015 were made to HMRC (reimbursement from HMRC received at bank on 10 June 2014 and 24 February 2015 respectively).

The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services under Data Protection legislation (Registration ZA056415 refers, expiring 11 June 2015).

The Council adopted the Suffolk Local Code of Conduct (2014) at a meeting held on 9 July 2014 (Minute 10 refers).

4. Internal Control & the Management of Risk (Review by Council of the effectiveness of internal controls, including risk assessment, and minuted accordingly)

The Council's Risk Assessment documents were reviewed and approved by the Council at its meeting on 12 March 2014 (Minute 10c refers). The document provides an analysis of both financial and non-financial risks faced by the Council and the control measures in place to mitigate the risks identified.

The Accounts and Audit Regulations require a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, with the review suitably Minuted.

The Clerk reported to Council at the meeting on 11 March 2015 (Minute 13) that a review of all Council documentation had been undertaken and that no amendments were required. However, the External Auditors, BDO LLP, may raise the issue of there being no record in the Minutes that the Council formally confirmed its approval

to the Risk Management and Internal Control arrangements in accordance with the relevant Regulations.

Accordingly, it is recommended that during the year 2015/16 the Council formally considers the effectiveness of its Internal Control and Risk Management arrangements, and Minute the review accordingly, in order to provide clear evidence of compliance with the Accounts and Audit Regulations.

Insurance was in place for the year of audit. The Employee Dishonesty (Fidelity Guarantee) cover stands at £250,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

5. Budgetary controls *(Verification of the budgetary process with reference to Council Minutes and supporting documents)*

Precept 2014/15: £8,475.28

Precept 2015/16: £7,900.00

The Council and the Clerk successfully developed sound budgetary procedures during the year 2014/15. The Precept for 2015/16 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 7 January 2015, Minute 5b refers). The Clerk ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

Good budgetary procedures are in place. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The estimates can be used effectively for financial control and budgetary control purposes.

The Reserves available to the Council at the year-end were appropriate. As at the 31 March 2015 the Council maintained sufficient reserves and contingency sums in order to meet, within reason, any unforeseen items of expense that may occur.

6. Income controls *(Regarding Precept and other income, including credit control mechanisms)*

Receipts recorded in the Cash Book were cross referenced with the bank statements and were found to be in order.

7. Petty Cash *(Associated books and established system in place)*

A Petty Cash system is not in use; a satisfactory expenses system is in place, with cheques being made out for expenses incurred.

8. Payroll controls *(PAYE and NIC in place; Compliance with Inland Revenue procedures; Records relating to contracts of employment)*

Payroll Services are operated by SALC on behalf of the Council; PAYE is in operation.

9. Asset control & valuation *(Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover).*

A comprehensive Responsibilities and Asset Register was considered and approved by the Council at its meeting on 10 September 2014 (Minute 10a refers).

The Register complies with the current requirements which 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 at 31 March 2015 the Assets amount to a total value of £58,321, which reflects the substantial additions during the year 2014/15.

10. Bank Reconciliation *(Regularly completed and cash books reconcile with bank statements)*

The Barclays Business Current Account statements and the Ipswich Building Society (IBS) Savings Account pass book (the most recent entry being 8 January 2015) and the IBS Tunstall Common Account pass book (the most recent entry being 12 March 2015) reconciled with the end of year accounts.

11. Year End procedures *(Regarding accounting procedures 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 in good order. Sample audit trails were undertaken and were found to be in order.

12. Internal Audit Procedures *(That the Council has satisfactory internal financial controls in place and any previous recommendations implemented).*

The Council has satisfactory internal financial controls in place. The Clerk provides financial reports to Council meetings and Councillors are provided with information to enable them to make informed decisions.

Cheque stubs are initialled by cheque signatories and payments are listed in the Council's Minutes as part of the overall financial control framework.

Following its review of the previous year, 2013/14, Internal Audit made the following recommendations relating to financial control:

- a) 'The Council should formally appoint a Responsible Financial Officer as soon as practically possible'. This has been addressed, the Council having formally

appointed the Clerk as the RFO at its meeting on 14 May 2014 (Minute 8a refers).

- b) 'During the year 2014/15 the Council should consider and approve an updated Asset and Responsibility Register which meets present requirements'. This has been addressed, a comprehensive Register having been adopted by the Council at its meeting on 10 September 2014 (Minute 10a refers).

13. External Audit (*Recommendations put forward or comments made following the annual review*)

No issues were raised by BDO LLP, the External Auditors, following their review of the Accounts for the 2013/14 year.

14. Additional Comments

The Annual Parish Council meeting was held on 14 May 2014. The first item of business was the Election of Chairman, in accordance with Standing Orders.

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, CPFA

Internal Auditor

13 April 2015