

Report to Tunstall Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2016

1. Summary

During the 2015/16 year the Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. The Council has displayed many examples of good financial practice and this Internal Audit review has confirmed the overall adequacy of the financial arrangements in place within the Council.

By examination of the 2015/16 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: £20,666.69
Total Payments in the year: £21,466.73
Total Reserves at year-end: £40,585.63

The Annual Return to the External Auditors was examined and the following figures agreed with the Clerk for inclusion in Section 2 - Accounting Statements 2015/16 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2015):</i>	<i>Box 1: £41,385</i>
<i>Annual Precept 2015/16:</i>	<i>Box 2: £7,900</i>
<i>Total Other Receipts:</i>	<i>Box 3: £12,767</i>
<i>Staff Costs:</i>	<i>Box 4: £3,448</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £18,018</i>
<i>Balances carried forward (31 March 2016):</i>	<i>Box 7: £40,586</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £40,586</i>
<i>Total fixed assets:</i>	<i>Box 9: £64,889</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 a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2015/16 within the Annual Return.

The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan. Comments and any 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 a good audit trail to the Bank Statements and Cheque Book stubs and the financial information prepared by the Clerk. These documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and all were found to be in order; 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 and were reviewed and adopted by the Council at its meeting on 11 November 2015 (Minute 8 refers). Financial Regulations 2016 were adopted by the Council at its meeting on 9 March 2016 (Minute 10d refers).

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

VAT claims dated 30 June 2015 and 30 September 2015 were made to HMRC (reimbursement from HMRC received at bank on 22 July 2015 and 14 October 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 2016).

The Council reviewed the Code of Conduct at the meeting held on 9 March 2016 (Minute 10a refers).

The Council discussed the provision of a pension for the Clerk at its meeting on 9 March 2016 (Minute 9c refers) and appointed a working party to address the new legislative requirements regarding pensions.

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 9 March 2016 (Minute 10b refers). The documents provide 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 Council's Internal Control mechanisms were reviewed by the Council at its meeting on 13 May 2015 (Minute 10d refers) and Internal Audit Procedures were reviewed by the Council at the meeting on 13 January 2016 (Minute 9d refers).

Accordingly, the Council complied with the Accounts and Audit Regulations which 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.

Insurance was in place for the year of audit. The Council reviewed its insurance renewal options at the meeting held on 13 May 2015 (Minute 9 refers) and agreed to commit to AON for 3 years and secured an annual discount accordingly. The fraud and corruption (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 2015/16: £7,900.00

Precept 2016/17: £7,900.00

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). Similarly, the Precept for 2016/17 was agreed in full Council and the precept decision and amount has been clearly Minuted (Council's meeting on 13 January 2016, Minute 9b 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.

The Council has sound budgetary procedures 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 2016 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 Council's Bank Statements and Building Society Pass Books 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 Asset and Responsibility Register was reviewed and accepted by the Council at its meeting on 11 November 2015 (Minute 9 refers) when the Clerk reported that a review of assets had taken place and the new Register had been drawn up.

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. For purposes of Box 9 of Section 2 of the Annual Return the Assets have been correctly recorded at a total value of £64,889 as at 31 March 2016.

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 14 January 2016) and the IBS Tunstall Common Account pass book (the most recent entry being 23 February 2016) 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.

The Internal Audit Report for the previous year, 2014/15, was reported to the Council at its meeting on 13 May 2015 (Minute 10a refers).

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

The Report by BDO LLP, the External Auditors for the previous year (2014/15) was reported to Council at its meeting on 8 July 2015 (Minute 11a refers). Only one minor comment had been made by the External Auditors.

14. Additional Comments

The Annual Parish Council meeting was held on 13 May 2015. 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

16 April 2016