

# INTERNAL AUDIT REPORT 2014-15

## ADDERLEY PARISH COUNCIL

### 1 INTRODUCTION

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The following audit areas were examined:

Accounting Records; Bank Reconciliations; Receipts, Payments; Standing Orders; 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. Previous year's audit recommendations having been noted as having been acted upon during the year with one exception.**

**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 however 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) were found to be generally accurate but required minor adjustments in respect of analysis. The ledger provided an adequate audit trail and sufficiently detailed analysis of accounting records; although technically s137 (LGA 1972); should be separately categorized within the accounts to ensure the limit is not exceeded.

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

Total receipts for the year were £13,826 which were satisfactorily traced to banking records and supporting documentation. It comprised mainly of a precept receipt of £11,133 and Council Tax Support Grant of £575 and SC Small Maintenance Grant of £200. A VAT refund of £1,424 (covering 3 years) was also received during the year.

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 £10,238. 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.

Cheque payment 100276 £504.97 was processed by the Bank as £504.98. It is recommended that the payments ledger adjusted to reflect this and the matter is not pursued with the Bank.

Council authorisation supporting the payments was easily traced in the minutes however **there was a high incidence of two councilors failing to initial the supporting invoice/document and cheque stub.**

All HSBC issued cheques were satisfactorily accounted for (Chq 100297 having been cancelled.).

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

The Council carried out a financial and management risk assessment in May 2014 which includes an assessment of its physical assets. It has during the year:

- Reviewed its insurance needs and its fixed asset register.
- Examined the Internal and External Auditors' reports.
- Established a weekly playground inspection routine. Arranged for an annual ROSPA inspection.
- Approved and adopted the 2014-15 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 budget monitoring reports for 2014/15 and in particular used one to forecast a year end position for 2015 on which the 2015/16 budget is based.

Precept 2015/16 – The Council set a precept of £11,299 based on an approved expenditure budget its monetary amount is not documented within the minutes.

Reserves – The year end balances of £8,268 is represented by General Reserves which represents approximately two thirds of the Council's expected annual expenditure.

3.6 Petty Cash Float - No petty cash float is held by the Clerk. Office expenditure is reclaimed via the Clerk completing a reimbursement form to which receipts are attached; **VAT is not currently being recovered for this expenditure and can be where a VAT receipt is provided and supports the claim.** During the year approximately £50 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 and were found to be of a good standard. Agendas examined were issued as required by Standing Orders.

### 3.8 Standing Orders and Financial Regulations

The Council's has adopted revised Standing Orders as per NALC's model standing orders. Revised Financial Regulations were adopted in October 2014 and comply with those recommended by NALC.

### 3.9. Bank Reconciliations

A year end bank reconciliation for 2014/15 has been carried out by the Clerk and has been presented to Council at its April meeting. The yearend bank reconciliation has been independently agreed by the Auditor; however a 1p adjustment has been made see 3.3 above.

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; accounts payable and receipts. This is commended.

### 3.10 Insurance - Asset Registers are complete and accurate and appropriate insurance exists

The Council's fixed assets were valued as at 31/3/13 using the current insurance policy values at the time and form the basis for the 31/3/2015 valuation, with acquisition of £78 ??? having been made during the year having been added. The fixed assets are shown as a total £19,753 on the AR.

The Council's Aon insurance cover is considered appropriate.

Property is valued at a replacement value totaling £25,231. The insurance includes employer's liability, public liability insurance cover of up to £10,000,000 and fidelity guarantee insurance £250,000. The policy expires on 31 May 2015.

**The Fixed Asset Schedule and insurance schedule are difficult to compare. The Clerk has been previously advised to adopt a fixed asset schedule as recommended in the Practitioners' Guide; this still requires to be done.**

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

The Clerk's monthly payments of which there were 12 in the year were agreed to pay rates based on spinal point 21 and contracted for 20 hours per month. The Clerk is paid by monthly standing order. The NJC non-consolidated pay award has been apportioned between the 6 parish councils the Clerk is employed by as approved by Council.

Other than evidence of monthly full payment transmission submissions being made to HMRC; the auditor was unable to compare payroll payments with those recorded on HMRC RTI.

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

### 3.12. VAT Reclaims

A VAT claim of £1,424 was made during the year accounting for VAT arising between 1/05/2011-31/01/2014. VAT transactions in the current year were agreed to invoices, supporting the ledger entries totaling £388.03

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

The AR, was agreed to the amended accounting records (excel ledger); however a rounding error persists of a £1. **I would recommend that Box 6 Other Payments is shown as £7,713 to ensure the figures shown balance to £8,268.** The Clerk has completed a comprehensive variance analysis report which now requires amendment.

### 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 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,

*SD Hackett*

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3 May 2015