

# HEELIS & LODGE

Local Council Services • Internal Audit

## **End of Year Internal Audit Report for Haverhill Town Council – 2009/10**

Income: £1,028,334	Expenditure: £956,212	Reserves: £563,835	General	£255,634
			Earmarked	£308,201

### Annual Return Completion:

Section One: **Yes**

Section Two: **Yes**

Section Four: **Yes**

The following Internal Audit was carried out on the adequacy of systems of control. The following recommendations/comments have been made:

Issues raised from the 2008/09 audit by the External Auditor:

### Section One did not add up by £1

*This was confirmed as a rounding process carried out by the accounting software. This was addressed at the meeting held on 29 September 2009 and from 2010 the figures will be manually calculated on the Annual Return to avoid this reoccurring.*

### Fidelity cover was considered low in view of balances held at the year end plus precept received in April.

*The Council have considered their cover (29/9/09) and deemed their cover as sufficient and increased cover as necessary during 2009/10.*

**Proper book-keeping** Cash Book, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

*All were found to be in order. The Council continue to operate the Omega accounting package. VAT is correctly accounted for in the cashbook, which is well referenced providing a clear audit trail. Supporting paperwork is in place and referenced. Detailed monthly reports are produced and the Council make informed decisions.*

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**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: May 2008  
Financial Regulations in place: Yes Reviewed: May 2008

VAT reclaimed during the year: Yes Registered: Yes

*Standing Orders and Financial Regulations were last reviewed in May 2008. At a meeting of the Council held on 26 May 2009 it was agreed to defer the review pending the release of new model Standing Orders and Financial Regulations from NALC. These were made available in the new year.*

*VAT Returns (June and September 2009) have been submitted within the required timescale. Supporting paperwork was available to confirm the VAT calculations entered. The Council are aware that the VAT rate reverted to 17.5% on 1 January 2010.*

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

Precept: £600,922 Date: 3/2/09

*The Council have good budgetary procedures in place. Monthly budget reports are produced which analyse budget against actual income and expenditure both by month and year to date. The precept was set by full Council and the decision clearly recorded in the minutes.*

**Income controls** Precept and other income, including credit control mechanisms

*All were found to be in order. Income controls were checked and income received and banked was cross referenced with the Cash Book, Daily Record Sheet, bank paying in book and bank statements.*

*The Council now operate internet sales for the Arts Centre (introduced August 2009). An additional booking fee is charged for this service which is extracted from the income sales figures. As a result of the introduction of internet sales Neil carries out a detailed breakdown and analysis of income received to ensure a clear and thorough audit trail is maintained. A selection of income transactions for every month covering the year to date were examined as part the audit and all were found to be in order.*

*In June 2009 the Council changed bank accounts from HSBC to Lloyds for the operation of the credit card transactions. This has produced a saving in bank handling charges.*

## **Risk Assessment**

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: Yes

Fidelity Cover: £1,250,000

*The Council are insured with WPS (Aviva) and have comprehensive cover on all areas of its activities. The Risk Assessment has been reviewed during the year (16/2/2010 – item 15) and included a review of the effectiveness of the internal audit. The Council were satisfied that the control measures were appropriate.*

*Staff undergo appropriate training in order to carry out their job within Health and Safety legislation and a staff development plan is due to be drawn up which would provide a consolidated document of staff, their qualifications and courses attended, as well as renewal dates for certificates such as first aid and fire marshal.*

## **Petty Cash**

Associated books and established system in place

*A good system is in place with supporting paperwork. Petty cash is utilised for both the Town Council and Hartseats. Town Council individual transactions are listed in 'Cash book 3' and Hartseats dealt with as one transaction. Hartseats payments were checked against the cash book. Audit trails were carried out on all transactions during the following months:*

*February 2010*

*January 2010*

*December 2009*

*November 2009*

*July 2009*

*April 2009*

*There were several minor discrepancies found which affect the figures in the cash book. Neil is investigating.*

*VAT is tracked on petty cash expenses.*

## **Asset control**

Inspection of asset register and checks on existence of assets  
Cross checking on insurance cover

*A separate asset register is held. The Council has a depreciation policy in place which is reflected in the asset values alongside insurance values in the 2010 register.*

*Assets belonging to Hartseats are not included in the Council asset register.*

*IT equipment has been allocated a reference number for ease of cross referencing against the asset register.*

## **Payroll controls**

PAYE and NIC in place where necessary.  
Compliance with Inland Revenue procedures  
Records relating to contracts of employment

PAYE System in place: Yes

*Regular Tax and NI contributions have been made. Payroll is outsourced to SGW Payroll Ltd. The year end P35 was submitted within the required timescale. There were no outstanding monies at the year end.*

## **Bank Reconciliation**

Regularly completed and cash books reconcile with bank statements

*All were in order. Regular bank reconciliations are carried out. The Council maintains a balance of around £2,000 in its current account. It is noted that the Council have good systems in place through an arrangement with the bank and the use of automatic transfers to avoid becoming overdrawn on their current account and therefore incur unauthorised borrowing.*

## **Sole Trustee**

The Council has met its responsibilities as a trustee

The Council is sole trustee of the Town Hall Charity (No: 288092) which owns Hartseats Limited (Reg: 5190630).

## **Internal Audit Procedures**

*The Council have good internal financial controls in place. There are clear audit trails for both income and expenditure, cheque stubbs are initialled by signatories. In addition there are safeguards in place to reduce risk across all areas of Council activities.*

*Audit trails were carried out on a random selection of transactions from April 2009 – September 2009. All were in order and a clear audit trail was in place.*

*The Council last reviewed the effectiveness of audit arrangements on (16/2/2010 – item 15).*

*The Council formally appointed Heelis & Lodge as their Internal Auditor on 26 May 2009.*

*The Council confirmed the Town Clerk as RFO at their meeting on 26 May 2009.*

*The Town Council are registered under the Data Protection Act 1998.*

**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 an Income and Expenditure basis and were all in order. The Clerk keeps good, accurate financial records.*

**Sole Trustee** The Council has met its responsibilities as a trustee

*The Charity accounts were examined and all were found in order. The cash book was cross referenced against invoices and VAT was correctly accounted for.*

*Hartseats Ltd accounts were examined and a selection of invoices and income cross referenced with bank statements, cashbook and cheque/paying in books. All were found in order. Payroll is outsourced to SGW Payroll Ltd. VAT returns have been completed and submitted within the required timescale.*

### **Additional Comments/Recommendations**

- The Council has resolved to adopt the Power of Wellbeing at its meeting on 16/2/2010.
- There are no additional comments/recommendations to make in relation to this audit.
- I would like to record my appreciation to Neil and Gordon for their assistance during the course of the audit work



**Heather Heelis**  
**Heelis & Lodge**  
28 May 2010