

TAVERHAM PARISH COUNCIL

**INTERNAL AUDITOR'S
REPORT
TO TAVERHAM PARISH COUNCIL
YEAR ENDING 31st MARCH 2015**

PREPARED BY: ALAN CLARK MAAT

DATED: 15th JUNE 2015

1. Introduction

This audit has been carried out with reference to the terms of reference provided to the Internal Auditor by Taverham Parish Council and guidelines provided by the Audit Commission.

Financial records and other documentation were delivered to the internal auditor by Tracey Stone (RFO), who reported no major issues relating to the 2014/2015 financial year.

2. Tasks performed (Financial Year End).

2.1 A scan of the following documents:

- Parish Council minutes.
- All Income vouchers
- All Expenditure vouchers
- Bank statements
- Audit files
- Risk assessment details for each sub-committee
- Financial reports

2.3 Testing the accuracy of the accounting system by the following checks:

a) Sampling a cross section of expenditure payments against the original voucher, cheque and bank statement.

b) Sampling a cross section of income payments against the receipt vouchers.

c) VAT reports checked for accuracy.

d) Petty cash vouchers checked for accuracy.

e) Checking for major variances in the budget/actual comparison.

f) Scanning debtors and creditors lists for length of overdues.

g) Checking audit trails against the income and expenditure records.

h) Checking all cheque stubs against the cheque listing.

2.4 Noting the comments in the Performance Review minutes of the meeting held during the financial year.

2.5 Noting significant variances reported on the annual return.

3. Observations.

The various checks performed revealed no major discrepancies. The following points were noted:

3.1 Section 137 expenditure was £500 and well within statutory limits.

3.2 It was agreed to retain the system of two cheque signatories at the PCM on 14th April 2014.

3.3 Risk assessments were carried out by the Woodland Committee in September 2014 and Recreation Committee in May 2014.

3.4 It was noted at the PCM in August 2014 that a gas bill appeared to be rather high so the clerk was asked to monitor the situation.

3.5 At the September 2014 Performance Review the payment method was revised so that direct debits could be made for utilities, such as telephone bills. These to be used at the RFO's discretion. A credit card would be made available for bills to be paid more efficiently on certain items. The threshold for three quotations on contracts would be increased to £1000.

3.6 At the December 2014 Performance Review, it was reported that initialling of cheque stubs had been implemented (a new financial regulation). Checks on electronic payments were working well. Councillors were also be reminded which internal audit cheques needed to be implemented, and the person(s) responsible for this. However, at the PCM on 12th December 2014, it was reported that some internal audit checks were still outstanding.

3.7 The following items were noted on scanning the receipts vouchers:

- a. A cheque dated 12/02/2015 had differing words and figures, so the bank returned it for replacement.
- b. An overpaid rates receipt of £95.06 for Hinks Meadow was received on 12/12/2014.
- c. A post-dated cheque was received on 29/08/2014.
- d. A VAT refund of £275.00 was received on 28/08/2014 in relation to a VAT error for the 2013/14 financial year.

3.8 On the payment side, the following were noted:

- a. The skate park necessitated additional expenditure again this year. This had not been catered for in the budget for the financial year.
- b. One contractor provided photographic evidence of faulty equipment that needed attention.
- c. A risk assessment tour disclosed that litter picking had not been carried out to a satisfactory level on Thorpe Marriott Green. As a result of this a rebate of charges was received.
- d. An underspend of £1543 was reported on the painting contract over two years.
- e. The cost of electricity is less when direct debit is the method of payment. For example, a rate of 4.62p per Kwh is applied on cheque payments, as opposed to 4.32p for direct debit.
- f. An invoice from A C Leigh was reduced when it was noticed that it exceeded the amount agreed in advance for the contract.


3.9 The main significant variances related to the skate park project, where a further £10,190 was spent, and Hinks Meadow refurbishment (£17,110). The latter was reported to have gone very well with no significant problems encountered during this extensive project.

3.10 Broadland DC had to be chased regarding an outstanding railcard issue. This entailed a number of emails and impacted on the closure of the accounts for the 2014/15 financial year.

3.11 The internal auditor noted that a cheque listed in the cheques list did not tie up with the cheque stub and bank statement ie. Chq 5054 dated 13/10/2014, stub/statement £73.57 chq listing £16.65. The remaining amount related to a petty cash top-up included in the cheque, and shown on the voucher listing. The internal auditor will check with the RFO whether this should be expected.

4. Recommendations.

- 4.1 The internal auditor reports that once again has found no major areas of concern in his audit for the year ending 31st March 2015. Documentation has been easy to follow well-maintained and neatly filed. The following are the recommendations for this year.
- a. It is clear that there are still issues with councillors performing internal audit checks on a regular basis. It was noted that the same person, for example, seems to be signing off the paid cheques/invoice matching each month. The external auditor has also noted that there is room for improvement, and the council's chair has also expressed concern. I can only reiterate that this is a very important part of the internal audit process that should become a natural part of a councillor's duties.
 - b. The skate park has involved expenditure that had not been budgeted. This has been an area of contention in previous years, so careful monitoring of this project remains a priority.
 - c. Savings on utility bills can be significant when paid by direct debit, so this should be introduced where necessary, if not already done so.
 - d. Payments by credit cards issued to staff should be subject to internal audit controls. Any new procedures relating to this should be documented. The internal auditor will check with the RFO to establish the rules applying to the use of credit cards by staff.
 - e. Ensure that when cheques are received, the words match the figures. Obviously this will avoid cheques being returned and the issuer having to be contacted. Post-dated cheques should be returned as unacceptable for current payments.
 - f. It is unsatisfactory that the district council should have to be chased for information. On-going problems such as the one encountered with railcards should be escalated with a complaint to a higher level.
 - g. Images of equipment needing repair are very useful as evidence to support work being carried out, particularly if it is not possible to inspect the equipment prior to repair. Contractors should be encouraged to provide images particularly where a repair considered minor actually turns out to be more expensive on inspection by a contractor.

Signed: 

Alan Clark MAAT
Internal Auditor

Dated: 15/6/2015