

**INTERNAL AUDIT REPORT
MARTON PARISH COUNCIL
2013/2014**


The internal audit of Marton Parish Council was carried out by undertaking the following tests as specified by the Audit Commission on Section 4 of the Annual Return for Local Councils in England and Wales:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year end testing on the accuracy and completeness of the financial statements

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan overleaf.

As part of the internal audit work for next year we will follow up all recommendations included in the action plan.



JDH Business Services Limited

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The council did not undertake and minute a full risk assessment in the year and therefore cannot evidence that risks were assessed and appropriate risk management action taken. This is contrary to Regulation 4(1) and 4(2) of the Accounts and Audit Regulations (England) 2011.	<i>The council should complete and minute a full risk assessment annually.</i>	
2	There is no evidence that VAT has been reclaimed for 2012/13 and 2013/14.	<i>VAT should be reclaimed on a timely basis. NB VAT on standard rated clerk expenditure should also be reclaimed.</i>	
2012/13			
1	No issues arising from internal audit – a robust set of books and records has been maintained throughout the financial year		
2011/12 issues			
1	The annual return has been incorrectly completed. £1050 has been included in Boxes 7 and 8 whereas the correct figure from the bank reconciliation we have	<i>The annual return must be amended before submission to external audit and the bank reconciliation should be shown in the format shown on the left.</i>	Implemented

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	<p>compiled below is £956.</p> <p>Balance b/f £1600.21 Receipts £4064.28 Payments £4707.77 Balance c/f £956.72</p> <p>Deposit Account £1765.32 Current account £5.00 Less: unpresented cheques £813.60 = Reconciled balance £956.72</p>		
2	<p>A number of issues were identified with respect to approval of payment in the minutes and we conclude that internal controls over payment authorizations in the minutes are poor:</p> <ol style="list-style-type: none"> 1.) 11/7/11 cheques 420 to 428 are listed as a total of £884.78 in the minutes, but as totaling £994.80 in the payments total attached to the minutes 2.) there is no evidence cheques 430 to 434 have been approved by council in the minutes 3.) the cheque listing for approval 12/9/11 of £1023.33 is stated as £262.25 total in the minutes 4.) there are no other signed lists of 	<p><i>The council must review ALL payments in the year and retrospectively approve them all if satisfied they relate to council activity. This action and the list of payments must be clearly recorded in the minutes. Controls over approval of payments in the minutes need to be improved as stated and the financial information presented in the minutes needs to be complete and accurate in future.</i></p>	<p>No issues with respect to payment authorisations identified in 2012/13</p>

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	cheques that form part of the minutes		
3	The cash book provided for audit was not actually a cash book, rather a duplicated analysis of the bank statements.	<i>A proper cash book should be maintained that accurately records cheques and other payments when they are issued, and receipts when received. This should then be reconciled to the bank statements annually as noted above</i>	Implemented
4	No VAT reclaims were received in the year	<i>Vat should be reclaimed on a timely basis as HMRC are applying the three year rule strictly</i>	Implemented
5	The risk assessment has not been updated since September 2010	<i>The risk assessment should be reviewed and updated annually and this review should be recorded in the minutes</i>	Implemented
<p>2010/11 Audit - No issues arising – the council has maintained a robust set of books and records, well presented for audit.</p> <p>Please note that HMRC have issued new guidance on the tax and NIC treatment of clerks which replaces previous guidance (EIM67320) which indicated it was acceptable for tax purposes for payments to clerks to be made outside of the PAYE scheme. The new guidance requires councils to register for payroll even when the Clerk's pay is below the national insurance lower earning limit. Minutes indicate the council is aware of the revised guidance for clerks and PAYE issues by HMRC and that registration will occur for 2011/12. Please note that if the council is not registered for 2011/12 we will have to qualify the internal audit certificate section that relates to payroll in 2010/11 audit.</p>			

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2009/10 issues			
1	Fixed assets are currently stated at book cost valuation	<i>The Council should consider revaluing assets to current value or replacement cost to provide a more accurate indication of value</i>	Council have review assets and valued them at current value of £nil ie fully depreciated
2	The annual return contains a rounding error as it casts to £1546 but balances carried forward are stated as £1545	<i>The Annual return should be amended for rounding errors</i>	Noted by Council
3	VAT was last claimed in respect of 2007/08.	<i>Vat should be reclaimed on a timely basis as HMRC are applying the three year rule strictly</i>	2 years outstanding now reclaimed