

Naunton PARISH COUNCIL

Internal auditors report for the year ended 31 March 2016

Date of appointment of Internal Auditor 04.03. 2016

Date of Internal Audit: 04.03.2016 (full)

1. Bookkeeping

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
1.1	Were books made up to date?	Yes		
1.2	Is cash book arithmetic correct? (If excel - check formulae)	Not checked	Councillors to check before year end	
1.3	Is there evidence of regular in-house checks by members (signed and minuted)?	No	Not minutes, cheques = 2 signatures and stubs signed. No sigs on original bank statement. Bank rec at meeting assumed to be correct.	

2. Day to day transactions

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
2.1	Have Standing Orders been formally adopted?	Yes	18.05.15 Annual council meeting	
2.2	Have Standing Orders been reviewed and minuted?	Yes	28.07.15. Min 15	
2.3	Have Financial Regulations been tailored to council and formally adopted?	Yes	18.05.15 Annual Council meeting	
2.4	Have Financial regulations been reviewed and minuted?	YES	28.07.15 Min 15	
2.5	Have items / services above the de minimus amount been competitively purchased in accordance with Financial Regulations?	Yes	No purchase recorded this year.	
2.6	Has the General Power of Competence been adopted? If	No		

	“yes”, has evidence been seen?			
2.7	If 2.7 = “no”, separate account for s.137 payments?	Yes	Separate column in books	
2.8	If 2.7 = “no”, s.137 spend limit for year identified?	No	Pop a note at the top of the column for reference.	
2.9	Loans – interest / principle payable	N/A		
2.10	Loans – interest / principle receivable.	N/A		

3. Risk management

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
3.1	Evidence that council maintains an adequate & effective system of internal control, including risk management and that it is reviewed by full council annually?	No	Ref annual return section 2. See Governance and Accountability 2014 for requirements. This needs to be put in place and result recorded in the minutes. No sigs on invoices.	
3.2	Copy of Risk Assessment policy / statement seen?	No	No evidence of checks or formal reporting. Needs to be actioned. This may put your insurance at risk	
3.3	Minutes checked for unusual activity & evidence that risks are being identified and managed	No	No evidence of risks reviewed, insurance compared,	
3.4	Minutes initialled, each page identified and overall signed	Yes	Clear, good use of ‘bold’ well space.	
3.5	Insurance – in place, and adequate and appropriate? See also 8.3	Yes	Through Community First. (Zurich)	
3.6	Insurance – evidence of review of cover	Yes	18.05.15	
3.7	Review of investments, including bank accounts	No		

4. Budgetary controls

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
4.1	Was a budget adopted?	?	Areas of spending discussed. No formal budget in evidence	
4.2	Was a copy of the budget attached to the minute adopting it?	No		
4.3	Was a contingency included in the budget?	Yes	Reserves stand at appx £3,000+.	
4.4	Were the objectives of the reserves identified?	No	No evidence in minutes	
4.5	Were the balances at the close of the year projected? How many months spend does the free reserve represent?	No	Appx half a year	
4.6	Did the council regularly compare the actual income and expenditure to the budget?	Yes	.At each meeting	
4.7	Are there any significant unexplained variances from budget?	No		

5. Income controls

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
5.1	Was the precept demand properly minuted?	Yes	Jan 19.01.15 £5250. Jan. 18.01.16 £5355	
5.2	Was the precept received?	Yes	2 payments April and Sept.	
5.3	Were all anticipated grants received?	N/A		
5.4	Were all anticipated rents received?	N/A		
5.5	Was all anticipated investment	Yes	Little in investment account?	

	income received?		More in Current. Should this be considered?	
5.6	Is income properly recorded and promptly banked? As quickly as possible	Yes		
5.7	Are security controls over cash adequate and effective? If in receipt of cash, is a receipt provided?	Yes	No float, rarely have cash	

6. Petty cash

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
6.1	Was cash float sufficient and regularly replenished?	N/A		
6.2	Was the cash float physically counted by a member?	N/A		
6.3	Was expenditure approved?	Yes		
6.4	Is all expenditure supported by VAT invoices / receipts?	Yes		
6.5	If credit / debit / prepaid cards in use, proper procedures in place?	N/A		

7. Payroll

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
7.1	Do all staff have a contract of employment?	Yes	Clerk only	
7.2	Are contracts regularly reviewed?	Yes		
7.3	Do salaries paid agree with those approved by Council?	Yes		
7.4	Are other payments to employees reasonable and approved by Council?	Yes	Expenses covered. All well documented. Check Rate for using home as office.. more than claimed?	
7.5	Has the Council registered as an	Yes	Via PATA	

	employer with HMRC and have PAYE / NIC been properly dealt with (including year-end procedures)?			
7.6	Minimum wage paid?	Yes		
7.7	Are Councillor's allowances and expenses properly authorised & controlled and reported to HMRC if required?	N/A	Not claimed	

8. Assets control

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
8.1	Asset register seen and up to date?	Yes	Listed with map	
8.2	Basis of valuations	Yes	Purchase price, original and guessed	
8.3	Comparison with insurance schedule (see also 3.4)	Yes		
8.4	Evidence that assets have been inspected for risk, and dated.	No	See 3.2. Needs to be addressed	

9. Bank reconciliation during the year

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
9.1	Evidence of completion for each account on regular basis?	Yes	At each meeting.	
9.2	Any unexplained balancing entries in any reconciliation?	No		

10. Year-end procedures

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
10.1	Cash book additions: - (a) tested by Councillor? - (b) tested by Internal Auditor?	No No		

10.2	Bank reconciliation: - (a) Original bank statement(s) seen? - (b) RFO's reconciliation? (last year and current year)	Yes Yes	Not tested by Internal councillor checker? Evidenced and reported?	
10.3	Where appropriate, debtors and creditors properly recorded?	Yes	Not required on receipts and payment	
10.4	RFO to sign and certify statement of accounts	Yes	For yr 2014 - 2015	
10.5	Council as a whole to consider the statement of accounts	Yes	Minuted	
10.6	Council as a whole to approve the statement of accounts for submission to the auditor by resolution	Yes	18.05.15	
10.7	Statement of accounts to be signed and dated by person presiding at meeting referred to in 10.5	Yes	Chairman. 18.05.15	
10.8	Summary of section A of Annual Return prepared on proper basis: - tested by Councillor? - tested by internal Auditor	? Yes	I Selkirk	

11. Other matters

Ref	Test	Meets requirements	Internal auditors comments	For use by Council
11.1	VAT - recorded and paid / reclaimed properly?	Yes	Reclaimed and paid in Feb 2016. £119.70	
11.2	Code of conduct adopted by resolution of full council?	Yes but	Sept 2012. No evidence of annual review as being fit for purpose?	
11.3	Referrals under the Code of Conduct?	N/A		

11.4	Registered with ICO?	Yes	Feb 2016	
11.5	Is the Council a Managing Trustee	No		
11.6	Minutes - apologies	Yes	'received'	
11.7	Minutes – declarations of interest	Yes	None received	
11.8	Minutes - dispensations	Yes	None required	
11.9	Minutes generally	yes		
11.10	Previous internal audit – action taken where recommended?	?	Several areas on full report have a 'no' Not mentioned in annual Return?	
11.11	Previous external audit – action taken where recommended?	Yes		
11.12	Electronic records backed up	?	No evidence	
11.13	Chairman's box	?	No evidence and not mentioned as a risk?	
11.14	List of members' interests held?	Yes	Held in file. Can't see evidence of 'published?' With CDC?	
11.15	Agendas signed and displayed 3 clear days prior	Yes	More than	
11.16	Summons issued in proper format?	Yes		
11.17	Delegated authority	Yes	See Standing orders / Fin Regs	
11.18	Audit procedures	Yes but	Poor on internal control	

I have concerns that there is no evidence of ;-

- Appropriate policies required by the staff contract.
- Proper consideration of risks and mitigation in place
- Council appointing an internal checker with guidelines and reporting back

This leaves both the council and clerk vulnerable to challenge.

Book work well labeled and laid out. A credit to the council and clerk.