

Harpsden Parish Council, Internal Audit Report, Year to 31 March 2015
Clerk / Responsible Financial Officer: Mrs Sarah Tipple
Internal Auditor: Jean Nunn-Price. Report dated: 15 June 2015

1. Findings from internal audit tests

I received the invoices files, receipts and payments cashbook, cheque books, bank statements, insurance documents, register of interests and the original signed minutes on 10 June 2015. I carried out detailed tests as described in Section 4 of the annual return. In carrying out this annual internal audit for Harpsden Parish Council, I planned my work so as to ensure that the level of testing was kept in proportion to the likelihood of fraud, error or misstatement that could occur, and was related to the size and level of business activity of the Council.

Internal Control	Internal Audit tests	Findings
Proper bookkeeping	<p>Is the cashbook maintained and up to date?</p> <p>Is the cashbook arithmetic correct?</p> <p>Is the cashbook regularly balanced'?</p>	<p>Yes. The Receipts and Payments Hardback Book was adequately maintained.</p> <p>Yes.</p> <p>Balances are reported to each Council meeting.</p>
a) Standing Orders and Financial Regulations adopted and applied	<p>Has the Council formally adopted Standing Orders and Financial Regulations?</p> <p>Has a Responsible Financial Officer been appointed with specified duties?</p> <p>Have items or services above a <i>de minimis</i> amount been competitively purchased?</p>	<p>Yes.</p> <p>Yes. The Clerk is also the RFO.</p> <p>Not applicable.</p> <p>.</p>
b) Payments controls	<p>Are payments in the cashbook supported by invoices, authorised & minuted?</p> <p>Has VAT on payments been identified, recorded and reclaimed?</p> <p>Is s137 expenditure separately recorded and within statutory limits?</p>	<p>Payments are supported by invoices and minuted. Cashbook entries were compared with the cheque book and bank statements. Cheque stubs were initialled by two councillor signatories who also initialled invoices.</p> <p>Yes. £112.08 was reclaimed in respect of the 2013-14 year.</p> <p>Yes, the 2014 -15 maximum (£3031.20) was stated in the 19 May 2014 expenditure sheet, and actual s137 expenditure approved was £854.92 for the year. However, some of this expenditure need not have been s137 (Rec. 1)</p>
Risk management arrangements	<p>Does a scan of the minutes identify any unusual financial activity?</p> <p>Do the minutes record the Council carrying out an annual risk assessment?</p>	<p>No.</p> <p>Yes, the Risk Assessment was reviewed and signed off on 9 March 2015.</p>

	<p>Is insurance cover appropriate and adequate?</p> <p>Are internal financial controls documented and regularly reviewed?</p>	<p>Yes.</p> <p>Yes, reviewed alongside the Risk Assessment and approved on 9 March 2015.</p>
Budgetary controls	<p>Has the Council prepared an annual budget in support of its precept?</p> <p>Is actual expenditure against the budget regularly reported to the Council?</p> <p>Are there any significant unexplained variances from budget?</p>	<p>Yes, the Treasurer prepared a draft budget paper which was circulated to councillors in advance. The budget was discussed and approved by Council on 19 January 2015.</p> <p>Yes, Expenditure is compared regularly with the budget and a report is attached to each set of minutes.</p> <p>No.</p>
Income controls	<p>Is income properly recorded and promptly banked?</p> <p>Does the precept recorded in the cashbook agree to the District Council's notification?</p> <p>Are security controls over cash adequate and effective?</p>	<p>Yes. All impayments are direct to bank.</p> <p>Yes. The precept was received in two halves of £2750 on 1 April and 1 October 2014.</p> <p>No cash is handled.</p>
Petty cash procedures	<p>Is all petty cash spent recorded and supported by VAT invoices/receipts?</p> <p>Is petty cash expenditure reported to each Council meeting?</p> <p>Is petty cash reimbursement carried out regularly?</p>	<p>No petty cash expenditure as such.</p> <p>Not applicable.</p> <p>Not applicable.</p>
Payroll controls	<p>Do salaries paid agree with those approved by the Council?</p> <p>Are other payments to the Clerk reasonable and approved by the Council?</p> <p>Has PAYE/NIC been properly operated by the Council as an employer?</p>	<p>Yes.</p> <p>Expenses are approved as one of the list of payments to be made.</p> <p>Yes.</p>
Assets controls	<p>Does the Council keep an asset register of all material assets owned?</p> <p>Are the Asset/Investments registers up to date?</p> <p>Do asset insurance valuations agree with those in the asset register?</p>	<p>Yes.</p> <p>Yes.</p> <p>No, insurance cover is for replacement cost rather than original cost. This is appropriate.</p>

Bank reconciliation	<p>Is there bank reconciliation for each account?</p> <p>Is bank reconciliation carried out regularly on the receipt of statements?</p> <p>Are there any unexplained balancing entries in any reconciliation?</p>	<p>Yes, signed off and attached to the minutes.</p> <p>Yes.</p> <p>No.</p>
Year-end procedures	<p>Are year-end accounts prepared on the correct accounting basis (Receipts & Payments/Income & Expenditure)?</p> <p>Do accounts agree with the cashbook?</p> <p>Is there an audit trail from underlying financial records to the accounts?</p> <p>Where appropriate, have debtors and creditors been properly recorded?</p>	<p>Yes, the Council prepares accounts on a Receipts and Payments basis.</p> <p>Yes.</p> <p>Yes.</p> <p>Yes.</p>
Other issues	<p>Is the Register of Interests up to date?</p> <p>Has the Council adopted a model publication scheme under the Freedom of Information Act?</p>	<p>Yes. Original register entries were on the file and were updated following the elections.</p> <p>Yes.</p>

2. Recommendations

Recommendations

Actions taken

Rec. 1	<p>Wherever possible find a statutory provision that covers your item of expenditure rather than using s137. For example, the notice board, the CAB grant and the website expenditure could all have been made under s142 LGA 1972, using the power to provide information.</p>	
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