

GUITING POWER PARISH COUNCIL  
 Internal auditors report for the year ended 31<sup>st</sup> March 2015  
 Internal auditor: Shaun Cullimore  
 Date of appointment of Internal Auditor: 6<sup>th</sup> February 2015  
 Date(s) of Internal Audit: 24<sup>th</sup> March 2015

1. Bookkeeping

Ref	Test	Meets requirement	Internal auditor's comments	For use by Council
1.1	Were books made up to date?	Yes	Last cheque signed was no. 562. This was in the cash book.	
1.2	Is cash book arithmetic correct? (If excel - check formulae)	Yes	Cash book maintained as an Excel spreadsheet. An electronic copy was supplied and checked.	
1.3	Is the cash book regularly balanced?	Yes	A bank reconciliation dated 27 <sup>th</sup> February 2015 was available.	
1.4	Is there evidence of regular in-house checks by members (signed and minuted)?	No	A process for performing checks was agreed at the meeting of 11 <sup>th</sup> February 2015. There was no evidence at the time of the audit that checks had taken place. The checks proposed are not extensive but are reasonable given the relatively small precept.	

## 2. Day to day transactions

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
2.1	Have Standing Orders been formally adopted?	Yes	<p>Standing Orders are based on NALC model text.</p> <p>The adapted model text needs to include the key to which provisions apply to full council meetings, committee meetings and sub-committee meetings. For example, the inclusion of 4(b) and 4(c) does not make sense in the absence of the key.</p> <p>Minor point. The list of standing orders at the front of the document identifies the individual sections a, b, c... whereas in the body of the document they are identified 2, 3, 4... If this were corrected it would make it easier to navigate the document.</p>	
2.2	Have Standing Orders been reviewed and minuted?	Yes	The meeting of 11 <sup>th</sup> February 2015 agreed an amendment to take account of the change in law permitting the recording of meetings.	
2.3	Have Financial Regulations been tailored to council and formally adopted?	Yes		
2.4	Have Financial regulations been reviewed and minuted?	Yes	<p>Financial Regulations (based on the model text) were adopted at the meeting of 11<sup>th</sup> February 2015.</p> <p>Minor point – the minute in question appears in an unrelated section of the minutes and should have a section number of its own.</p>	
2.5	Sample review of payments	No	<p>Neither cheque counterfoils nor invoices are signed by the cheque signatories.</p> <p>Cheques 540 – 544 were voided due to changing signatories. They were replaced with cheques 552 –</p>	

			<p>556 approved in the meeting of 11<sup>th</sup> February 2015 but cheque 555 was again voided without explanation in the minutes.</p> <p>Cheque 547 is not listed by number in the minutes (though the meeting of 14<sup>th</sup> January 2015 did approve the expenditure).</p> <p>Cheques 538 and 539 were approved at the meeting of 13<sup>th</sup> August 2014 not the meeting of 28<sup>th</sup> May 2014 as stated in the cash book (the latter being the Annual Parish Meeting).</p> <p>I can find no record of approval of cheque 546 (the cash book quotes the meeting of 14<sup>th</sup> January 2015).</p>	
2.6	Have items / services above the de minimus amount been competitively purchased in accordance with Financial Regulations?	Not applicable	No large payments were made in the period covered by the audit.	
2.7	Has the General Power of Competence been adopted? If "yes", evidence seen?	-	The General Power of Competence has not been adopted.	
2.8	If 2.7 = "no", separate account for s.137 payments?	-	There is no separate account.	
2.9	If 2.7 = "no", s.137 spend limit for year identified?	Yes	The clerk has a record of the Section 137 spending limit.	
2.10	Loans – interest / principle payable	-	The council does not have any loans.	
2.11	Loans – interest / principle receivable.	-	The council does not have any loans.	

### 3. Risk management

Ref	Test	Meets requirements	Internal auditor's 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?	Yes	The proposed internal checks are risk-based.  The clerk has prepared a risk register for review at the meeting of 20 <sup>th</sup> May 2015.  A "Checklist for risk assessment" for the period to March 2014 was available (though it was dated June 2014).	
3.2	Copy of Risk Assessment policy / statement seen?	-	The above documents appear to adequately address the topic of risk.	
3.3	Minutes checked for unusual activity & evidence that risks are being identified and managed?	Yes		
3.4	Minutes initialled, each page identified and overall signed?	No	The minutes have not been initialled and signed.	
3.5	Insurance – in place, and adequate and appropriate? See also 8.3	Yes		
3.6	Insurance – evidence of review of cover	Yes	There is evidence of review: for example the council wrote to its insurer to check what needed to be done to include its defibrillator within its insurance cover.	
3.7	Evidence that assets have been inspected for risk	Yes	There is an asset register that notes the insured value of each asset.	
3.8	Review of investments, including bank accounts	Yes	There is no evidence of a review but the financial arrangements of the council are simple and the sums of money involved are small.	

#### 4. Budgetary controls

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
4.1	Was a budget adopted?	Yes		
4.2	Was a copy of the budget attached to the minute adopting it?	Yes	The budget for 2015-2016 was included in the minutes of the meeting held on 14 <sup>th</sup> January 2015.  There appears to be a spurious figure of £4947 in both the income and expenditure sections. The net effect of this is zero.	
4.3	Was a contingency included in the budget?	Yes	Whilst a contingency is not explicitly identified the council has adequate reserves.	
4.4	Were the objectives of the reserves identified?	No	There is a single, general reserve. Not a problem.	
4.5	Were the balances at the close of the year projected? How many months spend does the free reserve represent?	Yes	Budgeted expenditure for 2015-2016 is £4015 against income of £3779. However, the council anticipates carrying forward £5545 from 2014-2015 (enough to cover over one year's expenditure).	
4.6	Did the council regularly compare the actual income and expenditure to the budget?	Yes	See minutes of 14 <sup>th</sup> January 2015 for an example.	
4.7	Are significant variances from budget explained?	No	An unbudgeted payment of £500 was made to the playground fund. The cash book refers this cheque (number 546) to the the minutes of the meeting held on 14 <sup>th</sup> January 2015 but this payment is not mentioned.	

## 5. Income controls

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
5.1	Was the precept demand properly minuted?	Yes	See minutes of the meeting held on 14 <sup>th</sup> January 2015.	
5.2	Was the precept received?	Yes	The 2014-2015 precept was paid into the council's bank account. £2625 was received on 24 <sup>th</sup> April 2014 and £875 was received on 4 <sup>th</sup> September 1014.	
5.3	Were all anticipated grants received?	Yes	A lottery grant of £9950 was received on 6 <sup>th</sup> February 2015.	
5.4	Were all anticipated rents received?	Not applicable.		
5.5	Was all anticipated investment income received?	Not applicable.		
5.6	Is income properly recorded and promptly banked?	Yes	No income other than grant and precept.	
5.7	Are security controls over cash adequate and effective?	Yes	There is very little handling of cash.	

## 6. Petty cash

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
6.1	Was cash float sufficient and regularly replenished?	Yes	There appears to be no intention to operate a petty cash system although £16.71 in cash is identified in the cash book and was a problem at the last Annual Return.	
6.2	Was the cash float physically counted by a member?	Not applicable		
6.3	Was expenditure approved?	Not applicable		
6.4	Is all expenditure supported by VAT invoices / receipts?	Not applicable		
6.5	If credit / debit / prepaid cards in use, proper procedures in place?	Not applicable		

## 7. Payroll

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
7.1	Do all staff have a contract of employment?	Yes	The clerk has a contract of employment dated 17 <sup>th</sup> November 2014 but it has not been signed by the council.	
7.2	Are contracts regularly reviewed?	Yes	The clerk has only been in post four months.	
7.3	Do salaries paid agree with those approved by Council?	Not confirmed	Salary is at grade SCP 19 according to contract of employment. The pay slip for February 2015 was viewed and the hourly rate was correct.	
7.4	Are other payments to employees reasonable and approved by Council?	Yes	There are no other employees.	
7.5	Has the Council registered as an employer with HMRC and have PAYE / NIC been properly dealt with (including year-end procedures)?	Yes	The council uses the PATA payroll service.	
7.6	Minimum wage paid?	Yes		
7.7	Are Councillor's allowances and expenses properly authorised & controlled and reported to HMRC if required?	Yes	No allowances are paid. Reasonable expenses are reimbursed on the approval of the council.	



## 8. Assets control

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
8.1	Asset register seen and up to date?	Yes	A draft (to be considered at the council meeting on 20 <sup>th</sup> May 2015) is on file.	
8.2	Basis of valuations?	Yes	Whilst the basis of the valuations is not stated they look reasonable.	
8.3	Comparison with insurance schedule (see also 3.5)?	Yes	Playground equipment is insured for a figure higher than the council's current valuation.	
8.4	Assets inspected for risk and dated?	Yes	The risk register identifies the measures to be taken (though no record of inspections was seen).	

9. Bank reconciliation during the year

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
9.1	Evidence of completion for each account on regular basis?	Yes	Bank reconciliation seen for 27 <sup>th</sup> February 2015.	
9.2	Any unexplained balancing entries in any reconciliation?	Yes	Nothing unexplained.	

10. Year-end procedures

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
10.1	Cash book additions: - (a) tested by Councillor? - (b) tested by Internal Auditor?	Yes		
10.2	Bank reconciliation: - (a) Original bank statement(s) seen? - (b) RFO's reconciliation?	Yes	Reconciliation is signed by the clerk as RFO.	
10.3	Where appropriate, debtors and creditors properly recorded?	Yes		
10.4	RFO has signed and certified statement of accounts?	No	The previous clerk does not appear to have signed the accounts. Accounts for 2014-2015 are obviously not available but the present clerk appears to be managing the accounts very efficiently.	
10.5	Council as a whole has considered the statement of accounts?	Yes	See minutes of meeting held on 23 <sup>rd</sup> April 2014 (item 7).	
10.6	Council as a whole has approved the statement of accounts for submission to the auditor <b>by resolution?</b>	Yes	See minutes of meeting held on 23 <sup>rd</sup> April 2014 (item 7).	
10.7	Statement of accounts signed and dated by person presiding at meeting referred to in 10.5?	No	The accounts that I viewed (in the file with the Annual Return) were not signed.	
10.8	Summary of section A of Annual Return prepared on proper basis: - tested by Councillor? - tested by internal Auditor?	No	There were issues with the 2013-2014 Annual Return (under the previous clerk).	

## 11. Other matters

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
11.1	VAT - recorded and paid / reclaimed properly?	Yes	Noted that cheques 550 and 558 included a VAT element that is not shown separately in the cash book, possibly because the invoice does not name the council and therefore the VAT cannot be reclaimed.	
11.2	Code of conduct adopted by resolution of full council?	Yes	A Code of Conduct dated 14 <sup>th</sup> October 2014 and signed by the chairman and vice-chairman is on file.	
11.3	Referrals under the Code of Conduct?	Not applicable		
11.4	Registered with ICO?	Yes	Application made 13 <sup>th</sup> March 2015.	
11.5	Is the Council a Managing Trustee?	Yes	The council is not a managing trustee.	
11.6	Minutes – apologies?	Yes	Viewing the minutes of 11 <sup>th</sup> February 2015 it can be seen that an apology has been received and minuted.	
11.7	Minutes – declarations of interest?	Yes	Viewing the minutes of 15 <sup>th</sup> October two councillors declared an interest.	
11.8	Minutes – dispensations?	Yes	None seen in the minutes that were viewed.	
11.9	Minutes generally?	Yes		
11.10	Previous internal audit – action taken where recommended?	No	Previous internal audit report not seen.	
11.11	Previous external audit – action taken where recommended?	No	I would recommend that the £16.71 held as cash (which was part of the problem) be banked as there appears to be no intention to operate with a petty cash float.	
11.12	Electronic records backed up?	No evidence seen		
11.13	Chairman's box?	No evidence seen		
11.14	List of members' interests	Yes		

	held?			
11.15	Agendas signed and displayed 3 clear days prior?	Yes	Agendas are signed and dated at least 3 days prior to the meeting though the location where they are displayed was not viewed.	
11.16	Summons issued in proper format?	Yes		
11.17	Delegated authority?	-		
11.18	Audit procedures?	-		

## **Other Observations**

The following points were also noted during the audit.

- There does not appear to have been a council meeting in May 2014 as required by the Local Government Act 1972 Schedule 12 paragraph 7(2). This meeting should elect the chairman (and optionally vice-chairman) of the council.
- Grant Thornton commented on the last Annual Return. The figures were incorrect due to £16.71 in cash not being included in the figures. The new clerk has now banked this money so it will appear in the current account bank balance in future.
- The present clerk has only been in post for four months. It is clear that the historical non-compliances observed are understood and appropriate measures are in place to correct them.