

Agenda Item 12

Barrowford Parish Council Internal Audit Report 2010

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| | Proper bookkeeping | Yes/No |
| 1 | Is the cashbook maintained and up to date? | Yes |
| 2 | Is the cashbook arithmetic correct? | Yes |
| 3 | Is the cashbook regularly balanced? | Yes |
| 4 | Has the council formally adopted standing orders and financial regulations? | Yes |
| 5 | Have items or services above the de minimus amount been competitively purchased? | Yes |
| 6 | Are payments in the cashbook supported by invoices, authorised and minuted? | Yes |
| 7 | Has VAT on payments been identified, recorded and reclaimed? | Yes |
| 8 | Is s137 expenditure separately recorded and within statutory limits? | |
| | Comments: See Comments on Matters Arising Sheet | |
| | Risk management arrangements | Yes/No |
| 1 | Does a review of the minutes identify any unusual financial activity? | No |
| 2 | Do minutes record the council carrying out an annual risk assessment? | Yes |
| 3 | Is insurance cover appropriate and adequate? | Yes |
| 4 | Are internal financial controls appropriate, adequate, documented and regularly reviewed? | Yes |
| | Comments: | |
| | Budgetary Controls | Yes/No |
| 1 | Has the council prepared an annual budget in support of its precept? | Yes |
| 2 | Is actual expenditure against the budget regularly reported to the council? | Yes |
| 3 | Are there any significant unexplained variances from budget? | No |
| | Comments: | |
| | Income Controls | Yes/No |
| 1 | Is income properly recorded and promptly banked? | Yes |
| 2 | Does the precept recorded agree to the Council Tax authority's notification? | Yes |
| 3 | Are security controls over cash and near-cash adequate and effective? | Yes |
| | Comments: See Comments on Matters Arising Sheet | |
| | Petty cash procedures | Yes/No |
| 1 | Is all petty cash spent recorded and supported by VAT invoices/receipts? | Yes |
| 2 | Is petty cash expenditure reported to each council meeting? | Yes |
| 3 | Is petty cash reimbursement carried out regularly? | Yes |
| | Comments: | |

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| | Payroll Controls | Yes/No |
| 1 | Do all employees have contracts of employment with clear terms and conditions? | Yes |
| 2 | Do salaries paid agree with those approved by the council? | Yes |
| 3 | Are other payments to employees reasonable and approved by the council? | Yes |
| 4 | Have PAYE/NIC been properly operated by the council as an employer? | Yes |
| | Comments: | |
| | | |
| | Assets controls | Yes/No |
| 1 | Does the council maintain a register of all material assets owned or in its care? | Yes |
| 2 | Are the assets and Investments registers up to date? | Yes |
| 3 | Do asset insurance valuations agree with those in the asset register? | Yes |
| | Comments: | |
| | | |
| | Bank Reconciliation | Yes/No |
| 1 | Is bank reconciliation carried out regularly and in a timely fashion? | Yes |
| 2 | Are there any unexplained balancing entries in any reconciliation? | No |
| 3 | Is the value of investments held summarised on the reconciliation? | N/A |
| 4 | Are there any pre-signed cheques in the council's cheque books? | No |
| 5 | Are all bank statements and investment certificates present? | Yes |
| | Comments: | |
| | See Comments on Matters Arising Sheet | |
| | Year-end procedures | Yes/No |
| 1 | Are year end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)? | Yes |
| 2 | Do accounts agree with the cashbook and bank statements? | Yes |
| 3 | Is there an audit trail from underlying financial records to the accounts? | Yes |
| 4 | Where appropriate, have debtors and creditors been properly recorded? | N/A |
| | Comments: | |
| | See Comments on Matters Arising Sheet | |

Matters Arising from Internal Audit:

1. Report Write-Off of Allotment Rents in 2009/10 to Council. All write offs should always be reported to Council.
2. Provide a more detailed explanation of adjustment in the Final Accounts together with a clear Audit Trail.

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3. Suggest entries for cheques in Payments side of Cash Book are restricted to one line, even where multiple analysis of payment is required. This will reduce the number of occasions where cheques are issued for an amount that is different to the entry in the Cash Book. Consider using a formula in the cheque amount column.
4. Ensure that Cash Book reflects actual Receipts and Payments, irrespective of what Approval has been given by Council.
5. Explanation required re missing Bank Credit Slips 100075 and 100078.
6. Use one sided Carbon Paper when completing Bank Credit Slips to leave a Carbon Counterfoil Copy
7. Cancel Cheque Numbers 100738, 100817 and 100901.
8. Amend entry in Payments Cash Book re cheque No. 100901 to read 100902.
9. Amend Bank reconciliation for Outstanding Cheque 100896. This cheque cleared at the Bank on the 24/03/10 and is not Outstanding Issue another cheque in its place for £19.07.
10. Cannot Vouch Income from Credit Slip 100080 - £64.75 on Cash Book - Receipts, although shown correctly on Bank Statement.

Explanation of Matters Arising from Internal Audit:

1. The Clerk wrote off in the allotment accounts £16.00 of allotment arrears as uneconomic to collect without first reporting the matter to the GP Committee for approval. The Clerk will ensure that all future outstanding amounts are reported to the relevant committee for approval.
2. After discussion with the Internal Auditor the Clerk will in future give more detailed explanations and also highlight these payments/receipts in the accounts.
3. Where multiple invoices have been received from one creditor during the current month the invoices are to be conciliated in the invoice book into one total invoice and entered in the accounts as a single invoice payment to help prevent errors in cheque totals. This and a formula in the cheque column have been introduced from the June payments to prevent future problems.
4. The Clerk was concerned last year that the April wages would not have been approved prior to payment. This led to payments being approved in 2009-10 financial year that would not be paid until the 2010-11 financial year, which led to additional year end reconciliations between the approved spending and actual spending having to be carried out to

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balance the year end. The Internal Auditor informed the Clerk that particularly in the case of wage payments paid directly into the employee's account retrospective approval of normal salary amounts was acceptable if the payment date fell prior to the meeting so a re-occurrence in future years will not arise

5. Bank credit slips 100075 and 100078 were missing because the Clerk had not realised that these slips were sequentially numbered and arose during the period when allotment rents were being collected. The Clerk had filled in both these slips with money to be banked and due to unforeseen circumstances had not been able to bank the money on that date and as a consequence had collected further amounts of rent on the following Saturday. The Clerk rewrote new slips including the additional rent and removed the defunct slip to prevent confusion at the bank. In light of the Internal Auditors comments the Clerk will in future retain all slips.
6. The Clerk explained to the Auditor that the reason he had not been using carbon paper was that the book comes with two carbon sheets and the current book has been in use since October 2007 and the sheets had been lost. In future the Clerk will ensure that carbon paper is available.
7. The Clerk omitted to write cancelled across three spare cheques in the cheque book. In future the Clerk will ensure this is done.
8. The accounts have been amended this is a case of two cheques having been turned over at once.
9. This is a payment that was missed off a cheque and should have been accounted for as a missed payment instead of a cheque error in the year end reconciliation. The new working method suggested in item 3 should prevent this sort of error re-occurring.
10. Income on bank credit slip 100080 was the loose change float accumulated during allotment rent collection and banked at the perceived end of rent collecting. The Clerk should have made it clearer in the income account that this was accrued change from allotment rents.