

Internal Audit

WHITWICK Parish Council

Year ending 31st March 2014

INTERNAL AUDITOR

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DOCUMENTATION:

- **[SECTION 1 - INTERNAL AUDIT PROCEDURE \(Abridged\)](#)**
- **[SECTION 2 - INTERNAL AUDIT SUMMARY REPORT](#)**
- **[SECTION 3 - INTERNAL AUDIT COMPLIANCE TESTING REPORT](#)**

NB: The current Internal Audit Procedure (section 1) is unchanged from the previous year's report. An abridged version is therefore included in this report for brevity purposes and which details the key procedures from the full version previously provided. The unabridged (full) version of the Internal Audit Procedure can be provided separately on request.

Section One: Internal Audit Procedure for WHITWICK Parish Council

Year Ending: 31 March 2014

1. Introduction & Purpose

The purpose of this procedure is to define Redwood Pryor's process for undertaking internal audits in order to assess the effectiveness of the [WHITWICK Parish Council's](#) internal controls and also to define the responsibilities for planning and conducting audits, reporting results and retaining associated records.

2. Terms & Definitions of Internal Audit Assurance

Audit Opinion	Explanation
GOOD	There is a sound system of internal control designed to achieve the Council's objectives. The internal control processes tested are being consistently applied.
ADEQUATE	While there is a basically sound system of internal control, there are weaknesses, which may put some of the Council's objectives at risk.
LIMITED	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
UNSATISFACTORY	Control processes are generally weak, leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

3. Application & Scope

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing in the Governance and Accountability for Local Councils, A Practitioners' Guide, Redwood Pryor Ltd makes every effort to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

NB: It would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be a day-to-day function of the staff and management and not left for internal audit. (Source: Governance and Accountability for Local Councils-A Practitioners' Guide-2010).

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4. Requirements

An internal audit of the internal controls is conducted annually to:

- Determine whether the internal controls conform to planned arrangements
- Determine whether the internal controls are properly implemented and maintained
- Provide information on the results of the internal audit to the parish Council, the Clerk to the Council and the Responsible Financial Officer (where the latter is a separate position within the Council).

Essential competencies for an internal auditor are:

- Understanding of basic accounting processes
- Understanding of the role of internal audit in reviewing systems.
- Awareness of risk management issues
- Understanding of accounting requirements of the legal framework and powers of local Councils

To ensure impartiality and objectivity, the internal auditor must not have any involvement in the financial decision making, management or control of the Council.

5. Process

Regulation 6 of the Accounts and Audit Regulations 2003 as amended imposes a duty on local Councils to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a Councils activities and operating procedures are effective. Internal audit is an on-going function reporting to the Council at least once a year and undertaken at least once annually. Internal audits may be completed with a greater frequency if determined by the Council or as determined by:

- Corrective actions from previous internal audits
- Statutory/legal requirements
- Audit Commission guidance
- Council decisions
- Council objectives and policy
- Council internal review concerns
- Concerns and recommendations raised by external auditors
- Parishioner complaints
- Employee concerns

6. The Audit

6.1 Audit Planning

The internal auditor should:

- Establish and communicate an internal audit schedule
- Establish and implement internal audit plan

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6.2 Audit Preparation

The internal auditor should:

- Review and prepare the internal audit checklist
- Arrange an audit appointment with the Clerk to the Council (Clerk) and/or the Responsible Financial Officer (RFO)
- Issue the audit checklist to the Clerk and/or the RFO

6.3 The Audit

The internal auditor should:

- Undertake an initial meeting with the Clerk and/or the RFO to:
 - o Review the previous internal audit report:
 - Check progress made against recommendations made
 - Identify and review any changes to internal controls
 - o Ensure documentation listed on the audit checklist is available for review
- Sample and observe process inputs/outputs e.g. review invoices, expenditure reports etc.
- Record objective evidence to verify process compliance or non-compliance
- Generate audit findings i.e. a draft internal audit report
- Forward a copy of the draft internal audit to the Clerk and/or the RFO for review

6.4 Wrap-up Meeting

The internal auditor and the Clerk and/or the RFO should meet again to:

- Review audit conclusions and discuss recommendations for improvement contained in the draft internal audit report
- Decide whether any non-compliances observed should be included in the final internal audit report or resolved immediately
- Address immediately any minor areas of non-compliance
- Agree on corrective actions for other areas of non-compliance and/or recommendations for improvement.

The internal auditor then prepares and signs off the final version of the internal audit report and forwards to the Clerk and/or the RFO

6.5 Follow-up

The Clerk and/or the RFO is expected to:

- Ensure corrective actions are implemented and are closed-out within the agreed timeframe
- Ensure non-compliances are closed-out within the agreed timeframe

6.6 Review

The Council is expected to:

- Receive the internal report at a meeting of the Council to review
- Consider, agree and minute actions required to address any audit findings
- Use the internal audit report to promote best practice
- Ensure internal controls and records are maintained

Year Ending: March 2014

Internal Audit Summary Report

Internal Audit Report Number	Date Issued	Prepared by
WPC.IAR.2014	14 May 2014	Richard Willcocks

Aims & Objectives

WHITWICK Parish Council has a statutory duty to complete an Annual return at the end of each financial year. As part of the Annual Return the Parish Council's internal audit function is required to provide assurance that relevant procedures and controls were operating effectively for the financial year ending 31 March 2014. The purpose of this exercise is to meet those statutory requirements and provide the Council with an appropriate level of assurance in support of the 2014 Annual Return.

Scope of Audit

The internal audit exercise involves such testing of the evidence of and evidence of compliance with the 11 statements contained in Section 4 of the Annual Return, as applicable to the range and financial materiality of the Councils' activities. The statements refer to:

- Maintenance of proper financial records
- Compliance with the Council's Standing Orders, Financial Regulations and proper accounting for VAT
- Adequacy of risk management arrangements
- Effective budgeting and budgetary control
- Identification of income due and timely collection and banking of such monies
- Proper administration of petty cash
- Proper administration of salaries of employees and expenses paid
- Maintenance of an accurate and reliable asset register
- The completion of regular bank reconciliations
- The correct basis and accurate preparation of year-end accounts
- Whether the Council has met its responsibilities as a trustee.

The outcomes of the recommended testing required for assurance purposes is shown in the Internal Audit Compliance Testing Report.

Section Three: Internal Audit Compliance Testing Report for WHITWICK Parish Council

Year Ending: 31 March 2014

Results			
<p>Overall the Council has good controls in place, covering the key financial systems, with appropriate books of account being kept throughout the year. Expenditure payments were supported by invoices, approved and VAT properly applied. Expected income was fully received, properly recorded and promptly banked. The payroll was operated correctly and statutory deductions and returns made on time to HMRC.</p> <p>Again I can report that the accounts and other records of the Council are maintained to a very high level by the Clerk to the Council and the Assistant Clerk. It is pleasing to note that the three recommendations made in last year's internal audit report were all addressed satisfactorily. The switch of roles between Lorraine and Phil Ellis has been a seamless transition, as was to be expected. The recommendations made in this report are aimed at enhancing the controls and policies within the applicable areas.</p> <p>In summary, this report again reflects very positively on the quality and standard of work of the Clerk and the Assistant Clerk, working as a team to continually to improve control, procedures and work processes within Whitwick Parish Council.</p>			
Overall Internal Audit Assurance Rating: GOOD			
Recommendations <i>(NB: Unless specified below, all recommendations made in previous internal audit reports have been actioned satisfactorily)</i>			
Compliance Testing Ref	It is recommended that:	Priority	Responsibility
3.4	the Council documents its internal financial controls, which it is required to do so as per section 2.2 of the Annual Return (Section 2 is the annual governance statement). A sample template has been provided, which could be adapted to be specific to the internal controls currently applied.	High	The Clerk & the Council
4.3	<p>the Council reviews its reserves policy to determine:</p> <ul style="list-style-type: none"> the level of free reserves it requires to be held as a contingency. Normally within parish councils this tends to range from a minimum of 50% of the annual precept (6 months) to a maximum of 3 times the annual precept. what reserves need to be earmarked for future spend. Earmarked reserves are usually either specific precepted expenditure carried over into the next financial year or planned future expenditure to be funded from accumulated reserves and not to be precepted in the year of acquisition. Earmarked reserves are specific as to their purpose. <p>NB: Free Reserves = Total Reserves less Earmarked Reserves</p>	Medium	The Council

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9.1	there is a segregation of duties in respect of the preparation and authorisation of the bank account reconciliations. Currently all bank reconciliation work is undertaken solely by the Clerk, but from a risk perspective it would be preferable for the Clerk to prepare the bank reconciliation statements and for the Assistant Clerk to review and sign off prior to submission to the Council (or vice versa).	High	The Clerk
Acknowledgments			
The help and co-operation of Lorraine Ellis, Clerk to the Council/Responsible Financial Officer and Phil Ellis, Assistant Clerk to the Council, is much appreciated by the internal auditor.			

Report Prepared By	Signature	Position	Date
		Internal Auditor	
Report Reviewed By	Signature	Position	Date
		Responsible Financial Officer	
Report Received By Council	Signature	Position	Date

Year Ending: 31 March 2014

Legend

A = Opportunity for Improvement **B** = Minor Non-compliance **C** = Major Non-compliance

Compliant:	Adherence with the requirements of the audit question. No major or minor non-conformances found
Opportunity for Improvement (OFI):	<p>A situation or condition of internal control that may be weak, cumbersome, redundant, overly complex, or in some other manner, may, in the opinion of the internal auditor, offer an opportunity for the Council to improve its current status.</p> <p>OFI's do not necessitate any immediate remedial action on the part of the Council; however, the Council should give them serious consideration in view of the internal auditor's knowledge and exposure to similar controls and processes.</p> <p>An OFI may be an improvement to the internal control system or could prevent future problems.</p>
Minor Non-compliance:	<p>A non-compliance that, based on the judgment and experience of the internal auditor, is not likely to result in the failure of the internal control system or reduce its ability to ensure effective control is maintained.</p> <p>It may be either:</p> <p>A failure in some part of the Council's internal control and assurance relative to a specified requirement.</p> <p>A single observed lapse in following one item of testing of the Council's internal controls.</p>
Major Non-compliance:	<p>The absence or total breakdown of an internal control process necessary to meet a specified requirement.</p> <p>A number of minor non-compliances against one requirement can represent a total breakdown of an internal control process and thus be considered a major non-conformity.</p> <p>Any non-compliance that would result in the probable delivery of a non-conforming service or action by the Council. Conditions that may result in the failure of or materially reduce the usability of the Council's services for their intended purpose.</p> <p>A non-compliance that, in the judgment and experience of the internal auditor, is likely to either to result in the failure of an internal control process or to materially reduce its ability to assure effective internal control.</p>

NB: ALL REFERENCES TO PERIODS IN THE SECTIONS BELOW REFER TO THE FINANCIAL YEAR ENDING 31 MARCH 2014, BEING REVIEWED, UNLESS OTHERWISE STATED.

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1. Proper Book Keeping

Question No.		Compliant			Audit Evidence	Comments
		YES	OFI	NO		
			A	B	C	N.B. Provide references to documentation where necessary
1.1	<u>Is the cashbook maintained and up to date?</u>	✓				The year end and monthly accounts summaries provided from the Microsoft Excel based cashbook and accounts system.
1.2	<u>Is the cashbook arithmetic correct?</u>	✓				Arithmetic checks of cashbook.
1.3	<u>Is the cashbook regularly balanced?</u>	✓				Cashbook review.
						The Clerk to the Council (Clerk) and the Assistant Clerk are responsible for maintaining the day-to day accounts functions. The accounts are maintained so as to be up to date for each meeting of the Council (approx. 8/year).
						Checks of the computerised accounting system confirmed that the cashbook and other accounts arithmetic were correct.
						The accounts are balanced monthly and are up to date to the financial year end.

2. Standing Orders, Financial Regulations & Payment Controls

Question No.	Audit Question	Compliant			Audit Evidence	Comments
		YES	OFI	NO		
			A	B	C	N.B. Provide references to documentation reviewed where necessary
2.1	<u>Has the Council formally adopted standing orders and financial regulations?</u>	✓				The latest combined Standing Orders and Financial regulations document (SOFR), available to view on the Council's website.
						The SOFR is maintained by the Clerk and is based on NALC guidelines and adapted to suit the specific needs of the Council. Standing orders and Financial Regulations are reviewed annually and presented to the Annual Meeting (in May) for adoption, together with other standing policies. There were some minor changes to the Financial Regulations adopted at the May 2013 Annual Meeting.

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Question No.	Audit Question	Compliant			Audit Evidence	Comments
		YES	OFI A	NO B C		
2.2	<u>Has a Responsible Financial Officer been appointed with specific duties?</u>	✓			The revised job description for the Clerk, which recognises the specific Responsible Financial Officer duties.	The Clerk, Phil Ellis and the Assistant Clerk, Lorraine Ellis, were initially appointed on an interim basis on 22/06/11 and re-appointed on 2 year fixed term contracts from April 2012. From 01/01/14 job roles were switched, with Lorraine Ellis being appointed Clerk to the Council (Clerk) and Responsible Financial Officer (RFO) and Phil Ellis being appointed as Assistant Clerk to the Council (Assistant Clerk). This change was necessary for the Council to be able to take on the Power of Competency and also because a job share was not applicable. Both the Clerk and Assistant Clerk were appointed on contracts running from 01/01/14 to 30/09/14, when the positions will be reviewed.
2.3	<u>Have items or services above a de-minimis amount been competitively purchased?</u>	✓			Financial Regulations.	The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is £300. Competitive tenders are required for all purchases over £50,000. A minimum of 2 quotes or tenders are required for purchases over the de-minimis limit.
2.4	<u>Are payments in the cashbook supported by invoices, authorised & minuted?</u>	✓			Invoice file reviewed and checked through to entry into the cashbook. Payment listing to Council. Minutes.	All pending expenditure payments are presented to the next Council meeting for approval, amendment or deletion. The relevant cheques for these payments are also presented for signature by 2 approved Council members. All payments are then recorded in the Council minutes and signed off at the next Council meeting.
2.5	<u>Has VAT on payments been identified, recorded and reclaimed?</u>	✓			Invoice file reviewed to check VAT entered correctly.	The Council is able to recover VAT through the Local Authorities and Similar Bodies Scheme A claim for repayment of VAT is made as and when there is a significant amount to reclaim which is normally 2 to 3 per financial year. VAT receipts are obtained for applicable petty cash.

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Question No.	Audit Question	Compliant			Audit Evidence	Comments
		YES	OFI A	NO B C		
2.6	<u>Is S137 expenditure separately recorded and within statutory limits?</u>	✓			A separate account in the cashbook to record S137 expenditure. N.B. Provide references to documentation reviewed where necessary	At the Council meeting of 16/01/14 it was resolved that the Council was eligible for the Power of Competency., which superseded S137 requirements. However S137 was applicable up until the adoption of the Power of Competency and relevant expenditure will still be recorded separately in the accounts going forward. For the current audit year the current maximum allowable spend on S137 expenditure was approx. £22,700, based on an approx. electoral role of 3,300 and a per capita spend of £6.88. The total S137 spend in the current year was £182.

3. Risk Management Arrangements

Question No.	Audit Question	Compliant			Audit Evidence	Comments
		YES	OFI A	NO B C		
3.1	<u>Does a review of the minutes identify any unusual financial activity?</u>	✓			Scan of minutes of Council, both on-line via the village web site and the Minutes file.	There are no formal sub-committees of the Council. No unusual activity was found in the minutes reviewed. There were no confidential minutes, other than those which related to staffing matters.
3.2	<u>Do the minutes record the Council carrying out an annual risk assessment?</u>	✓			Review of current risk assessment.	The Risk Assessment policy document is reviewed annually and presented to the Annual Meeting (in May) for adoption, together with other standing policies. There were some minor changes to the Risk Assessment policy document adopted at the May 2013 Annual Meeting.
3.3	<u>Is insurance cover appropriate and adequate?</u>	✓			Review of detailed audit schedule	The insurance is renewed annually on 1 st July. For 2013 the insurance portfolio was moved back to Zurich (direct) from Came & Co because of better terms. The level and range of insurance cover appears to be adequate for the size of the Council.

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Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C		
			N.B. Provide references to documentation where necessary				
3.4	<u>Are internal financial controls documented and regularly reviewed?</u>			✓		Standing Orders & Financial Regulations	Internal financial controls are not documented specifically, but the majority of the financial controls applied are covered under the Standing Orders and Financial Regulations. See Recommendation

4. Budgetary controls

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
4.1	<u>Has the Council prepared an annual budget in support of its precept?</u>	✓				Copy of detailed budget for financial year being audited.	This annual budget was prepared ‘in-house’ by the Clerk and approved at the January 2013 Council meeting, with a precept of £31,050.20, including a Council Tax Support Grant of £2,970.20.
4.2	<u>Is actual expenditure against budget regularly reported to the Council?</u>	✓				Review of financial statements	During the financial year being audited, quarterly financial statements were presented to Council for review.
4.3	<u>Are there any significant unexplained variances from budget?</u>	✓	✓			Review of financial statements	The budget for 2013-14 anticipated amount of payments on community initiatives and projects, which did not materialise. This underspend has resulted in total reserves increasing by approximately £6,900. See Recommendation.

5. Income Controls

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C		
5.1	<u>Is income properly recorded and promptly banked?</u>	✓				Receipts reviewed and checked through to entry into the cashbook.	Outside of the precept the Council has minimal other income, apart from bank interest received and the periodic VAT reclaim. In 2013-14 the Council was awarded a grant of £1,304.85 to undertake a community survey. A receipt is issued where applicable and the monies banked correctly.

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Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
5.2	<u>Does the precept recorded agree to the Council Tax authority's notification?</u>	✓				Precept notification from North West Leics District Council. Bank statements and cash book entries.	The precept, including the Council tax Support Grant, was received in 2 instalments of £15,525.10 in April and September.
5.3	<u>Are security controls over cash and near-cash adequate and effective?</u>	✓				Email from the bank confirming the cheque signatories. Email correspondence from the bank relating to the bank mandate (see Comments).	The Clerk is responsible for receiving, balancing, authorising and banking any cash and cheques received. A bank mandate has been prepared by the Council nominating 4 Council members as signatories, with any 2 from 4 required to sign cheques. Neither the Clerk nor the Assistant Clerk is a cheque signatory but both are recognised by the bank for administrative purposes. The Council signatories on the bank mandate submitted were still all Council members at the end of the year being audited. Requests have been made to HSBC bank for an updated copy of the bank mandate, but an email reply states that <i>'the system does not allow us to print the mandates off'</i> .

6. Petty Cash Procedures

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
6.1	<u>Is all petty cash spent recorded and supported by VAT invoices/receipts?</u>					Financial Regulations.	Not applicable. The Council does not operate any petty cash floats. Any small expenditure items incurred will normally be paid personally by the Clerk and/or Assistant Clerk and reimbursed through a business expense claim. NB: The latest Financial Regulations have been amended to remove the statement that ‘The Council will maintain a small cash float’.
6.2	<u>Is petty cash expenditure reported to each Council meeting?</u>						

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Question No.	Audit Question	Compliant			Audit Evidence	Comments
		YES	OFI	NO		
			A	B	C	
					N.B. Provide references to documentation where necessary	
6.3	<u>Is petty cash reimbursement carried out regularly?</u>					

7. Payroll Controls

Question No.	Audit Question	Compliant			Audit Evidence	Comments
		YES	OFI	NO		
			A	B	C	
					N.B. Provide references to documentation where necessary	
7.1	<u>Do all employees have contracts of employment, with clear terms and conditions?</u>	✓			Fixed term contracts of employment for the 2 Council employees; the Clerk and the Assistant Clerk.	Because of the switch of roles referred to in section 2.2 above, the Clerk and the Assistant Clerk was each given a 9 month fixed term contract commencing 01/01/14. The contracts were for fixed hours; which under these new contracts were amended to: <ul style="list-style-type: none"> • Clerk; 16 hours per week • Assistant Clerk; 9 hours per week.
7.2	<u>Do salaries paid agree with those approved by the Council?</u>	✓			Payroll file (from HMRC Online Tools payroll system).	The Online Tools payroll software was implemented in July 2011. The Clerk is responsible for preparing the monthly payroll and the salary cheques. Council approve salaries for payment. Salaries are approved within the setting of the annual budget and are based on a fixed monthly salary plus any contractually agreed adjustments.
7.3	<u>Are other payments to employees reasonable and approved by the Council?</u>	✓			Contracts of Employment. Council minutes.	The Clerk is contractually entitled to: <ul style="list-style-type: none"> • £18 per month allowance for working from home. • a pay as you go mobile phone. • £0.45p per mile for business use of own car. • reimbursement for out of pocket expenses e.g. stationery.

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Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C		
			N.B. Provide references to documentation where necessary				
7.4	Has PAYE/NIC been properly operated by the Council as an employer?	✓				Payroll file.	Monthly and year-end PAYE/NI deductions and returns were submitted online to HMRC. There were no errors recorded. From April 2012 Real Time Information (RTI) was submitted online as required by HMRC.

8. Asset Controls

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
8.1	<u>Does the Council maintain a register of all material assets owned or in its care?</u>	✓				Asset Register (Excel).	The Clerk is responsible for maintaining the Asset Register. The Council does not hold any investments. Only assets with a value over £50 will be listed on the Asset Register. A separate list of items below £50 is maintained for control purposes.
8.2	<u>Are the assets and investment registers up to date?</u>	✓				Asset Register.	The Asset Register was up to date as at the year end. During the year being audited the Council acquired some play equipment, funded through S106 monies and also two parcels of land. All of these acquisitions were listed in the Asset Register.
8.3	<u>Do asset insurance valuations agree with those in the asset register?</u>	✓				Asset Register. Insurance schedule.	For each asset listed in the Asset Register, both the original cost and the current insurance value are listed. The latter will be up dated annually in line with the current insurance valuation.

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9. Bank Reconciliation

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
9.1	<u>Is there a bank reconciliation for each account?</u>	✓	✓			Bank statements. Bank reconciliations.	The Council holds 2 bank accounts: <i>HSBC Community (current) account.</i> 401801/61468006, opened 15/07/11. Bank statements received monthly. <i>HSBC Community Savings account.</i> 401801/61468014, opened 10/08/11. Bank statements received monthly. The Clerk is responsible for preparing the bank reconciliations. The Clerk is also responsible for checking and authorising the bank reconciliations. See Recommendation.
9.2	<u>Is a bank reconciliation carried out regularly and in a timely fashion?</u>	✓				Bank statements. Bank reconciliations.	Both bank accounts are reconciled monthly on receipt of the statement.
9.3	<u>Are there any unexplained balancing entries in any reconciliation?</u>	✓				Bank statements. Bank reconciliations.	No unexplained balancing entries were identified on the reconciliation. It was noted there were 2 occasions when transfers from the current account to the savings account were rejected by the bank because of ‘insufficient funds’. Both issues were quickly rectified and bank charges incurred were reimbursed to the Council by personal contributions from the Clerk/Assistant Clerk.
9.4	<u>Is the value of investments held summarised on the reconciliation?</u>						Not applicable no investments held.

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10. Year-end Procedures

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
10.1	<u>Are year-end accounts prepared on the correct accounting basis?</u>	✓				Receipts and Payments Accounts summary and detailed listing.	Day to day and year end accounts are prepared on a Receipts and Payments basis.
10.2	<u>Do accounts agree with the cashbook?</u>	✓				Receipts and Payments Accounts summary. Annual Return section 1	The Clerk is responsible for reconciling the cash book and year end accounts. The data entered onto section 1 of the Annual Return agreed to the year-end Receipts and Payments Accounts summary.
10.3	<u>Is there an audit trail from underlying financial records to the accounts?</u>	✓				Receipts and Payments Accounts summary and detailed listing	The Excel based accounting system provides a satisfactory audit trail to the underlying financial records.
10.4	<u>Where appropriate, have debtors and creditors been properly recorded?</u>	✓				Verbal assurance.	Although not recorded in the Receipts and Payments Accounts (i.e. cash based accounts), no outstanding debtors or creditors were identified at the year end.

11. Other Matters

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C		
11.1	<u>Is the Council a trustee, or involved in the administration of any charity.</u>						Not applicable. The Council is not a trustee of nor involved in the administration of any charity.
11.2	<u>Other points of note</u>						The Council does not have any loans outstanding with the Public Works Loan Board (PWLB).

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12. Safeguarding Public Money (as per JPAG guidance 20120725)

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
12.1	<u>Does the Council have safe and efficient arrangements to safeguard public money?</u>	✓				Internal audit. Financial Regulations. Minutes.	See section 9 above. See Financial Regulations, section 5- <i>Banking Arrangements</i> , section 6- <i>Instructions For The Making of Payments</i> & section 7- <i>Payment of Salaries</i> . Section 5.3 of the Financial Regulations permits online payment. However it is noted that online payments will be deferred pending the appointment of replacements for the Clerk and the Assistant Clerk at the end of their fixed term contracts. Salaries will continue to be paid by cheque, signed by 2 members of the Council, pending the introduction of online payments.
12.2	<u>Does the Council review regularly the effectiveness of their arrangements to protect money?</u>	✓				Bank reconciliation statements.	A Councillor reviews the bank reconciliations quarterly and reports to the Council. In addition a practice has been introduced encouraging as many Councillors as possible to sign cheques, rather than just a regular few Councillors.
12.3	<u>Are controls over money embedded in Standing Orders and Financial Statements?</u>	✓				Financial Regulations.	See Financial Regulations, all sections.
12.4	<u>Are 2 Council member signatures required for cheques and other orders for payment?</u>	✓				Financial regulations. Internal audit review.	As per section 2.4 of this report, the final agreed cheque listing and the relevant cheques are signed off by 2 approved Council members. Financial Regulations include an instruction that 2 Council members are required to sign cheques or related instruments (see section 5.2)
12.5	<u>Does the Council approve the setting up and any changes to accounts with banks and other financial institutions?</u>	✓				Internal audit review. Financial Regulations.	See section 5.3 above. Section 5.1 of the Financial Regulations states that ‘the Council’s banking arrangements shall be made by the RFO and approved by the Council’.

Section Three: Internal Audit Compliance Testing Report for WHITWICK Parish Council

Year Ending: 31 March 2014

Question No.	Audit Question	Compliant				Audit Evidence	Comments
		YES	OFI	NO			
			A	B	C	N.B. Provide references to documentation where necessary	
12.6	<u>If corporate credit cards are held are they operated within defined limits and cleared monthly by direct debit from the main bank account?</u>	✓					Not applicable. The Council does not hold any corporate credit cards. The Clerk and or Assistant Clerk may on occasions use their own personal credit card (in joint names) to make small value purchases in lieu of a petty cash float. See section 6.1 above.