

**INTERNAL AUDIT REPORT
GREAT BUDWORTH PARISH COUNCIL
2016/17**

The internal audit of Great Budworth Parish Council was carried out by undertaking the following tests as specified on the Annual Return for Local Councils in England:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year end testing on the accuracy and completeness of the financial statements

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan overleaf.

As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

JDH Business Services Limited

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>Contracts Minutes indicate the dates for the three quotations for the roofing contract were 2014, 2015 and 2016.</p> <p>We could not identify 3 quotations for the Suregreen contract for £6247 paid in the year as required by Financial Regulations (FRs) for expenditure in excess of £3000.</p>	<p><i>Quotations for contracts should be sought at the same time and not spread over three financial years.</i></p> <p><i>FRs require three quotations for contracts in excess of £3000</i></p>	
2	<p>We are concerned about the VAT situation with regards to the roofing contract. Interim payment requests issued to the council contain no VAT number. We have checked the company on the Companies House website and there is an application to strike off the company.</p>	<p><i>The council should urgently request the final contract invoice covering all the works with a valid VAT number on the invoice. If the council is unable to secure a VAT number from the contractor then they should phone HMRC and ask if they can confirm whether the company is VAT registered and if so to provide the VAT number. Any VAT number provided by the contractor should be checked to determine if it is valid through the HMRC VAT helpline.</i></p> <p><i>If all action to secure the VAT number fails HMRC should be contacted to report the matter. The council cannot in the present situation recover the VAT paid until a valid VAT number is secured on a VAT invoice. If no VAT number is obtained from the contractor the council will need to secure legal advice.</i></p> <p><i>For contracts where the quotation provided for standard rated VAT, if an interim certificate for the subsequent contract does not contain a VAT number, the Council should not pay any monies requested until the Contractor has provided a VAT number/invoice.</i></p>	

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3	The presentation of the bank reconciliation should be improved as it does not demonstrate that the cash book has been balanced to the bank statements.	<p><i>Using the council cash book figures and bank statements the reconciliation should be disclosed in the following format and this shows the bank reconciliation is 7p out of balance.</i></p> <table><tr><td><i>Balance b/f</i></td><td><i>19694.83</i></td></tr><tr><td><i>Receipts</i></td><td><i>24804.27</i></td></tr><tr><td><i>Payments</i></td><td><i>36888.93</i></td></tr><tr><td><i>Balances c/f</i></td><td><i><u>7610.17</u></i></td></tr><tr><td><i>Current a/c</i></td><td><i>7707.97</i></td></tr><tr><td><i>Reserve a/c</i></td><td><i>2.13</i></td></tr><tr><td colspan="2"><i>less unrepresented cheques:</i></td></tr><tr><td><i>770</i></td><td><i>50</i></td></tr><tr><td><i>772</i></td><td><i>50</i></td></tr><tr><td><i>Cash and bank</i></td><td><i><u>7610.10</u></i></td></tr><tr><td colspan="2"><i>Difference 7p</i></td></tr><tr><td colspan="2"><i>Bank reconciliations should always be carried out to the nearest penny</i></td></tr></table>	<i>Balance b/f</i>	<i>19694.83</i>	<i>Receipts</i>	<i>24804.27</i>	<i>Payments</i>	<i>36888.93</i>	<i>Balances c/f</i>	<i><u>7610.17</u></i>	<i>Current a/c</i>	<i>7707.97</i>	<i>Reserve a/c</i>	<i>2.13</i>	<i>less unrepresented cheques:</i>		<i>770</i>	<i>50</i>	<i>772</i>	<i>50</i>	<i>Cash and bank</i>	<i><u>7610.10</u></i>	<i>Difference 7p</i>		<i>Bank reconciliations should always be carried out to the nearest penny</i>		
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2015/16 audit			
1	Although there is evidence of ongoing risk assessment in the form of continuing insurance cover, no formal risk assessment document exists which is reviewed and approved annually by council	<i>Risk assessment should be annual formal and minuted. A basic example of the format of a risk assessment is included in appendix one for guidance</i>	Implemented
2	We were unable to reconcile the fixed assets figure in the asset valuation register to the figure disclosed in the annual return of £415185. This figure is obtained by adding a £2524 March 2015 purchase of Iron Finials to the fixed assets figure disclosed in the Annual Return for 2014/15 of £412661.	<i>Council should review the asset register valuations and ensure in future the asset register and Annual Return figure for fixed assets can be reconciled</i>	Implemented
3	Guidance note for 2015/16 An area of potential risk for the Council in 2015/16 is ensuring they meet the requirements of The Pensions Regulator with respect to auto enrolment, or they may face fines. Even if staff are not eligible to be auto enrolled into a pension	<i>The Council should review this risk if they have not already done so and ensure they meet any requirements of The Pensions Regulator. See www.thepensionsregulator.gov.uk for further information.</i>	Implemented

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	scheme, the Council may still have to complete a declaration of compliance.		