

**INTERNAL AUDIT REPORT
CRANAGE PARISH COUNCIL
2016/17**

ISSUE	RECOMMENDATION	FOLLOW UP
2015/16 issues		
<p>1</p> <p><i>The bank reconciliation format is not correct. The current account bank balance is disclosed as £3460.52 which is the balance after accounting for unrepresented cheques.</i></p> <p><i>The correct presentation should be as follows:</i></p> <p><i>Current Account bank balance £8588.19</i> <i>Less unrepresented cheques £5127.67</i> <i>£3460.52</i></p>	<p><i>The bank reconciliation format should be improved as noted</i></p>	<p>See 2016/17 issue re bank rec</p>
<p>2</p> <p>Reimbursed admin expenditure to the clerk has incorrectly been included in Staff Costs in the Annual Return. The Practitioner Guide states 'include in Staff Costs all employment expenses which are benefits (eg excess mileage) but not items of reimbursement of expenses for postage, stationery or other outlays made on behalf of the council'</p>	<p><i>The Council should review clerk expenses included in staff costs in the Annual Return by referring to the extract we have provided from the Practitioner Guide. Any reimbursed expenditure incorrectly included in Staff Costs in the annual return should be reclassified as 'Other Payments' in the annual return</i></p>	<p><i>Noted</i></p>
<p>3</p> <p>Staff costs are disclosed as £7675 in the annual return. No analysis was provided</p>	<p><i>The staff cost figure disclosed in the annual return is incorrect. The council</i></p>	<p><i>Implemented</i></p>

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<i>The format of the cash book is not satisfactory. There are no headings for the separate categories of expenditure and no linking document that analyses how the figures in the annual return were calculated</i>	<i>The format of the cash book should be improved and an analysis should be provided showing clearly how the figures have been calculated in the annual return</i>	
2	<i>The bank reconciliation has been rounded to the nearest £1. The incorrect cut off date has been applied to the year end for the current account bank statement. The April 5th balance was used in the bank reconciliation instead of March 31st resulting in cheque number 158 being recorded as cleared rather than unpresented at the year end.</i>	<i>Bank reconciliations should always be balanced to the penny and never rounded to the nearest £1. March 31st balances on bank statements should be used when completing the year end bank reconciliations</i>	
3	<i>The initial asset register provided for audit contained no purchase dates. The council were unable to explain the £1008 increase in fixed assets from 2015/16 to 2016/17</i>	<i>The month and year of purchase should be recorded for assets in the fixed asset register The only change in fixed assets over the previous year should be additions at cost less disposals.</i>	

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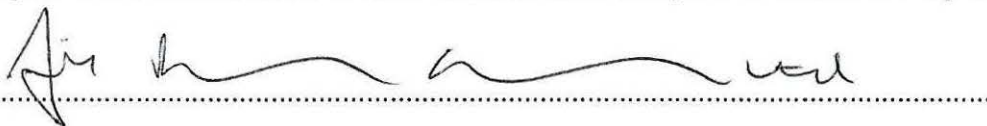
The internal audit of Cranage Parish Council was carried out by undertaking the following tests as specified in the Annual Return for Local Councils in England:

- 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.



A handwritten signature in black ink, appearing to read 'JDH', is written over a horizontal dotted line.

JDH Business Services Limited