

CROXDALE and HETT PARISH COUNCIL

INTERNAL AUDIT REPORT

2017/2018 Annual Return

1. Background

- 1.1. Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Housing, Communities and Local Government (DHCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities
- 1.2. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. Where the higher of gross income or gross expenditure was £25,000 or less, a council can certify themselves as exempt from a limited assurance review, and complete part 2 of the AGAR. The AGAR for part 2 is made of 2 sections along with an annual internal audit report, which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls. Croxdale and Hett Parish Council has completed the certificate of exemption and part 2 of the AGAR.
- 1.3. CDALC have provided Councils with a checklist to be used, this annual audit uses this list as the minimum of the tests to be carried out.

2. Objectives of the Audit

- 2.1. To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities, during the year.

3. Scope of the Work and the areas of Audit Work examined.

- 3.1. The Scope of Work covers the ten key control tests identified in part 4 of the annual return.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by Internal Audit for the financial year 2017/2018.
- Payroll
 - Creditors (including any petty cash)
 - Risk Management
 - Income collection and Banking arrangements
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)

- 3.3. The audit findings of this report have been discussed with the Parish Clerk and any audit recommendations have been agreed with her.

4. Findings by the Council.

4.1. Payroll

- 4.1.1. The Parish Council has 1 employee (Parish Clerk) who works 8 hours per week under NJC conditions of service and is paid a Broadband allowance each month. (Agreed from the transparency fund)
- 4.1.2. A standard wages payment is made each month which is pro rata for her 8 hours per week on the 2018 NJC payscales.

4.1.3. An I.T. and telephone allowance was agreed within the terms and conditions of the appointment (see Council meeting 20th January 2016) and paid December 2017.

4.1.3. I examined the payroll information for the financial year 2017/2018 which appears reasonable.

4.2. Creditors (Accounts Payable)

4.2.1. The Clerk records all expenditure on a financial report spreadsheet showing, details, Cheque number, amount. This is summarized monthly (schedule of payments) for approval by Members. Personal Payments are also shown.

4.2.2. An expenditure form is completed giving details of the payment which is certified by the Parish Clerk who approves the payment. The invoice is attached to the expenditure form.

4.2.3. There are no separation of duties at the Council as the Clerk is the only Officer responsible for Finance and Administration. However, compensating checks are carried out by Members who have the opportunity to check the invoices. As stated in the Financial Regulations two Councillors sign the cheques at the Council meeting, however, no evidence is recorded that the Councillors have examined the invoices.

4.2.4. On examining the spreadsheet of payments and the invoices for the year, all were found to be correctly paid.

4.3. Governance

4.3.1. Around February or March every year the Council reviews its Governance documents which include Standing Orders, Financial Regulations, Risk Register, asset register and various other policies to ensure that they are fit for purpose.

4.3.2. The Parish Council has a very small budget with only 1 employee and its risks are considered to be very low.

4.4. Income collection and Banking arrangements

4.4.1. All income is recorded on a financial report spreadsheet showing, detail and amount,

4.4.2. Internal Audit examined all the income for the year and confirmed that all income had been received, promptly, banked and recorded.

4.4.3. Income from allotments and garage rents is collect by an allotment Manager (voluntary) who issues receipts and brings the monies to the Clerk who issues a receipt on confirming the monies handed over.

4.4.4. Cemetery income is from purchase of grave plots where invoices are sent out and from interment fees from the funeral directors.

4.4.5. There is 1 bank account held by the Council with Bank Reconciliations carried out monthly (using the above income and expenditure financial report spreadsheets and reported to Council with the bank balances with the bank statements being available for members to view and I understand are agreed by the Chair, although no evidence is recorded of this

4.4.6 At the end of the year the Clerk completes a schedule of VAT to be claimed, which is completed on line. Vat claim has been completed for 2016/17 and paid into the Council's bank account on 2nd May 2017. VAT claim form for 2017/18 has been completed and payment is expected soon.

4.5. Accounting Records

4.5.1. The Council records its income and expenditure on spreadsheets which is adequate for a small Parish Council.

4.6. Assets

4.6.1. The Council does have assets, and these are reviewed with the Governance documents above.

4.7. Debtors

4.7.1. There are no accounts raised for debts to the Council.

4.8. Budgetary Control

4.8.1. Budgetary control reports are submitted every quarter with the Financial Reports which gives a forecasted balance for the year end.

4.8.2. The precept was discussed, reported and agreed at the Parish Council meeting on the 10th January 2018, with a budget agreed for the year 2018/2019. This included a review of any fees and charges for the coming year. The annual budget was prepared to support the precept.

4.8.3. The Council does not have a Medium Term Financial Plan as with only having a small budget and small reserves it only plans from one year to the next, when Councillors are asked for any possible schemes or projects they wish to consider and how they are to be funded.

5. Conclusions

5.1. The internal controls are satisfactory for the size of the Council, with some small improvements required to improve these controls.

6. Recommendations

6.1. There are two recommendations shown in an action plan.



Gordon Fletcher (C.M.I.I.A.)

Internal

Date: 4th June 2018

Action Plan –Croxdale and Hett Parish Council

Action Ref	Observation	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
1.	As stated in the Financial Regulations two Councillors sign the cheques at the Council meeting, however, no evidence is recorded that the Councillors have examined the invoices.	Unauthorised payments	High	That all expenditure forms are initiated by the 2 Councillors signing cheques or confirming BACS payments, to verify payments.	Agreed	Parish Clerk Immediate
2	There is 1 bank account held by the Council with Bank Reconciliations carried out monthly (using the financial reports spreadsheets with the bank bank statements being available for members to view and I understand are agreed by the Chair, although there is no evidence recorded of this.	Bank balances not confirmed	High	That the Chair initials the bank statement to confirm the bank reconciliation	Agreed	Parish Clerk Immediate

S. Cutler 4/6/18