

## **SEATON WITH SLINGLEY PARISH COUNCIL INTERNAL AUDIT REPORT - 2017/2018**

### **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 £25,000.00 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.
  
- 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.

### **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 Section 4 of the annual return, only nine of these were examined, as the Parish Council does not have any petty cash.
  
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by the Internal Auditor:
  - Payroll
  - Creditors (including postage book)
  - Risk Management
  - Income collection and Banking arrangements
  - Accounting records,

- Assets
- Debtors
- Budgetary Control (including year-end procedures)

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

#### **4. Findings**

##### **4.1. Payroll**

4.1.1 The Parish Council has 1 employee who works agreed hours and is paid in line with NJC paycales.

4.1.2. Payroll information is sent to HMRC throughout the year (Real Time Information) each time a payment is made to an employee rather than at the end of the financial year. All salaries are paid directly through the Parish Councils bank account. J.A.C.S.Accountancy provides the payroll service and invoice the Council every month.

4.1.3. All payroll information was checked for the year and was processed correctly and the amounts were found to be correctly paid.

##### **4.2. Creditors**

4.2.1. There is no separation of duties at Seaton with Slingley Parish Council as the Parish Clerk is the only Officer responsible for Finance and Administration. Compensating checks are carried out by the Members and Financial Regulations outline the system to be followed.

4.2.2. Cheques for payment are prepared by the Responsible Finance Officer (Clerk) and together with the relevant invoices are presented to Members each month to view and check. 2 Members sign the cheques at the Parish Meeting, and initial the cheque stubs. A record of all cheques numbers and details of expenditure are shown in the Council's minutes.

4.2.3. The Internal Auditor checked all payments amounts and the associated records for the year and these were found to be properly recorded in the Receipts and Payments book, with 0 queries for investigation.

4.2.4. All donations paid had been agreed by the Council prior to payment being made and were properly recorded as Section 137 payments in the Receipts and Payment book.

4.2.5. All purchases and issues of stamps are recorded in a postage book and this was found to be

properly recorded and the balance of stamps in hand (6) confirmed, at the time of the audit.

#### **4.3. Governance Arrangements**

4.3.1. The Council has a Risk Management Policy and Risk Assessment document (approved 17 June 2015) and have approved several policies throughout the previous year (including Financial Regulations and Standing Orders), which I understand are still applicable at present. These are essential for good governance for the Council, and for effective internal controls. The minimum internal audit testing required by CDALC state that Financial Regulations and Standing Orders should be reviewed within the current financial year.

4.3.2. The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to the accounts.

4.3.3. There appears to be adequate insurance cover for all assets of the Council.

#### **4.4. Income collection and Banking arrangements**

4.4.1. All Income received is banked through a paying in book which is recorded in the Receipts and Payments Book.

4.4.2. I examined all the income records for the year and confirmed that all income had been received, promptly banked, and properly recorded in the Receipts and Payments book.

4.4.3. Vat is recorded in the Receipt and Payments cash book and is claimed annually. Vat refund had been received for 2016/2017 on 11 May 2017 and was found to be correct. The VAT claim for 2017/18 was submitted on 13 April 2018.

4.4.4. There is 1 current bank account held by the Council which gives the current account a large day to day balance which is not earning interest.

4.4.5. I agreed the reconciliation of the bank statement at the end of the year to the Receipts and Payments book as at 31 March 2018.

#### **4.5. Accounting Records**

4.5.1. All Receipts and Payments were properly recorded and the Clerk carries out regular bank reconciliations, which are submitted to Members monthly.

#### **4.6. Security/Assets**

4.6.1. I understand that the Council does not own any assets.

#### **4.7. Debtors**

4.7.1. There are no accounts raised for debts as Debtors either pay by cash or a cheque is received for work/service carried out.

#### **4.8. Budgetary Control**

4.8.1. The precept for 2018/19 was discussed and agreed by a Parish Council Committee meeting on the 20 December 2017, along with the budget for the year 2018/2019. The annual budget was prepared to support the precept.

4.8.2. At every Council meeting, Members are provided with details of receipts and payments reports, and details of the financial position in comparison to the budget.

#### **5. Conclusions**

5.1. The Council has policies and procedures in place and I understand that the Financial Regulations and Standing Orders are adequate for the Council. Governance and Accountability for Local Councils document, paragraph 2.74 section 2, and CDALC, recommends that Financial Regulations and Standing Orders are reviewed annually for continued relevance.

5.2. A review of the effectiveness of internal controls has not yet been carried out.

5.3. Of the key controls examined within part of the return there was nothing which was considered to be of concern, and all were found to be working satisfactory.

#### **6. Recommendations**

6.1. That good governance of the Council would be improved if Financial Regulations, Standing Orders and the Risk Assessment document be approved every year at the Annual Meeting of the Council for continued relevance.

6.2. That a report showing a review of the Councils Internal Controls be completed to support the Annual Governance Statement.



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

**Internal Auditor**

**Date: 1st May 2018 (amended)**