

**INTERNAL AUDIT REPORT  
2016/2017 - ANNUAL RETURN  
SEATON with SLINGLEY PARISH COUNCIL**

**1. Background**

- 1.1. Local Councils in England (Parish Councils, Town councils) are expected to complete an annual return summarising their annual activities at the completion of each financial year. It is the responsibility of the Members to ensure that financial management is adequate and effective and that the Council has a sound system of internal controls.
- 1.2. One of the sections within the annual return (section 4) 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.

**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 pay scales.
- 4.1.2 From April 2013 HMRC introduced Real Time Information, where payroll information is sent to HMRC throughout the year 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 invoices 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. Two Members sign the cheques at the Parish Meeting, and initial the cheque stubs. A record of all cheque 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 2 minor queries given to the Clerk 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 are essential for good governance for the Council, and for effective internal controls.

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. .This review has not been carried out.

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 2015/2016 on 20 April 2016, and was found to be correct, no refund has yet been received for 2016/2017.

4.4.4. There is 1 current bank account held by the Council. This 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 2017.

#### **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 2017/18 was discussed and agreed by a Parish Council Committee meeting on the 8 December 2016, along with the budget for the year 2017/2018. 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 adequate policies and procedures in place and the current Financial Regulations and Standing Orders are adequate for the Council. Governance and Accountability for Local Councils document, paragraph 2.74 section 2, 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 been carried out.

5.3. Of the key controls examined within section 4 of the annual 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 2017**