

INTERNAL AUDIT REPORT – 2017/2018

HURWORTH PARISH COUNCIL

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. The AGAR is made of 3 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 Internal Audit work and the areas examined.

- 3.1 The Scope of Work covers the control tests identified in in the AGAR and the minimum of tests stated by CDALC.
- 3.2 To properly complete the audit the following areas of activity have been examined and tested by the Internal Auditor:
 - Payroll
 - Creditors
 - Risk Management
 - Income collection and Banking arrangements
 - Petty cash (none)
 - 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 him.

4. Findings

4.1. Payroll

- 4.1.1 The Parish Council has 2 paid employees, the Parish Clerk and a litter picker. The latter payments are reimbursed by Darlington Borough Council.
- 4.1.2 Internal Audit examined the payroll amounts for the financial year 2017/2018, and all payments had been correctly made, and all reimbursements had been correctly received.

4.2. Creditors (Accounts Payable)

- 4.2.1 There are no separation of duties regarding Finance and Administration at Hurworth Parish Council as the Clerk is the Officer responsible. Compensating checks are carried out by the Chair and Members, who receive all documentation of the accounts for payment each month.

4.2.2 There are relevant procedures including a comprehensive procedure for Financial Control (No.1). Accounting arrangements over the payment of invoices are shown in paragraph 5, where a schedule of all invoices, shall be prepared by the Clerk and, together with the relevant invoices, be presented to the full Council. If the schedule is in order it shall be authorised by two Members. Testing shows this has been carried out throughout the year.

4.2.3 A list of general queries were given to the Parish Clerk for investigation and are shown on a spreadsheet. These do not affect the internal controls of the Council.

4.2.4. All Section 137 payments had been agreed by the Council prior to payment being made and correctly recorded.

4.2.5. The Council does not hold petty cash but the Clerk and Councilors' can be reimbursed for items of expenditure (receipts obtained), through the creditors system.

4.3. Risk Management/Governance Arrangements

4.3.1. There was an annual risk assessment was updated on 31st March 2017 and 2018. Risks to the Parish Council have also been improved with the appointment of the independent Internal Auditor who gives assurance on the Council's activities, and the formation of a Finance Working Group, to discuss the budget and precept.

4.3.2. The Parish Clerk and a Member reviews all procedures, which will also reduce the Council's risks and are included in a procedure file and are included on the Council's website. The Council's Standing orders, Financial Regulations and procedures were approved at the Council meeting 12th May 2016 and I understand are still relevant. However, minimum internal audit testing required by CDALC states that that the most recent review date of the financial regulations and standing orders should be within the current financial year. This had not been done. I understand that this is to be carried out for 2018/19 on 3rd May 2018.

4.4. Income collection and Banking arrangements

4.4.1. Financial Procedures of the Council state that all sums due to the Council shall be the responsibility of the Finance Officer (Clerk).

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

4.4.3. There are current and deposit bank accounts held for Hurworth Parish Council, and a 12 month bond opened on 6th April 2016, and has been rolled over.

4.4.4. The Internal Auditor reconciled the bank statements at the end of the year to the Income and Expenditure records, and end of year accounts.

4.5. Accounting Records

4.5.1. All income and expenditure is recorded on a spreadsheet with a running day to day balance of the current account, which allows the Clerk to carry out monthly bank reconciliations. The deposit account receives the precept amount and is used to earn bank interest and transfers money to the current account when required.

4.5.2. Vat is recorded on the accounts spreadsheet and is used to reclaim the vat for the year. Vat for 2016/17 was received 14th July 2017. Vat for 2017/18 is to be reclaimed soon.

4.6. Assets

4.6.1. The Assets Register dated 31st March 2018 had been updated with additional purchases and

with disposals and is to be agreed with the statement of accounts.

4.7. Debtors

- 4.7.1. There are no accounts raised for debts, as debtors (allotment holders) either pay by cash or a cheque is received for work/service carried out.

4.8. Budgetary Control

- 4.8.1. The purpose of the Finance Working Party group on 15th Nov 2017 was to put forward and discuss projects for the coming three financial years, and to agree the amount of the Precept for 2018/19, with the recommendations to go forward to the next Parish Council Meeting for consideration and ratification.

- 4.8.2. The Parish Council meeting on 7th December 2017 agreed the Finance Working Party recommendations. (item 376)

- 4.8.3. The Clerk presented the latest version of the Project Schedule up to 2020. The meeting made comments and recommendations on each item, and the Schedule was duly updated. New Projects were put to the meeting, and decisions made on the suitability of each project and the amount of funding to be allocated. All 'decisions' made at this meeting are placed before the Council on 7TH December 2017 Meeting for approval and acceptance.

- 4.8.3. Financial reports are submitted each month for Members to examine. These show cumulated totals of income and expenditure against the budgets, and any variances.

5. Conclusions

- 5.1. No major concerns were found during testing of the internal controls within the Parish Council, with a query sheet given to the Clerk to investigate.
- 5.2 The current level of assurance given to Members is satisfactory.

6. Recommendations.

- 6.1. There are no recommendations for this audit.

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Internal Auditor to the Council
Date: 29th April 2018