

INTERNAL AUDIT REPORT – 2017/2018 PELTON 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 Work and the areas of Audit Work examined.

- 3.1 The Scope of Work covers the key control tests identified in part 4 of the A.G.A.R.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by Internal Audit:
 - Payroll
 - Creditors
 - 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 Clerk of the Council and any audit recommendations have been agreed with her.

4.1. Findings

4.2. Payroll

- 4.2.1. The Council outsources its payroll system to an accountancy firm, having an external provider provides a better internal control for the Council.

- 4.2.2 The Council pays a Clerk and 2 litter pickers during the year.

- 4.2.3. On examining the payroll information all payments had been correctly processed and paid.

4.3. Creditors

- 4.3.1. The Council has good Financial Regulations in place (updated 24th May 2017) regarding Banking Arrangements and Authorisation of Payments (Section 5) and Instructions for the making of Payments (Section 6), which provides good internal controls for the Council.

There are no separation of duties regarding Finance and Administration at the Council as the Clerk is the Officer responsible. Compensating checks are carried out by Members of the Council.

The Clerk prepares a schedule of payments which require authorisation at the Council meeting. The invoices which will have been certified by the Clerk to confirm that the goods have been received or services provided, are checked to the schedule and the payments approved.

Cheques are signed by 2 members of the Council and to indicate approval the cheque counterfoil is initialed.

- 4.3.2. The new finance system (Rialtas -RBS) records all income and expenditure transactions and produces transaction lists. All income and expenditure was input into the system for 2017/18 and this has been examined and found to be accurate with good reports produced from the system.
- 4.3.4. During the year all donations (Section 137) paid had been agreed by the Council prior to the payment being made and properly recorded in the records.
- 4.3.5. There is no petty cash held by the Council but it does have a record of all postage held and used during the year. This was examined and found to be correct.

4.4. Governance/Risk Management

- 4.4.1. A recommended list of policies and procedures was received from SLCC and NALC showing what policies the Council must have regarding statutory requirement, those which are good to have and are an audit requirement. This list has been revisited by the new Clerk and progress is being made in reviewing these with a timetable showing when this will be carried out.

Updated Financial Regulations and Standing Orders have been agreed at the Council meeting at the AGM 17th May 2017.

- 4.4.2. An effectiveness of internal control report had been completed and was approved with the Statement of accounts in June 2017.
- 4.4.3. The Council supports the local Community Center which is around 70% of its expenditure and therefore the risk associated with this is high. Trustee reports are submitted to the council throughout the year and when budget is agreed the Centre's accounts should be examined to ensure they are sound and there is no risk to the Council's finances.
- 4.4.4. A Medium Term Finance Plan was discussed at the Finance meeting in October 2017 and approved by Full Council on 22nd November 2017.
- 4.4.5. The Risk Register was updated and adopted along with the asset register and the AGAR statement at 28th March 2018 Council meeting.

4.5. Income collection and Banking arrangements

- 4.5.1. Financial Regulations of the Council (Section 9) state that the collection of all sums due to the Council shall be the Responsibility of and under the supervision of the Responsible Finance Officer (Clerk).
- 4.5.2. Income is received during the year by the Council consisting of:
 - Precept
 - Allotment Rents
 - VAT claim.
 - Bank Interest.
- 4.5.2. During the year all income had been input into the new accountancy system and I examined all the income records for the year including receipt books and confirmed that all income had been properly collected, banked and recorded.
- 4.5.3. A rent review was carried out at an allotment meeting on 6th September 2017 and approved by

Council on 27th September 2018.

4.5.3. I confirmed the bank balances at the end of the year to the Income and Expenditure records.

4.5.4. During the year the Clerk reclaimed VAT owing to the Council.

4.5.6. During the year a risk was identified of the Council holding large amount of monies in one bank account (especially when the precept amount is received) and not covered by the Financial Compensation scheme. The Council discussed using other possible banks so as the Council is protected. Therefore the Council now has deposits with:

- 2 Current account for day to day transactions
- 2 Deposit account for holding monies to obtain interest

4.6. Accounting Records

4.6.1. During the year concerns were raised regarding the information provided from the finance system and it was agreed by Council to purchase Rialtas Alpha accountancy system and for training to be provided. It was agreed to input all income and expenditure details back to April 2017. This has been completed which allowed the accounts for 2017/18 to be completed and provides good financial reports for Members.

4.7. Assets

4.7.1. An Asset Register was updated and approved by the Council on 23rd January 2017 and updated March 2018 and approved at the Full Council meeting on 28th March 2018.

4.8. Debtors

4.8.1. There are no invoices sent out for debts.

4.8.2. The Council has various Allotments with rents received at the Council and a receipt given. All rents were accounted for during 2017/18.

4.9. Budgetary Control

4.9.1. The budget setting process commences each year in December/January where the preparation of budget for 2018/19 was discussed. This included any previously agreed fees and charges for allotment rents.

4.9.2. A Special Full Council meeting discussed the budget on 17th January 2018 and this was approved at the Full Council meeting on 24th January 2018, the annual budget was prepared to support the precept.

4.9.3. Reports are produced from the new finance system which enables Members to carry out budgetary control each month where actual income and expenditure is compared to the budget.

5. Conclusions/Recommendations

5.1. Following the appointment of the new Clerk and the introduction of the new finance system there has been an improvement of the records produced and of the internal controls for the Council and the level of assurance on these controls is high.



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Internal Auditor to the Council
Date: 17th May 2018