

INTERNAL AUDIT REPORT – 2018/2019 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 page 3 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.
- 3.4. During the year a new Clerk was appointed.

4.1. Findings

4.2. Payroll

- 4.2.1. The Council outsources its payroll system to an accountancy firm who complete payslips and notify the Council on the payment to be made to HMRC. 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. Timesheets are completed and signed by the litter pickers and authorised by the Clerk. The Clerk is paid the same every month and this is included in the accountancy firm software.
- 4.2.3. On examining the timesheets and the payroll information all payments had been correctly authorised, processed and paid.

4.3. Creditors

- 4.3.1. The Council has good Financial Regulations in place (reviewed 23rd May 2018) 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 (included as an appendix to the minutes) which require authorisation at the Council meeting. Any payment needing authorization by Committee is recorded in the minutes. The invoices when certified by the Clerk confirm that the goods have been received or services provided, are checked to the schedule and the payments approved. All payments for 2018/19 have been confirmed to the Cash book1 - current bank account report which also shows vat. (2 payments did not have the vat recorded)

The new Clerk has introduced a new payment voucher for every payment which identifies what method of payment is used along with a good checking and approval system.

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

- 4.3.2. The finance system (Rialtas -RBS) records all income and expenditure transactions and produces transaction lists. All income and expenditure was input into the system for 2018/19 and this has been examined and found to be accurate with adequate reports produced from the system.
- 4.3.4. During the year all donations (Section 137) paid had been agreed (and minuted) 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.

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. Throughout the year 2 policies had been reviewed and approved at the AGM.

Updated Financial Regulations and Standing Orders have been agreed at the Council meeting at the AGM 23rd May 2018.

- 4.4.2. An effectiveness of internal control report was reported to Council on 9th April 2019..
- 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. I understand that trustee reports are submitted to the council throughout the year and when the 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 MTFP meeting on 10th October 2018 and reviewed at the Special Finance meeting on 3rd December 2018 and approved by Council on 23rd January 2019.
- 4.4.5. The Risk Register was reviewed, updated and approved at 27th March 2019 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 allotment and parish council 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 3rd October 2018 where it was confirmed that the Council previously agreed (during 2017/18 budget setting process) for the rents to remain unchanged and approved by Council on 24th October 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 for April 2018 to October 2018 which was received in the Council's bank account on 26th February 2019. VAT refund was also banked on 20th July 2018 for the previous year.

4.5.5. During the previous 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 previous 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 and this has continued into 2018/19 accounts. Rialtus provides good financial reports for Members to scrutinize.

4.7. Assets

4.7.1. An Asset Register was updated and approved by the Council on 9th April 2019.

4.8. Debtors

4.8.1. There are no invoices sent out for debts.

4.8.2. The Council has various Allotments rents received by the Council and receipts given. All rents were received during 2018/19.

4.9. Budgetary Control

4.9.1. The budget setting process commences each year in December/January where the preparation of budget for 2019/20 was discussed. This includes any agreed fees and charges for allotment rents. (See paragraph 4.5.3.).

4.9.2. A Special Full Council meeting discussed the budget on 3rd December 2018 with a Special Budget meeting on 14th January 2019. The budget was approved at the Full Council meeting on 23rd January 2019, 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. A detailed review is carried out during the budget setting process.
- 4.9.4. At the Council meeting 14th January 2019, it was agreed that the Chair, Vice Chair and Clerk would review the cost centres spending and reallocate funds accordingly. This was carried out on 19th March 2019 and virements were agreed.

5. Conclusions/Recommendations

- 5.1. With 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 good.



Gordon Fletcher (C.M.I.I.A.)
Internal Auditor to the Council
Date: 18th April 2019