

# **INTERNAL AUDIT REPORT – 2016/2017**

## **MIDDLETON ST GEORGE PARISH COUNCIL**

### **1. Background**

- 1.1. Local Councils in England and Wales (Parish Councils, Town councils) are expected to complete an annual return summarising their annual activities at the completion of each financial year.
- 1.2. One of the sections within the annual return (section 4) is to be completed by the Council's independent internal auditor, who is to give an opinion of the 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 Internal Audit work and the areas examined.**

- 3.1 The Scope of Work covers the key control identified in Section 4 of the annual return.
- 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
  - 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.
- 3.4. An interim audit was carried out in November 2016 following last year's annual return audit report where it was found that certain internal controls were not in place and an action plan containing 9 recommendations had been agreed to correct these. A follow up internal audit was carried out to determine what progress has been made. It concluded that there had been positive actions taken which had improved the Internal Controls and Governance of the Council. This audit examined these action in detail and where applicable are referred to in this report.

### **4. Findings**

#### **4.1. Payroll**

- 4.1.1 The Parish Council has 3 paid employees, the Parish Clerk, Cleaner and a Litter Picker. A contribution payment for the Litter Picker is made by Darlington Borough Council.
- 4.1.2. From the previous action plan it was agreed that Litter Picker and Cleaner complete and sign timesheets which are examined and approved by the Clerk. However, it was found that timesheets from August to November 2016 had all been completed, but, there was no evidence that they have been approved and the Litter Picker does not sign his timesheet to confirm the work he has carried out. It was therefore recommended that all timesheets should be signed by the employee and approved by the Parish Clerk before payment is made. These were examined from December to March 2017 as part of this audit and found to be properly completed and approved.
- 4.1.3. I have examined the payroll amounts for the financial year 2016/2017 and all payments appear to have been correctly made, and all contributions correctly paid
- 4.1.4 Wage increases for 2016/17 were agreed at a Finance Sub Committee (dated 2nd December 2015) and approved by Council on 14th December 2015.

#### **4.2. Creditors (Accounts Payable)**

- 4.2.1 There are no separation of duties regarding Finance and Administration at Middleton St George Parish Council as the Clerk is the Officer responsible (RFO). Compensating checks are carried out by the Chair and Members, who receive all documentation of all the accounts for payment (including Barclay card payments) each month with the cheque counterfoils initialed by 2 Councilors' to confirm payment.
- 4.2.2. Previous recommendations stated that all invoices should be examined by the Clerk to verify the payment and should record "passed for payment" on the invoice with the date and initial. The follow up found that payments between August to November 2016 were checked to the invoices and it was observed that they had not been recorded as passed for payment before submission to the Council meeting.  
It was recommended that the Parish Clerk should check all invoices that they are "o/k to pay" and write this on the invoice to give assurance to Members that the goods/services have been properly ordered/requested for Council business and received. Invoices were checked between December 2016 to March 2017 and it was found that payments had been properly approved, paid and recorded.
- 4.2.3. All Section 137 payments had been agreed by the Council prior to payment being made and correctly recorded.
- 4.2.4. The Council does not hold petty cash but the Clerk can be reimbursed for small items of expenditure, through the creditors system, on authorisation from the Chair.

#### **4.3. Risk Management/Governance Arrangements**

- 4.3.1. The Council's Risk assessment has been completed and approved by the Parish Council on the 12th September 2016, where it was agreed that the risk assessments will be reviewed by the Finance Committee and the Parish Council in September each year.
- 4.3.2. New Financial Regulations based on guidance from the NALC were approved by the Parish Council on the 8<sup>th</sup> August, 2016, and where to be reviewed by the Finance Committee and the Parish Council in August each year.
- 4.3.3 New Standing Orders based on guidance from the NALC were approved by the Parish Council on the 12<sup>th</sup> September, 2016, and that the Standing Orders will be reviewed by the Finance Committee and the Parish Council in September each year.
- 4.3.4. Following the follow up audit in November, it was further recommended that the Risk Assessment, Financial Regulations and Standing Orders be approved every year at the AGM so as the Council has agreed that they are fit for purpose for the coming financial year
- 4.3.5 Previous recommendations stated that an effectiveness of internal control report be completed each year before the Annual Governance Statement is signed, covering 3 main areas: Internal Audit, Internal Controls (such as policies and procedures) and Risk Management.
- 4.3.6. Risks to the Parish Council have also been improved with the appointment of an independent Internal Auditor who gives assurance on the Council's activities, and also the formation of a Finance Sub Committee.

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

- 4.4.1. Financial Regulations of the Council state that all sums due to the Council shall be the responsibility of the RFO (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 is a current account for day to day transactions and 2 savings accounts for the Council. There is also a credit union account where money is held for specific purposes. The Council also has a Barclaycard debit card for small expenditure with the limit increased from £200 to £500 agreed at the 7<sup>th</sup> November 2016 Finance Committee.
- 4.4.4. The Internal Auditor confirmed the reconciled bank statements at the end of the year to the Income and Expenditure records.
- 4.4.5. Vat is claimed quarterly from the payments recorded on the finance spreadsheet. This was confirmed as correct.
- 4.5. Accounting Records**
- 4.5.1. All income and expenditure is recorded on a spreadsheet with good reference numbers recorded providing a good audit trail. This is recorded each month, and allows the Clerk to carry out bank reconciliations.
- 4.5.2 Bank reconciliations had been properly completed each month with no outstanding issues with a Member verifying the bank statements. Any income and expenditure not properly recorded in the accounts would be identified.
- 4.6. Assets**
- 4.6.1. The Assets Register appears to be up to date as at 31st March 2017 and is agreed with the statement of accounts.
- 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 estimates for the year 2017/2018 and the setting of the precept was discussed at the Finance Committee from September 2016 with the final submission to the Council at the 5<sup>th</sup> December 2016 meeting, and agreed at the Parish Council meeting on 12<sup>th</sup> December 2016.
- 4.8.2. Financial reports are submitted to the Finance Committee each month showing the balances of the bank accounts, progress against budgets, Bank reconciliations, future budgets statements when required. All are also reported monthly to the Parish Council.
- 4.1.7. A Medium Term Financial Plan for the next two financial years was initially considered at the Finance Committee 4th October 2016 and discussed at various Finance and Parish Council meetings where the budgets for 2017/18 and 2018/19 were approved by the Parish Council on 13<sup>th</sup> March 2017.
- 5. Conclusions**
- 5.1. The Council has worked with the Internal Auditor during the year on the recommendations previously agreed in my audit reports and have significantly improved their internal controls. Specific mention must be given to the Finance Committee and Parish Clerk for this improvement.
- 6. Recommendations.**
- 6.1. There were no recommendations for this audit and I would give the Council Full Assurance on its Internal controls.



**Gordon Fletcher (C.M.I.I.A.)**  
**Internal Auditor to the Council**  
**Date: 2<sup>nd</sup> May 2017**

