

## **INTERNAL AUDIT REPORT – 2017/2018 MIDDLETON ST GEORGE 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 an internal audit 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 key control objectives identified in the AGAR part for Internal Audit.
- 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 them.

### **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 for the Litter Picker payments is made by Darlington Borough Council.
- 4.1.2. Timesheets are completed for the Cleaner and Litter picker and are approved by The Parish Clerk. I have examined the payroll amounts for the financial year 2017/2018 and all payments appear to have been correctly made, and all contributions correctly paid.
- 4.1.3. The pay of the Clerk, Litter Picker and Cleaner was considered at the Council's AGM on 22<sup>nd</sup> May 2017, where no increase was agreed.

#### **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 each month with the cheque counterfoils initialed by 2 Councilors' to confirm payment.
- 4.2.2. Financial Regulations 5.3. state that "All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council" All payments are authorized at the Parish Council meeting and this is recorded on the invoice.
- 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.
- 4.2.5 The Council also holds a Barclay card for small items of expenditure or purchases on line, which is well controlled, with creditors checks applied.

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

- 4.3.1. To help the Council achieve its objectives, the Finance Committee has set up a Timetable of Controls which is an important document list, on which is recorded the dates the Governance documents are adopted and reviewed by the Parish Council.

The Council therefore now have a good monitoring and review system in place. During 2017/2018, the Council continued to review current documentation and procedures, and draft any documents that may be outstanding.

- 4.3.2. There was a need for the Risk Assessments to be retitled as Risk Management Policy and the Risk Register based on the risk assessments be reassessed to comply with the matrix and guidance on Risk Management. This was completed in December 2017.
- 4.3.3. Council governance has also been improved with the appointment of the independent Internal Auditor who gives assurance on the Council's activities, and also the formation of a Finance Committee.
- 4.3.4. Financial Regulations and Standing Orders were reviewed and approved at the Council's AGM on 22<sup>nd</sup> May 2017, along with various procedures.

#### **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.
- 4.4.4. The Internal Auditor confirmed the reconciled bank statements at the end of the year to the Income and Expenditure records.

#### **4.5. Accounting Records**

- 4.5.1. All income and expenditure are recorded on a spreadsheet with good reference numbers



providing a good audit trail. This is recorded for 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. Any income and expenditure not properly recorded in the accounts would be identified here, Bank reconciliations are verified by a Member as stated in the Financial Regulations (paragraph 2.2.).

**4.6. Assets**

- 4.6.1. A revised Assets Register was completed as at 8th February 2018 which gave the asset, the location of the asset, the date of acquisition of the asset, the method of valuation, the purchase price and value as at the 8th February 2018, the insurance valuation of the assets and the officer responsible for managing the assets. The assets purchased since the 1st April 2017 and those which were not included in the previous assets registers were included in the revised Assets Register. The Clerk stated that those assets where the purchase price could not be determined were valued at £1. The Parish Council agreed that the Asset Register appears to be up to date as at 31st March 2018 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 either pay by cash or a cheque is received for work/service carried out.

**4.8. Budgetary Control**

- 4.8.1. The Clerk completes monthly financial reports to the Finance Committee which include progress against the budget.
- 4.8.2. Financial Regulations (Paragraph 3.1) state that the Council should have a 3 year forecast of revenue and capital, income and expenditure, and also identify allocated and unallocated reserves (paragraph 3.2.). A 3 year budget forecast was discussed at the Finance Committee (6<sup>th</sup> November 2017) where the Clerk/RFO prepared detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Finance Committee and the Council.

**5. Conclusions**

- 5.1. Following the previous internal audit report all recommendations have been actioned and internal controls are satisfactory. The introduction of the Timetable of Controls every month ensures that good governance arrangements are in place.

**6. Recommendations.**

- 6.1. There are no recommendations for this audit.



**Gordon Fletcher (C.M.I.A.)**  
**Internal Auditor to the Council**  
**Date: 29<sup>th</sup> April 2018**