

# **INTERNAL AUDIT REPORT – 2021/2022**

## **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 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 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)
  - Exercise of public rights for 2020/21
- 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 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 2021/2022 and all payments have been properly completed and approved and have been correctly paid.
- 4.1.3. The salary and grade of the Clerk are determined by the Parish Council based on nationally determine grades and salary scales by the NJC for the Local Government Service. The salary of the litter picker is based on the National Minimum wage. Wages of the Cleaner was previously set and approved by the Council. (To change to the National Minimum Wage). The salaries budget is reviewed annually by the Finance Committee.

#### **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 have the opportunity to examine all the accounts for 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 approved by the council" All payments are authorized at the Parish Council meeting (following confirmation from the Finance committee) and this is recorded on the invoice along with the payment date.
- 4.2.3. All Section 137 payments had been agreed by the Council prior to payment being made.
- 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 the above creditors checks applied.

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

- 4.3.1. To help the Council achieve its objectives, the Council has set up Timetable of Controls which is an important document list, to ensure good internal checks are carried out which is reported monthly to the Council.
- 4.3.2. The Council reviews its risk assessments annually (11<sup>th</sup> January 2021) and updated throughout the year when required, and the Risk management Policy and risk assessment was reviewed by the Finance Committee on 6<sup>th</sup> September 2021.
- 4.3.3. All policies are reviewed through the Policy and Procedure committee who have a timetable when policies are to be reviewed.
- 4.3.4 Council governance has also been improved with the appointment of the independent Internal Auditor who gives assurance on the Council's activities, and also with the formation of a Finance Committee.
- 4.3.5 Financial Regulations and Standing Orders were reviewed and approved during the year and throughout the year when necessary.
- 4.3.6. Detailed Effectiveness of internal Control and Annual Governance Statement for 2021/22 reports were reviewed at the 7<sup>th</sup> March 2022 Finance Committee (approved at Council meeting 14<sup>th</sup> March 2022).
- 4.3.7. The announcement of the public rights for 2020/2021 was dated 24<sup>th</sup> May 2021 with the inspection of the accounts available between 1<sup>st</sup> June to 12<sup>th</sup> July 2021.

#### **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. The Council has 4 bank accounts:
  - Barclays Community account
  - Barclays 2 saver accounts
  - savings accounts with the credit union account where money is held for specific purposes and earns interest.

- 4.4.4. It was observed that the total of the 3 Barclays accounts exceeds the Financial Protection limit for Banks and the Council would only be protected up to £85,000
- 4.4.5. I confirmed the reconciled bank statements at the end of the year to the Income and Expenditure records.
- 4.4.6. Vat is claimed back every quarter and these records were confirmed and income received.
- 4.5. Accounting Records**
- 4.5.1. All income and expenditure are recorded on a spreadsheet with reference numbers providing a good audit trail. This allows the Clerk to carry out effective bank reconciliations, which are reported monthly to the Council.
- 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 as stated in the Financial Regulations.
- 4.6. Assets**
- 4.6.1. The Assets Register was updated at the 4<sup>th</sup> October Finance Meeting and will be reviewed and included with the Statement of accounts for 2021/22.
- 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 (approved by Council) which includes income and expenditure reports and shows 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.). This is being carried out by the Finance Committee where future projects were discussed.
- 4.8.3. The Council approved budgets and reserves during the budget setting process, where the precept is agreed, and the request submitted by the deadline dictated by the Borough Council. The Finance Committee is to approve a General Reserves policy on 2<sup>nd</sup> May 2022 (to be ratified by Council on 11<sup>th</sup> May 2022).
- 4.8.4. Budget setting and precept for 2022/23 and the next 2 years budgets were discussed at the Finance Meeting 1<sup>st</sup> November 2021 and approved at the 8<sup>th</sup> November 2021 Council meeting.
- 4.8.5. The Finance committee (approved by Council) meets monthly (except August) to monitor the budget against actual income and expenditure from reports provided by the Clerk.
- 5. Recommendations.**
- 5.1. The only recommendation is for the Council to ensure that its monies are protected by transferring monies from the Barclays account(s).

**Gordon Fletcher (C.M.I.I.A.)**  
**Internal Auditor to the Council**  
**Date:**