

INTERNAL AUDIT REPORT – 2017/2018

COXHOE 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 £25,0000 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 him.

4. Findings

4.1. Payroll

- 4.1.1 During the year the Council employs 6 members of staff including a new Parish Clerk. (Locum Clerk employed part of the year).
- 4.1.2. During the previous year the HR Working Group recommended to outsource the payroll management to an Accountancy firm, which was agreed. This gives a good separation of duties and internal control for the Council.
- 4.1.3. The accountancy firm complete monthly payroll reports for the Clerk to pay by BACS payment.

4.2. Creditors

- 4.2.1. There is no separation of duties regarding Finance and Administration at Coxhoe Parish Council as the Clerk is the Officer responsible. Compensating checks are carried out as the Chair agrees the schedule of payments each month and the Chair and another Member signs any cheques

and authorises the BACS/Direct Debit payments.

4.2.2. The schedule of payments does not indicate if payment is by BACS or cheque.

4.2.3. The Council's financial regulations state that "Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by two members of council. To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil." This is not being carried out

Invoice shows "paid" and date of payment.

4.2.4. The Council had a previous finance system (ACE money) which recorded all income and expenditure transactions and produces a transaction list, the locum Clerk deemed this not fit for purpose and recommended to reinstate the Rialtus finance system which is well used by other Councils. This was agreed by Members. All finance information for 2017/18 was then input into this system.

4.2.5. BACS and Direct Debits are the main method of payments with only a few cheques being used during the year.

4.2.6. Some queries were given to the Clerk for investigation

4.2.7. 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. Governance/Risk Management

4.3.1. A Risk Register which include financial risks was reviewed and agreed by the Council on 7th March 2018.

4.3.2. The Risk to the Parish Council has also been improved with the appointment of an independent Internal Auditor who gives assurance on the Council's internal controls. The Clerk has adequate insurance levels in place.

4.3.3. Governance of the Council will improve as the Council has now registered for Quality Status and is working its way through this by creating and updating policies and procedures, which will give more openness and accountability for the Council. Throughout the year various policies had been reviewed and agreed.

4.3.4. Financial Regulations and Standing Orders for the Council were reviewed and agreed on 10th May 2017 for continued relevance.

4.3.6. An effectiveness of internal control report has been completed and agreed at the AGM on 10th May 2017. The report for 2017/18 is to be completed.

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 Finance Officer (Clerk).

4.4.2. The Council has a duplicated receipt book for taking cash or cheque payments in the Parish Office.

4.4.3. Internal Audit examined all the income records for the year and confirmed that all income had been promptly banked and properly recorded.

4.4.4. The Internal Auditor confirmed the bank balance (1 bank account) at the end of the year to the

Income and Expenditure records, and bank statement.

- 4.4.5. Last vat claim was for the period 1st April 2017 to 31st December 2017 and a further claim is being compiled.

Accounting Records

- 4.5.1. The Council had a previous finance system (ACE money) which recorded all income and expenditure transactions and produces a transaction list, the locum Clerk deemed this not fit for purpose and recommended to reinstate the Rialtus finance system which is well used by other Councils. This was agreed by Members. All finance information for 2017/18 was then input into this system.

The Clerk ensures that a backup is made every month to the "cloud" and a hard drive.

4.6. Security/Assets

- 4.6.1. There is an Inventory held of all assets, which was completed for 31st March 2018 as a supporting statement for the annual accounts.

4.7. Debtors

- 4.7.1. Invoices are sent out if required and debtors either pay by cash or a cheque.
- 4.7.2. Allotment rents are received usually by BACS (some at the Parish Office by cash /cheque where a receipt is issued) after the allotment holders have been notified that they are due.

4.8. Budgetary Control

- 4.8.1. The budget process commences each year in December (1st December meeting) with discussions and the final report agreed in January 8th which was approved by Council. The annual budget was prepared to support the precept.
- 4.8.2. When invoices are submitted to Members for payment the Clerk also presents the latest bank statements and reconciliation from the accounts system.
- 4.8.3. Budgetary control is carried out each month where actual income and expenditure is compared to the budget.
- 4.8.4. At the end of the year the Council has a low cash balance (reserve) which would probably only cover 2 to 3 months running costs for the Council, if the precept (for some reason) was not paid into the bank account. This seems a high risk for the Council and does not allow for any planning for projects for the future unless grants were obtained. A useful guide to assist Councillors to decide the level of reserves required for the Council is the Audit Commission's "striking a balance" document.

5. Conclusions/Recommendations

- 5.1. The Internal Controls within the Parish Council are satisfactory however, some improvement is required and is seen in an attached action plan.
- 5.2. It may be beneficial for the Council to review its reserves policy

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Internal Auditor to the Council
Date: 19th May 2018