

INTERNAL AUDIT REPORT – 2019/2020

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 the A.G.A.R., and includes a follow up on the last years internal audit action plan.
- 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)
 - Exercise of Public Rights
- 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.

4. Findings

4.1. Payroll

- 4.1.1 During the year the Council employs various members of staff including a Parish Clerk who is the Responsible Finance Officer (RFO).
- 4.1.2. The completion of the payroll is outsourced to an accountancy firm which gives good separation of duties and Internal Control for the Council
- 4.1.3. The Accountancy firm prepares the monthly payroll reports/payslips, as well as the HMRC information for the Clerk to pay the employees by BACS with all payments approved by the Council on the monthly financial report.

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 by Members agreeing the schedule of payments each month and the Chair and another Member signing any cheques and authorises the BACS/Direct Debit payments with the schedule of payments indicating the method of payment.
- 4.2.2 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"
- 4.2.3. The Council uses RBS financial systems to record all finance information for 2019/20 and reports produced from this were checked to the payments. There were no queries.
- 4.2.4 BACS and Direct Debits are the main method of payments
- 4.2.5. Any donations (Section 137) paid had been agreed by the Council prior to the payment being made and properly recorded.

4.3. Governance/Risk Management

- 4.3.1. A Risk Register which include financial risks was reviewed, updated and agreed by the Council on 4th March 2020. Due to the Coronavirus it is acknowledged that some minutes have not been formally approved but a protocol has been agreed and put in place to enable the Council to run smoothly during this time with the Clerk keeping the Chair and Vice Chair up to date matters of the Council.
- 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, which are reviewed annually.
- 4.3.3. Financial Regulations and Standing Orders for the Council are reviewed at the Council's AGM and these were reviewed and agreed on 1st May 2019 Annual meeting for continued relevance for the year 2019/20 and are updated when required throughout the year.
- 4.3.4. Throughout the year the Council agreed various policies which are reported to Full Council.
- 4.3.5. An effectiveness of internal control report was approved on the 5th June 2019 with a review of internal audit carried out on 5th February 2020.
- 4.3.6 The notice of appointment of date for the exercise of Public Rights for the accounts for the year ending 31st March 2019 was dated 7th June 2019, the dates for examination of the accounts being 10th June 2019 to 19th July 2019

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 uses receipt books for taking cash or cheque payments at the Parish office which are paid into the Councils bank account.
- 4.4.3. Internal Audit examined all the income records for the year to reports from the finance system and confirmed that all income had been promptly banked and properly recorded.

- 4.4.4. It confirmed the bank balances at the end of the year to the bank statements as at 31st March 2020.
- 4.4.5. Vat claims had been completed and income was received every quarter during the year into the Council's bank account
- 4.4.6. Bank reconciliation are carried out every month and reported in the Finance Report by the Clerk at Council. Bank Reconciliations are confirmed by the Chair.

Accounting Records

- 4.5.1. The Council uses the Rialtus (RBS) financial system, which is used by most Parish and Town Councils to record all finance information and produce financial reports.
- 4.5.2. At the end of the financial year a working detail report is produced for the system and after reconciliation by the Clerk the figures completed the Statement of Accounts in the Annual Return.

4.6. Security/Assets

- 4.6.1. There is an Inventory held of all assets, which was completed for 31st March 2020 as a supporting statement for the annual accounts.

4.7. Debtors

- 4.7.1. Invoices are sent out if required with debtors usually paying by cash or cheque.
- 4.7.2. Allotment rents are received either by BACS or at the Parish Office after they have been notified that they are due.

4.8. Budgetary Control

- 4.8.1. The initial budget and precept is discussed initially at the Environment and Finance Committee around November and December and recommended to and approved by Full Council in January (6th January 2020) The annual budget was prepared to support the precept.
- 4.8.2. Budgetary control is carried out by the Environment and Finance Committee and reported to Full Council.

5. Conclusions/Recommendations

- 5.1. The Internal Controls within the Parish Council are satisfactory for the size of the Council



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Internal Auditor to the Council
Date: 26th May 2020