

# **INTERNAL AUDIT REPORT – 2018/2019**

## **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)
- 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 employed various members of staff including a Parish Clerk.
- 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 completes monthly payroll reports/payslips, as well as HMRC information, for the Clerk to pay employees 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. As recommended last year the schedule of payments indicates the method of payment.
- 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." Following last year's audit recommendation this is being carried out.
- 4.2.4. The Council uses the Rialtus finance system where all finance information for 2018/19 was 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. All invoices record "paid" and the date of payment
- 4.2.6. 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, updated and agreed by the Council on 6<sup>th</sup> March 2019.
- 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. 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 are reviewed at the Council's AGM and these were reviewed and agreed on 10<sup>th</sup> May 2018 Annual meeting for continued relevance for the year 2018/19 and are updated when required throughout the year.
- 4.3.5. An effectiveness of internal control report is completed and agreed at the AGM (see 10<sup>th</sup> May 2018). The report for 2018/19 is to be completed and reported at the annual meeting.

#### **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 balances (Council opened a new bank account in March 2019) at the end of the year to the bank statements as at 31<sup>st</sup> March 2019.
- 4.4.5. Vat was received 15<sup>th</sup> May 2018 (period January to March 2018) in the Council's bank account with the last vat claim was for the period April to December 2018 received 5<sup>th</sup> February 2019. A

further claim is being compiled for the period January to March 2019.

#### **Accounting Records**

- 4.5.1. The Council uses the Rialtus finance system, which is used by other Councils, which was agreed last year by Members. All finance information for 2018/19 is input into this system, and good reports are produced from the system along with a working detail report for the Council's Annual Return. 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 31<sup>st</sup> March 2019 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 paid 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 initial budget process is considered by the Finance Committee in October (15<sup>th</sup>) and November (19<sup>th</sup>) and is approved by Full Council in January (7<sup>th</sup>). 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. The Council has increased its precept to ensure that it has adequate reserves.

#### **5. Conclusions/Recommendations**

- 5.1. The Internal Controls within the Parish Council are satisfactory with no recommendations made



**Gordon Fletcher (C.M.I.I.A.)**  
**Internal Auditor to the Council**  
**Date: 17<sup>th</sup> May 2019**