

HUTTON HENRY PARISH COUNCIL INTERNAL AUDIT REPORT 2017/2018 Annual Return

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 ten key control tests identified in the Internal Audit part of AGAR, only nine of these are examined, as Hutton Henry Parish Council does not have any petty cash.
- 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. The Parish Council has 2 employees who work fixed hours. Any increases in the rates of pay is determined by the National Pay award for local government workers and approved by the Council Members.
- 4.1.2. HMRC have introduced Real Time Information and the Clerk had previously made satisfactory arrangements to introduce this.

4.2. Creditors

- 4.2.1. There is no separation of duties at Hutton Henry Parish Council as the Clerk is the only Officer responsible for Finance and Administration. Compensating controls are in place as all Councillors attend the finance meeting and the Chair confirms the invoices before payment is made. Two Councillors and the Clerks signatures are required on all cheques.
- 4.2.2. Standing Orders of the Council state that cheques for payment should be prepared by the Responsible Finance Officer (Clerk) and together with the relevant invoices shall be presented to the Council each month.
The cheques should be checked to the invoices and signed by the Clerk and 2 Councillors whom are authorized to sign the cheques.
The cheque counterfoil is then initialed by the Member who signs the cheques, to confirm that proper payment has been made. All payments are recorded in the minutes, which are signed by the Chair.
- 4.2.3. Examination of all payments between April 2017 to March 2018 found all to be properly paid and recorded and were in accordance with the Financial Regulations and Standing Orders. A query sheet showing minor discrepancies was given to the Clerk but these were not considered significant.
- 4.2.4. All donations paid had been agreed by the Council prior to payment being made and properly recorded as Section 137 payments in the minutes.
- 4.2.5. Although there is no petty cash held by the Council there are cheques drawn monthly for cash purchases by the Clerk and the Groundsman.
The Clerk completes monthly expenses form with receipts attached which is signed by the Chair.
The Groundsman completes a monthly expenses form with receipts attached, which is approved by the Clerk.
The forms had all been properly completed and receipts attached.

4.3. Risk Management

- 4.3.1. A risk assessment review was carried out by the Parish Council Members on 12th March 2018. There also appears to be adequate insurance cover for all assets of the Council. The risks to the Parish Council are also improved with the appointment of the independent Internal Auditor who gives assurance on the Council's activities.
- 4.3.2. The Parish Council has a very small budget with only 2 employees, and therefore its risks are considered to be low.
- 4.3.3. The Council takes steps each year to reduce its risks by reviewing various policies and Standing Orders and the Financial Regulations when required to ensure they are fit for purpose.
Financial Regulations and Standing Orders were reviewed at the 15th May 2017 AGM for continued relevance.

4.4. Income collection and Banking arrangements

- 4.4.1. All Income received is banked through a paying in book and recorded on a Receipts and Payments spreadsheet, and reported in the Council minutes for the month.

4.4.2. Internal Audit examined all the income records (mainly allotments and cemetery) for the year and confirmed that all income had been promptly collected and banked and properly recorded in the minutes.

4.4.3. Fees and charges are reviewed during the budget setting process 9th October 2018.

4.4.4. There are 2 bank accounts held by the Council:

i. Business Base Rate Tracker account
This account is used to hold monies belonging to the Parish Council to obtain a high interest rate, and also to transfer amounts to and from the current account.

ii. Current account
Used for paying all expenditure and paying in income.

4.4.5 The Internal Auditor confirmed the reconciliation of the bank statements at the end of the year to the Income and Expenditure records and the end of year fund balance.

4.4.6. Vat repayment for 2016 to 2017 had been received by the Council on 19th April 2017 and for 2017 to 2018 on 29th March 2018.

4.5. Accounting Records

4.5.1. All income and expenditure are recorded on a spreadsheet and the Clerk carries out monthly bank reconciliations, with the bank balances reported to Members with bank statements being seen by the Chair.

4.6. Security/Assets

4.6.1. There is an Inventory held of all assets, which is agreed with the end of year 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 the work/service carried out.

4.8. Budgetary Control

4.8.1. The budget preparation and the Capital Expenditure for the coming year were agreed at 8th January 2018 Council meeting.

4.8.2. The annual budget was prepared to support the precept.

4.8.3. Budgetary control is carried out using the income and expenditure spreadsheet.

5. Conclusions/Recommendations

5.1. The Internal Controls within the Parish Council are satisfactory for the size of the Council, with no recommendations made.



Gordon Fletcher (C.M.I.I.A.),

**Internal Auditor,
Date: 2nd May 2018**