

**INTERNAL AUDIT REPORT
2016/2017 - ANNUAL RETURN
SANDHUTTON PARISH COUNCIL**

1. **Background**
 - 1.1. Local Councils in England (Parish Councils, Town councils) are expected to complete an annual return summarising their annual activities at the completion of each financial year. It is the responsibility of the Members to ensure that financial management is adequate and effective and that the Council has a sound system of internal controls.
 - 1.2. One of the sections within the annual return (section 4) 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.
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 Section 4 of the annual return.
 - 3.2. To properly complete the audit the following areas of activity have been examined and tested by Internal Audit:
 - Payroll
 - Creditors (including petty cash)
 - Risk Management
 - Income collection and Banking arrangements
 - Accounting records.
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
 - 3.3. Any audit findings of this report have been discussed with the Clerk of the Council and any audit recommendations have been agreed with her.
4. **Audit Findings**
 - 4.1. **Payroll**
 - 4.1.1. The Parish Council has 1 employee who works agreed hours and is paid in line with NJC pay scales, all payroll information is confirmed by the Chair.
 - 4.1.2. Payroll services is provided externally every 3 months and this was checked for the year and was processed properly with the amounts correctly paid.
 - 4.2. **Creditors**
 - 4.2.1. There are no separation of duties at Sandhutton Parish Council as the Parish Clerk is the only Officer responsible for Finance and Administration. Satisfactory compensating checks are carried out by the Members.
 - 4.2.2. Cheques for payment are prepared by the Responsible Finance Officer (Clerk) and together with the relevant invoices are presented to Members each month to view and check. A record of all cheques numbers, payee and amount are shown in the Council's minutes.
 - 4.2.3. The Internal Auditor checked all payments amounts and the associated records for the year and all receipts and payments were found to be properly recorded.
 - 4.2.4. There was 1 donation/Section 137 payment made within the year.

4.2.5. There is a small petty cash float mainly used for issue of postage stamps and stationery..

4.3. Risk Management/Governance arrangements

4.3.1. The Council does not have a Risk Management Policy and there are very few policies in place, however, due to the very small precept and few transaction this is accepted by the Council as the risks are considered very low. The Council considered the effectiveness of the internal controls of the Council at the 16th June 2016 meeting.

4.3.2. There appears to be adequate insurance cover for all assets of the Council.

4.3.3. Standing Orders and Financial Regulations have been adopted by the Council for the year.

4.4. Income collection and Banking arrangements

4.4.1. Income received is mainly the precept and any bank interest throughout the year and this was confirmed as correctly recorded in the records and the bank statement.

4.4.2. There are 2 bank accounts held by the Council, Treasurers account for day to day transactions of the Council and a Money Manager account (deposit account) used to transfer money to the Treasurers account when required.

4.4.3. I have agreed the reconciliation of the bank statements at the end of the year to the Income and Expenditure records as at 31st March 2017.

4.4.4. Vat (£180.70) on the purchase of the computer is to be reclaimed by the Council.

4.5. Accounting Records

4.5.1. All Income and Expenditure was properly recorded and the Clerk carries out regular bank reconciliations, which are submitted to Members monthly. It was agreed by Council that a Councillor (excluding chairman) would cross check the bank statement and bank reconciliation report. This had been carried out during the year.

4.6. Security/Assets

4.6.1. I understand that the Council owns two assets. (war memorial and flag pole)

4.7. Debtors

4.7.1. There are no accounts raised for any debts owed to the Council.

4.8. Budgetary Control

4.8.1. The budget estimates and precept was discussed by a Parish Council Committee meeting on the 20th October 2017 where it was agreed for the coming year.

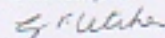
4.8.2. At every Council meeting, Members are provided with financial reports, a bank reconciliation statement and orders and payments since the last committee meeting, and checked in line with Financial Regulations.

5. Conclusions

5.1. Of the key controls examined within section 4 of the annual return there was nothing which was considered to be of concern with the internal controls found to be working satisfactory.

6. Recommendations

6.1. There are no recommendations for this audit, but the Clerk is to reclaim the vat for the purchase of the computer.



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

Date 23rd May 2017