

INTERNAL AUDIT REPORT 2014/2015 - 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 postage)
 - Risk Management
 - Income collection and Banking arrangements
 - Accounting records,
 - 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 1 employee who works agreed hours and is paid in line with NJC paycales, 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 correctly and the amounts were found to be correctly paid apart from one small query which was given to the Clerk for investigation

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. 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 cheque 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 were no donations as Section 137 payments.

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

4.3. Risk Management/Governance arrangements

4.3.1. The Council does not have a Risk Management Policy and very few policies in place which are essential for good governance for the Council, and for effective internal controls.

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

4.3.3. Appointment of internal auditor was confirmed by the Council.

4.4. Income collection and Banking arrangements

4.4.1. Income received is mainly the precept and any bank interest throughout the year 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, Treasurer account for day to day transactions of the Council and a Money Manager account (deposit account) and used to transfer money to the Treasurers account when required.

4.4.3. I agreed the reconciliation of the bank statements at the end of the year to the Receipts and Payments records as at 31st March 2015.

4.5. Accounting Records

4.5.1. All Receipts and Payments were properly recorded and the Clerk carries out regular bank reconciliations, which are submitted to Members monthly.

4.6. Security/Assets

4.6.1. I understand that the Council owns one assets. (war memorial)

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 precept was discussed by a Parish Council Committee meeting on the 25th November 2014 where it was agreed for the coming year

4.8.2. At every Council meeting, Members are provided with financial reports financial/bank reconciliation statement and orders and payments since the last committee meeting.

5. Conclusions

5.1. The Council does not have Standing Orders or Financial Regulations. The first step in establishing a financial system is to identify the general rules applicable at council or committee meetings and in carrying out the council's business. Standing Orders, Financial Regulations and other internal instructions do this. Model versions of Standing Orders and Financial Regulations are available from NALC and SLCC.

5.2. The financial systems regarding the above were explained to me and this is what was examined during this review. Of the key controls examined within section 4 of the annual return there was nothing which was considered to be of concern and the internal controls were found to be working satisfactory.

6. Recommendations

6.1. It is recommended that the Council establishes rules outlining the Council's business and the financial systems of the Council to ensure good working practices.

G. Fletcher

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

Date 23rd May 2015