

**INTERNAL AUDIT REPORT  
2017/2018 - ANNUAL RETURN  
SANDHUTTON 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 SLOC, 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 £25,000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. Where the higher of gross income or gross expenditure was £25,000 or less, a council can certify themselves as exempt from a limited assurance review, and complete part 2 of the AGAR. The AGAR for part 2 is made of 2 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. Sandhutton Parish Council has completed certificate of exemption and part 2 of the AGAR.
- 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 annual internal audit report part of the AGAR.
- 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 were 0 donations/Section 137 payments made within the year.

- 4.2.5. Small amounts are paid by the Clerk who is reimbursed on production of receipts.

**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 transactions 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 Annual Meeting of the Council on 1<sup>st</sup> June 2017.

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

- 4.3.3. I understand that Standing Orders and Financial Regulations are still relevant by the Council for the year, although this is not recorded. Minimum testing by CDALC recommend that the most recent review date is within the current financial 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 31<sup>st</sup> March 2018.

- 4.4.4. Vat was received on 28<sup>th</sup> April 2017 for the period up to December 2016. VAT for 2017/18 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 were discussed by a Parish Council Committee meeting on the 16<sup>th</sup> November 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 AGAR 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.

*G. Fletcher*

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

Date 24/4/18