

**INTERNAL AUDIT REPORT
2018/2019 - ANNUAL RETURN
SCRIVEN 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. Scriven 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 paycales, all payroll information is confirmed by the Chair. This was found to be correct.
- 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, with approval of the amounts confirmed by 2 Councilors' in accordance with the creditors (Accounts Payable) system.

4.2. Creditors (Accounts Payable)

- 4.2.1. There are no separation of duties at Scriven 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 are prepared by the Responsible Finance Officer (Clerk) and together with the relevant invoices are presented to Members each month to view and check, and initialed by 2 councillor's who initial the cheque stubs confirming payment, the new Clerk has also ensured that the Councillors initial the invoices also. A record of all cheque payments, 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 2 donations/Section 137 payment made within the year.
- 4.2.5. There is no petty cash float held by at the Council, but any Clerk's expenses can be reimbursed through the creditors system.

4.3. Risk Management/Governance arrangements

- 4.3.1. The Council approved a risk assessment document on 28th June 2018. This seems satisfactory for a small Council due to the very small precept and few transactions and this is accepted by the Council as the risks are considered very low.
The Council did not consider an effectiveness of the internal controls for 2017/18 which gives evidence for the Annual Governance Statement for the Council. I understand that this is to be reviewed for 2018/19 and is to be considered at the Annual meeting with the statements of accounts.
- 4.3.2. There appears to be adequate insurance cover for all assets of the Council.
- 4.3.3. Revised Standing Orders were updated and approved and adopted as recommended by NALC On 28th June 2018.
Financial Regulations were agreed at a meeting on 21st March 2013, with paragraph 18.1. stating that these should be reviewed whenever there is a material change to the activities of the Council and at least every 2 years.
These should be reviewed to ensure that they are still fit for purpose.

4.4. Income collection and Banking arrangements

- 4.4.1. Income received is mainly from the precept, vat claim, 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 3 bank accounts held by the Council, Treasurers account for day to day transactions of the Council a Reserves Account (deposit account) and a Road Maintenance account which is not Parish Council monies and is included in the Council's accounts.
- 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 2019.
- 4.4.4. VAT for 2017/18 reclaimed by the Council and paid into the Council's bank account on the 31st May 2018.

4.5. Accounting Records

- 4.5.1. All Income and Expenditure was properly recorded,

4.6. Security/Assets

- 4.6.1. I understand that the Council owns assets, and these have been updated to show the current insurance value.

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 6th December 2018 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 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, however, a couple of recommendations are included in an action plan for implementation.

6. Recommendations

- 6.1. See action plan for recommendations.



Gordon Fletcher (C.M.I.A.),
Internal Auditor,
Date: 8th May 2019

ACTION PLAN 2018/2019

SCRIVEN PARISH COUNCIL

Action Ref	Observations	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
1.	The Council did not consider an effectiveness of the internal controls for 2017/18 which gives evidence for the Annual Governance Statement for the Council. I understand that this is to be reviewed for 2018/19 and is to be considered at the Annual meeting with the statements of accounts.	Poor internal controls in place.	High	That the effectiveness of internal control report be completed every year to give Members assurance when completing the Annual Governance Statement, (AGS). This should be reported and agreed before the AGS is signed.	Agreed	Parish Clerk Annually
2.	Financial Regulations were agreed at a meeting on 21 st March 2013, with paragraph 16.1 stating that these should be reviewed whenever there is a material change in the activities of the Council and at least every 2 years.	Financial Regulations are out of date and not suitable.	High	These should be reviewed every 2 years to ensure that they are still fit for purpose.	Agreed	Parish Clerk Immediate
3	There are 2 bank accounts held by the Council, Telexis account for day to day transactions of the Council a Reserves Account (deposit account) and a Road Maintenance account which is not Parish Council monies and is included in the Council's accounts.	Incorrect statement of accounts.	High	The bank account for Road Maintenance (RM) should be separated from the Council's accounts. The RM bank account should be taken out of the accounts by showing and expenditure from the accounts in the year.	Agreed	Parish Clerk During the year.