

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

**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
- Accounts Payable, including petty cash
- Governance/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 standard hours and is paid in line with NJC payscales.

4.1.2. All payroll information was checked for the year and the amounts were found to be correct.

**4.2. Accounts Payable**

4.2.1. There are no separation of duties at Shincliffe Parish Council as the Clerk is the only Officer responsible for Finance and Administration. However, compensating checks are carried out by the 2 Members who sign the cheques with a record of all details of expenditure shown in the Council's minutes. This was amended (legislation change) so that 1 signatory (the Chair, if absent one other signatory) can sign cheques, 2 signatories required over £500,

- and the Financial Regulations are to be updated to reflect this. (Meeting 19th July 2016).
- 4.2.2. The Internal Auditor checked all payments amounts and the associated records for the year 2016/17 and these were found to be properly recorded on the expenditure spreadsheet, and approval of accounts in the minutes, although cheque numbers are not shown in the minutes I understand that these are monitored by the Clerk and Finance Committee.
  - 4.2.3. All donations paid had been agreed by the Council prior to payment being made and were properly recorded as Section 137 payments on the expenditure spreadsheet.
  - 4.2.4. Petty cash is held by the Parish Clerk and receipts obtained.

#### **4.3. Governance/Risk Management**

- 4.3.1. The Council has a Risk Management Scheme which was approved at the 21<sup>st</sup> March 2017 Council meeting, along with the effectiveness of internal control report.
- 4.3.2. As previously recommended a Finance Committee has been set up with responsibility to review budgetary control, financial matters including Standing Orders, Financial Regulations, Policies and Procedures, etc. which will improve the Governance arrangements of the Council. At the 17<sup>th</sup> June 2016 Council meeting it was proposed that the Finance Committee meet 4 times per year and a workplan had been agreed.
- 4.3.3. The Internal auditor was appointed for 2016/17, at the 17<sup>th</sup> May 2016 Council meeting.
- 4.3.4. The Council had undertaken a 'mini audit' on Monday 13<sup>th</sup> February 2017. This included an audit of all income and expenditure (including invoices, cheques raised and bank statements), the bank reconciliation, the postage record and the petty cash account. It was reported that the accounts were extremely well maintained and commended the Clerk for her work and there were no issues to report.
- 4.3.5. The Council is progressing to achieve Quality Gold Award and have set up a working party to ensure that this is carried out with various tasks allocated to Councillors with the Clerk being the Project Manager. The Council is now in a position to submit an entry for the Foundation Level.

#### **4.4. Income collection and Banking arrangements**

- 4.4.1. Income received is usually from the precept, grants and vat reclaim, and are recorded on income and expenditure spreadsheet.
- 4.4.2. It was found that all income received for the year was received and properly recorded on the income spreadsheet.
- 4.4.3. The vat repayment was received on 24<sup>th</sup> June 2016 for the period April 2014 to March 2015. The vat for 2015/2016 has recently been submitted and I understand that 2016/2017 claim will be completed soon.

#### **4.5. Accounting Records**

- 4.5.1. All income and expenditure (including vat) was properly recorded on a spreadsheet and the Clerk carries out regular bank reconciliations.
- 4.5.2. The petty cash held was correctly shown in the accounts with the bank balances and cash held at the end of the year reconciled to the income and expenditure spreadsheets.

#### **4.6. Security/Assets**

- 4.6.1. The register of assets is reviewed every year when the statement of accounts are approved.
- 4.6.2. There appears to be adequate insurance cover for all assets of the Council.

#### **4.7. Debtors**

- 4.7.1. There are no accounts raised for debts.

#### **4.8. Budgetary Control**

- 4.8.1. The initial draft budget for 2017/18 would be considered by the Finance Committee in November 2016 (8<sup>th</sup> November 2016) with a view of discussing the precept at the 13<sup>th</sup> December, 2016 meeting of the Parish Council. This was agreed at the 17<sup>th</sup> January 2017 Council Meeting.
- 4.8.2. The proposed budget for 2017/2018 currently suggested an increase of 2%. A detailed discussion acknowledged that the reserves position was running extremely low and that the Parish Council had a responsibility to ensure that monies were held in reserves not only to meet the needs of the Parish, but also protect the Council in the event of any unforeseen events. As a result, the Parish Council felt that this increase may be too low, putting the Parish Council in a precarious position. The Clerk confirmed that following a networking exercise with other Parish Council's, a general reserves position of 50% of precept was deemed to be appropriate and standard practice. This was agreed at the 17<sup>th</sup> January 2017 Council meeting where the precept was raised.
- 4.8.3. Adequate budget monitoring (Financial position) for 2016/17 was carried out during the year.

#### **5. Conclusions**

- 5.1. All of the key controls contained within section 4 of the annual return were examined and these were found to be working well.
- 5.2. The Council is working to achieve the Quality Gold Award and the internal controls in place within the Council are more than satisfactory to attain to this.

#### **6. Recommendations**

- 6.1. There are no recommendations for this audit.



**Gordon Fletcher (C.M.I.I.A.)**  
**Internal Auditor**  
**Date: 28<sup>th</sup> June 2017**