

**INTERNAL AUDIT REPORT
SHINCLIFFE PARISH COUNCIL
2021/2022 - ANNUAL RETURN**

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 SLCC, 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. The AGAR is made of various 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.
- 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 control tests identified in the Internal Audit part of the AGAR.
- 3.2. Information was provided through the Scribe Financial system and e..mails from the Clerk, Scilbe was purchased in September 2021 and the information was input into the system from April 2021 by the Clerk.
- 3.3. 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)
 - Exercise of Public Rights for 2020/21.
- 3.4. The audit findings of this report have been discussed with the Clerk of the Council and any audit recommendations have been agreed with him

4. Findings

4.1. Payroll

- 4.1.1 The Parish Council has 1 employee (Clerk) who works standard hours and is paid each month according to NJC payscales. It is normal practice that Members confirm salary payments for the year at the AGM and when changes are brought to Members attention throughout the year. Members do have read only access to Scribe if they want to query anything.
- 4.1.2. All payroll information was checked for the year 2021/22, and the payments were found to be correct, and recorded on Scribe.

4.2. Accounts Payable

- 4.2.1. The Council uses Scribe financial system to record all expenditure and a report (Payments list) was downloaded for the year and examined and compared to the invoices, bank statements, and the Transactions for current account report. Every document which does not have an invoice should have an authorisation form completed as evidence of payment.
- 4.2.2. From April 2021 all payments were input into the Scribe financial system and were given a voucher number, which is recorded on the invoice or form. From April to June a "Payments for Consideration and Authorisation" form shows all payments to be made that month which are examined by Councillors at the Council meeting. (The voucher number was not shown on this form), this is then minuted.
- 4.2.3. April to June payments had a transaction list produced from the financial system showing all payments in voucher number order. This was signed and dated by the Chair. On checking this list all payments for April, May and June had been properly recorded and the transaction lists approved, however, minutes were not available to confirm if approval was minuted.
- 4.2.4. From July 2021 to October 2021 all payments were input into the financial system and recorded the voucher number. From November 2021 to March 2022 the Council commenced on line payments which were input into the financial system but no voucher number was recorded on the invoice etc. but the banking on line number (for confirmation with the bank statement) was recorded instead. There does not appear to be any authorization by Councillors and was not recorded in the minutes
- 4.2.5. Using my access to Scribe I produced a transaction list for all payments for 2021/2022 and could confirm that all payments had been correctly made.
- 4.2.6. The Council's Financial Regulations state that the RFO (Clerk) shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to council (or finance committee). The council / committee shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council (or finance committee). The approved schedule shall be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.
All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.
These financial regulations have not been followed
- 4.2.7. **To improve the system of internal control it is recommended that the Clerk certifies the invoice that goods have been received or service provided and that a transaction list produced every month in voucher number order so as Members can verify payments against invoices and authorize payments and is reported under Financial Matters in the minutes.**
- 4.2.8. 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 should be carried out by Members who authorize the payments.
- 4.2.9. Any donations should be agreed by the Council prior to payment being made and recorded as Section 137 payments on the payment voucher and expenditure spreadsheet.
- 4.2.10. There is no Petty cash currently being held by the Parish Clerk and receipts had been obtained until

this had stopped.

4.3. Governance/Risk Management

- 4.3.1. The Council has a Risk Management Scheme which was approved at the 31st March 2022 Council meeting, along with the asset register. **The effectiveness of internal control report is to be submitted at the AGM.**
- 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.
- 4.3.3. Standing Orders and Financial Regulations were last reviewed in March 2019 and approved at the 17th April 2019 Council meeting and not reviewed due to the Pandemic and I understand that these still applied. **These are to be reviewed at the AGM.**
- 4.3.4. The Exercise of Public Rights for 2020/21 was announced on 25th June 2021 with the inspection period between 29th June and 9th August 2021 and was placed on the website.

4.4. Income collection and Banking arrangements

- 4.4.1. Income received is from the precept, grants, bank interest and vat reclaim, and is recorded on the receipt record on Scribe.
- 4.4.2. I examined the receipt record from Scribe to the bank statements which was correct.
- 4.4.3. Bank reconciliations are carried out at the end of the year to the bank statements, every month the Council are notified of bank balances and a financial report (budget monitoring) showing expenditures each month against the budget heading.
- 4.4.4. Scribe records all vat and "get vat lists" show what Vat can be claimed. income was received on 23rd September 2021.
- 4.4.5. Financial Regulations 2.2. state that on a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman (or an authorized signatory) shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements as evidence of verification. **There was no evidence of this check being carried out** although Councilors do have read only access to scribe. **It is recommended that the Chair initials the bank statements when confirming the Bank reconciliation.**

4.5. Accounting Records

- 4.5.1. **Accounting Records**
- 4.5.1. The Council uses Scribe financial system to record all income and expenditure information and produces good reports and this appears adequate for the Parish Council.

4.6. Security/Assets

- 4.6.1. The register of assets is reviewed every year (31st March 2022 Council meeting)
- 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 budget for 2022/23 was initially considered by the Finance Committee on the 9th November 2021 and by Council on the 22nd November with the budget and precept agreed at the 16th December 2021 Council meeting.

4.8.2 Bank balances are provided at each monthly meeting along with a Financial Report which includes budget monitoring.

5. Conclusions

5.1. The Council has Financial Regulations in place, but these do not always appear to have been followed. I understand that Financial Regulations were reviewed at the Finance meeting on 5th May 2022 with a decision by Full Council to be on 19th May 2022.

6. Recommendations

6.1. Recommendations to improve the Council's internal controls, are shown above in bold.

A handwritten signature in black ink, appearing to read 'G. Fletcher'.

Gordon Fletcher (C.M.I.I.A.)
Internal Auditor
Date: 12th May 2022