

Annual Internal Audit Report 2018/19

WALTON PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2019.

The internal audit for 2018/19 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

| Internal control objective | Agreed? Please choose one of the following | | |
|--|--|-----|---------------------|
| | Yes | No* | Not covered** |
| A. Appropriate accounting records have been properly kept throughout the financial year. | | ✓ | SEE ATTACHED |
| B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for. | | ✓ | SEE ATTACHED |
| C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. | | ✓ | ^ |
| D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. | | ✓ | ^ |
| E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for. | ✓ | | |
| F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for. | | | N/A |
| G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied. | | ✓ | ^ |
| H. Asset and investments registers were complete and accurate and properly maintained. | ✓ | | |
| I. Periodic and year-end bank account reconciliations were properly carried out. | | ✓ | SEE ATTACHED |
| J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded. | ✓ | | |
| K. IF the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself exempt. ("Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR) | | ✓ | |
| L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations. | | | Not applicable ✓ |
| M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee: | Yes | No | Not applicable |

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

19/05/2019 DD/MM/YYYY DD/MM/YYYY

JOANNE BATEY FMAAT AUDITOR

Signature of person who carried out the internal audit

✓ Batey SIGNATURE REQUIRED

Date 19/05/2019

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

INTERNAL AUDIT REPORT
2018/2019 – ANNUAL RETURN
WALTON 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 SLCC, NAL, 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 £25,999 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of the 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.

Walton Parish Council has completed the certificate of exemption and Part 2 of the AGAR, to be agreed by members at a meeting to be held on 20th May 2019.

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 the work covers the ten key control tests identified in the Internal Audit part of the AGAR, only nine of these were examined as Walton Parish Council does not operate a petty cash system.
- 3.2 To properly complete the audit, the following areas of activity have been examined and tested by the Internal Auditor:
- + Payroll
 - + Creditors
 - + Risk Management
 - + Income collection and banking arrangements
 - + Accounting records
 - + Assets
 - + Debtors
 - + Budgetary Control (including year-end processes)
- 3.3 The audit findings of this report have been discussed with the newly appointed Parish Clerk 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 pay scales and is paid every 3 months.
- 4.1.2 All payroll information is carried out externally by Cumbria Payroll. Payments to HMR&C for PAYE are correct, however there are 2 cheques outstanding at the year end, chq 00017 dated 22/11/18 and cheque 00023 dated 14/11/19 both for £93.60.

4.2 Invoice Procedures

- 4.2.1 The Clerk to the Parish Council also acts as Responsible Financial Officer. Internal checks and financial Regulations should be followed by both the Clerk and members.
- 4.2.2 A schedule of cheques for payment and relevant invoices is evident in the records, however, on reviewing the minutes, the schedule and invoices were not always submitted to meetings and often the Clerk was not in attendance and the cheque book unavailable. Cheques are signed by 2 members and the cheque stub initialled by both, in accordance with Financial Regulations.
- 4.2.3 The Parish Clerk's expenses are recorded on a form and approved by the Council before payment is made.
- 4.2.4 All payments were checked to the invoices for the year and these were found to be properly recorded on the Income and Expenditure spreadsheet.
- 4.2.5 A separate column for section 137 is shown in the Income and Expenditure spreadsheet. There are no payments this year.

4.3 Risk Management/Governance arrangements

- 4.3.1 From the Minutes available, 2017 onwards, there does not appear to have been a Risk Assessment undertaken by the Council, which is essential for good governance for the Council.
- 4.3.2 The Parish Council has a very small budget with only 1 employee, and therefore its risks would be considered to be low.
- 4.3.3 There appears to be adequate insurance cover for all assets of the Council. (Came & Company)
- 4.3.4 From the Minutes available to view, 2017 onwards, there has been no adoption or review of current Standing Orders or Financial Regulations.
- 4.3.5 Core policies including Data Protection Regulations, Freedom of Information Policy, Equal Opportunities Policy etc have not been adopted and/or reviewed.

4.4 Income collection and Banking arrangements

- 4.4.1 The Council does not receive any income apart from the Precept, LCTS grant, VAT refund, bank interest and wayleave, additional income is from grant applications.
- 4.4.2 I examined all the income records for the year and confirmed that all income has been received, paid directly to the bank, and properly recorded on the Income and Expenditure spreadsheet.
- 4.4.3 Vat is recorded from the Income and Expenditure spreadsheet onto the VAT form and a claim has been made in the year from 1/1/16 to 31/10/18, dated 4/2/19 in the sum of £976.63. This claim is still outstanding and has not been received to the bank by the year end, 31st March 2019.
- 4.4.4 The Council holds 3 accounts, a Current Account, Play Area Account and Saver Account. Bank statements were not available at the year-end for the Saver Account but confirmed by a member of the Council.

4.5 Accounting Records

- 4.5.1 The Council keeps a manual Income and Expenditure record throughout the year which is adequate for a small Council. This was found to be properly recorded with a summary completed for the end of year accounts.
- 4.5.2 Reports should be made by the Clerk to the Council at its meetings on the income and expenditure balance and a bank reconciliation of the Council's Accounts. This has not always been the case for Walton Parish Council where bank recs have not been presented to meetings and per the minutes would be agreed later by the Chairman. This is not good governance and not compliant with Financial Regulations.

4.6 Assets

- 4.6.1 The Asset Register appears to be up to date as at 31st March 2019 and is agreed with the Statement of Accounts.

4.7 Debtors

- 4.7.1 Although not required to be recorded in the Receipts and Payments Accounts (i.e. cash based accounts), It is a concern that the VAT refund has not been received and therefore classed as a debtor.

4.8 Budgetary Control

- 4.8.1 The precept and budget were not discussed and agreed at a meeting of the Parish Council but agreed retrospectively at the March meeting of the Parish Council after being prepared by the Chairman.
- 4.8.2 The Income and Expenditure spreadsheet is set up to monitor the budget throughout the year.

4.9 Year End Accounts

- 4.9.1 Walton Parish Council prepares its accounts on a Receipts and Payments basis as required by the Accounts and Audit Regulations.

4.10 Annual Return

- 4.10.1 The balances carried forward on the 2018 Annual Return are incorrect and do not match the bank reconciliation at the year-end 31st March 2018. Several boxes on the submitted 2018 Annual Return are recorded incorrectly, Boxes 3,4,6 7 & 8, these have now been amended to show the correct figures on this year's Section 2 of the Accounting Statements.

4.11 Transparency Code 2015

- 4.11.1 All information to comply with the Transparency Code 2015, except for a schedule of payments over £100.00, is available on the Parish Council's website

5. Conclusions

- 5.1 The internal control and Governance arrangements for Walton Parish Council covering the financial year ending 31st March 2019 were not satisfactory and the Council was not fully compliant with all Account and Audit Regulations and statutory requirements.

6. Recommendations

- 6.1 Bank Reconciliations – To be reported and carried out fully at each meeting of the Parish Council, checked to the banks statements and to be signed by a member other than the Chairman.
- 6.2 Bank statements – Amend the bank mandate in order that all bank statements are sent direct to the Clerk.
- 6.3 Core Polices – Adopt and/or review core policies and General Data Protection Regulations.
- 6.4 Standing Orders and Financial Regulations – Adopt, and amend accordingly, current Standing Orders and Financial Regulations available from NALC or CALC.
- 6.5 Precept – Clerk to prepare a detailed budget in order for members to agree the precept. The budget is to be presented to the Council to be agreed and submitted to the District Authority by the submission deadline.

- 6.6 Risk assessment – Carry out a risk assessment to identify any and all potential inherent risks to the Parish Council.
- 6.7 Confirm PAYE cheques to HMR&C and VAT claim have been posted and received.
- 6.8 Add a schedule of payments over £100.00 to the finance page of the Council's website.

As of April 2019, a new Clerk/RFO has been appointed to Walton Parish Council and has already undertaken some of the recommendations in my report.



Joanne Batey (FMAAT)
Internal Auditor
19th May 2019