

INTERNAL AUDIT REPORT – 2022/2023

GREAT LUMLEY 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, 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 up of 3 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.
- 1.4. The Parish Council has taken over the running of the Community Centre and has made arrangements for an asset transfer to be completed and for the collection of income payment of its accounts.

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 key control tests identified in the internal audit part of the A.G.A.R.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by Internal Audit:
 - Payroll
 - Creditors
 - Risk Management
 - Income collection and Banking arrangements
 - Accounting records,
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
 - Exercise of public rights has been properly carried out.
- 3.3. Any audit findings of this report have been discussed with the current 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 2 employees who works fixed hours, Clerk and Caretaker
- 4.1.2. The payroll process is completed by an independent payroll provider who submits payroll information monthly to the Parish Clerk who makes the payments through the creditors system. I examined the payments made for 2022/23 and all payments had been correctly made, along with deductions for Tax and N.I. where appropriate.

- 4.1.3. Any expenses claimed are paid on production of a receipt and agreed during approval of the monthly payments list.

4.2. Creditors

- 4.2.1. Payments for the Parish Council and the Community Centre are paid through one bank account on receipts of an invoice. There is no separation of duties at Great Lumley Parish Council as the Clerk is the only Officer responsible for Finance and Administration. Compensating checks are carried out.
- 4.2.2. Every invoice is checked by the Clerk and sent to Councilors who can authorize the invoices. Once agreed, I understand that the 2 Councilors authorize the payments by bank transfer.
- 4.2.3 Any donations paid are agreed by the Council prior to payment being made and are recorded as Donations on the Receipts and Payments spreadsheet. The Council has a donations policy which was approved on 8th April 2014, and I understand is still relevant.
- 4.2.4 Although there is no petty cash held by the Council there are payments made to the Clerk and Caretaker for any expenses which appear reasonable and receipts are held for all expenditure and approved during the payments procedure. It should be noted that any reimbursements to employees or Councilors which include purchases for the Council, that the Council cannot claim the vat back even though a vat receipt is obtained. The Council should consider a debit or credit card in the Councils name if they want to claim the vat back.

4.3. Governance Arrangements

- 4.3.1. Standing Orders which include Financial Regulations and policies along with a Risk Assessment of the Council were approved at the 2nd June 2020 Council meeting. Other policies are considered and approved during the year if required. A review of financial regulations was carried out on 11th July 2022 and Standing Orders on 8th September 2022
- 4.3.2. Following last years audit recommendations all minutes had been signed by the Chair and bank reconciliations are reported monthly are signed and confirmed by the Clerk and the Chair.
- 4.3.3. The announcement of the public rights for 2021/22 was announced on 30th June 2022 with the inspection of the accounts available between 1st July and 11th August 2022.
- 3.4. All income and expenditure is recorded in the minutes.
- 4.3.5. The Council has Financial Control document was updated to reflect the procedures for the payments by bank transfer.

4.4. Income collection and Banking arrangements

- 4.4.1. For the Parish Council any income received is recorded on the Receipts and Payments spreadsheet (Cash Book) which records the precept, grants, room hire, vat reclaim, and bank interest
- 4.4.2. For the Community Centre income is recorded on a separate Receipts and Payment spreadsheet with the total shown on the Parish Council spreadsheet.
The Community Centre caters for Groups who hire out the rooms. Various charges apply for the room hire.
I understand that when hiring out the rooms the hirers must complete a booking form with terms and conditions attached.
- 4.4.3. There is a diary of Groups attending the Centre, showing Day, room and times. A list of Groups room hire is provided each month to the Parish Clerk who then raises an invoice. **The invoice number is not recorded on the List, which provides a good audit trail.** The list records when the invoice is paid.

The invoice shows dates and hours of the Group and the charges the List.

I examined the list of room hires, to the invoices raised and the charges and confirmed this to the

income received, on the cash book and bank statement which appear reasonable.

4.4.4. Vat to be reclaimed is recorded on the Receipts and Payment spreadsheet, with vat being received by the Council in October 2022.

4.4.5. There are 2 bank accounts held by the Council:

- i. Current account - **which holds monies which are over the Financial Services Compensation Scheme**
- ii. Savings account.

4.4.6. I agreed the reconciliation of the bank statements throughout the year and at the end of the year.

4.5. Accounting Records

4.5.1. All Receipts and Payments are recorded on a spreadsheet (Cash Book) and the Clerk carries out monthly bank reconciliations, which are confirmed and signed by her and the Chair.

4.6. Security/Assets

4.6.1. An Inventory is held of all assets, and this is formally approved by the Council when the statement of accounts is approved.

4.7. Debtors

4.7.1. Accounts are raised for all room hires (See 4.4.3.).

4.8. Budgetary Control

4.8.1. The precept requirement was discussed at the 6th December 2022 Parish Council Committee. However, there is no mention of the budget being prepared until the 7th March 2023 meeting. **Therefore the Precept does appear to have been calculated from the budget setting process for 2023/24.**

4.8.2. At each Council meeting Members are provided with details of the payments, with the financial position monitored when the precept and next year's budgets are determined. Any priorities/projects for the coming financial year are discussed during the budget setting process.

5. Conclusions

5.1. During the previous year the Council has appointed a new Clerk and also has responsibilities for the Community Centre and have adopted good internal controls, however, some improvements could be made.

6. Recommendations

6.1 It is recommended:

- to ensure that there is an adequate audit trail from underlying records (see internal control objective J) see paragraph 4.4.3 above.
- The precept should be calculated from the budget setting process for the coming year. (para 4.8.1)
- Another bank account should be opened to transfer monies from the current account so as to protect the Council's monies. (see para 4.4.5.)



Gordon Fletcher (C.M.I.I.A.)

Internal Auditor

Date: 26th April 2023