

INTERNAL AUDIT REPORT – 2021/2022

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 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.
- 1.5. During the financial year the Clerk left the Council and a new Clerk appointed, who commenced in November 2021

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 had 1 employee who works fixed hours, as from November 2021 a caretaker was also appointed and works fixed hours.

- 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 2021/22 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, 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.

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. No review was carried out in 2021 and I understand that they still apply and are to be reviewed in June 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 2020/21 was announced on 7th July 2021 the inspection of the accounts available between 7th July and 5th August 2021.
- 4.3.4. All income and expenditure is recorded on the minutes.
- 4.3.5. The Council has Financial Control document which needs updating to reflect the procedures for the Community Center and 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 receipt, grants, vat reclaim, and bank interest
- 4.4.2. For the Community Centre income is recorded on a separate Receipts and Payment spreadsheet which is then transferred in total to the Parish Council spreadsheet.
The Community Centre caters for Groups who can hire out the rooms. Various charges apply for the room hire.
When hiring out the rooms the hirers must complete a booking form with terms and conditions attached.

A list of Groups room hire is provided each month by a Councilor to the Parish Clerk who raises an invoice. The list is also used to record when the invoice is raised along with the charge and when payment has been made.

The list of room hires was examined and checked to the invoices raised and the charges confirmed and confirmed to the income received, on the bank statement and the spreadsheets.

4.4.3. Vat to be reclaimed is recorded on the Receipts and Payment spreadsheet. Following last year audit report backdated claims have been submitted, but nothing has been received., I understand this is being looked at by the Clerk.

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

- i. Current account
- ii. Savings account.

4.4.5. 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 carried 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.).

4.8. Budgetary Control

4.8.1. The precept requirement and budget forecasts were initially discussed at the Extraordinary Parish Council Committee on 21st December 2020 meeting, with approval being made at the 11th January 2021 meeting.

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 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 Recommendations for this audit are to ensure that:

- All invoices should show the signatures of the Clerk (to confirm that the invoice is ok to pay) and by the two Councilor's who authorize payment
- Financial Control guidelines be reviewed and updated.



Gordon Fletcher (C.M.I.I.A.)
Internal Auditor
Date: 15th June 2022