

**INTERNAL AUDIT REPORT  
2018/2019 - ANNUAL RETURN  
CASTLE EDEN 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. 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. Castle Eden Parish Council has completed certificate of exemption and part 2 of the AGAR.
- 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 ten key control tests identified in the Internal Audit part of the AGAR, only nine of these were examined, as the Parish Council does not have any petty cash.
- 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 procedures)
- 3.3. The audit findings of this report have been discussed with the 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 paycales and is paid every 3 months.
- 4.1.2. All payroll information was checked for the year and was processed correctly, and the amounts were found to be correctly paid.

**4.2. Creditors**

- 4.2.1. There are no separation of duties at Castle Eden Parish Council as the Parish Clerk is the only Officer

responsible for Finance and Administration. Compensating checks are carried out by the Members and Financial Regulations outline the systems to be followed.

- 4.2.2. Cheques for payment are prepared by the Responsible Finance Officer (Clerk) and together with the relevant invoices are presented to Members each month to view and check. In accordance with Financial Regulations - 2 Members and the Clerk sign the cheques at the Parish Meeting, and initial the cheque stubs.
- 4.2.3. The Parish Clerk's expenses are recorded on a form and approved by the Chair, 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 record.
- 4.2.5. All donations paid had been agreed by the Council were properly recorded as donations/Section 137 payments in the minutes.

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

- 4.3.1. The Council Risk Assessment document was reviewed at the 21<sup>st</sup> March 2019 Council meeting, 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 are considered to be very low.
- 4.3.3. There appears to be adequate insurance cover for all assets of the Council.
- 4.3.4. The Council has adequate Financial Regulations and Standing Orders in place and were approved at the Annual Meeting on 15<sup>th</sup> May 2017 for continued relevance by the Council in accordance with good practice from the Governance and Accountability for Local Councils guidance, and CDALC.

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

- 4.4.1. the Council does not receive any Income apart from the Precept, LCTS grant and vat refund and a small amount through a wayleave agreement and bank interest.
- 4.4.2. I examined all the income records for the year and confirmed that all income had been received, promptly banked, and properly recorded in the Receipts and Payments book.
- 4.4.3. Vat is recorded from the Receipt and Payments records onto the vat form and is claimed when it is reasonable to claim., this is acceptable for the small number of transactions. No Vat refund had been received during 2017/18 and 2018/19.
- 4.4.4. The Council holds a Current account and Deposit account.

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

- 4.5.1. The Council keeps a manual Income and Expenditure record throughout the year which is adequate for a very small Council and this was found to be properly recorded with a summary completed for the end of year accounts.
- 4.5.2. The Clerk reports to Council every month on the income and expenditure balance and at the end of the year a bank reconciliation is carried out, which is confirmed by the Chair. This was found to be correct at 31<sup>st</sup> March 2019.
- 4.5.3. Bank statements are carried out every month and reported to the Council meeting with the bank statements being viewed by the Chair.

**4.6. Assets**

4.6.1. The Asset Register as at 31st March 2019 is agreed with the statement of accounts.

**4.7. Debtors**

4.7.1. There are no accounts raised for debts as Debtors either pay by cash or a cheque is received for work/service carried out.

**4.8. Budgetary Control**

4.8.1. The precept and budget had been discussed and agreed by a Parish Council Committee meeting on the 17<sup>th</sup> January 2019. The annual budget was prepared to support the precept.

4.8.2. As the Council has very little income and expenditure, budget monitoring is not carried out until next years budget and precept is discussed, this is acceptable for a very small Council.

**5. Conclusions**

5.1. The internal control and Governance arrangements are satisfactory for the size of the Council.

**6. Recommendations**

6.1. There are no recommendations:



Gordon Fletcher (C.M.I.I.A.)  
Internal Auditor  
Date: 28<sup>th</sup> April 2019