

**BISHOP MIDDLEHAM AND MAINSFORTH PARISH COUNCIL**  
**INTERNAL AUDIT REPORT**  
**2019/2020 Annual Return**

**1. Background**

- 1.1. Local Councils in England and Wales (Parish Councils, Town councils) are expected to complete an annual return (AGAR) summarising their annual activities at the completion of each financial year.
- 1.2. One of the sections within the annual return is to be completed by the Council's independent internal auditor, who is to give an opinion of the Council's internal controls.

**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, during the year.

**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 AGAR of the annual return.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by the Internal Auditor for the financial year 2019/2020.
- Payroll
  - Creditors
  - Risk Management
  - Income collection and Banking arrangements
  - Assets
  - Debtors
  - Budgetary Control (including year end procedures)
  - Exercise of Public Rights
- 3.3. During the year the Parish Clerk was on long term sick leave (on ½ pay) and it has been agreed for him to continue as RFO. An Acting Parish Clerk has been appointed and carries out the day to day work of the Council, from January 2020 he took over the RFO responsibility.
- 3.3. The audit findings of this report have been discussed with the Acting Parish Clerk and any audit recommendations have been agreed with him.

**4. Findings by the Council,**

**4.1. Payroll**

- 4.1.1. The Parish Council has a Parish Clerk who is paid a standard amount each month and is on ½ pay, which finished during the year. The Acting Parish Clerk is paid through the on line banking system, through the Basic Paye tools run by HMRC, which allows payroll tasks to be performed including deduction of Tax, NI. The Parish Clerk completes a timesheet each month which is approved by the Chair when payments are agreed each month.
- 4.1.2. I examined the timesheets for the financial year 2019/2020 and all were found on the payments file and had been approved during the payment procedure.
- 4.1.3. "Details of employee payments" are produced each month which records the amounts paid to the employee and to HMRC. These payments appeared reasonable and were confirmed.
- 4.1.4. It has been agreed that from 1<sup>st</sup> April 2020 that an external provider be contracted to carry out the monthly salaries and associated payments to HMRC. This is good independent internal control for the Council.

## **4.2. Creditors**

- 4.2.1. All payments (cheque and on line banking) for the Parish Council are given a voucher number, and are recorded on the spreadsheet used to record income and expenditure, and reported each month to the Council on a monthly Financial Transaction report. I understand that the invoices are presented for examination if required.
- 4.2.2. There are no separation of duties at Bishop Middleham and Mainsforth Parish Council as the Clerk is the only Officer responsible for Finance and Administration. Compensating checks are carried out by 2 Members who confirm the payments.
- 4.2.3. On examining all the payments from April 2019 to March 2020 as recorded on the spreadsheet, all payments had a voucher number but not all were shown on the Monthly Financial Transactions Report on the file of invoices although I understand that this report would have been presented to Members for approval of the payments.

## **4.3. Risk Management**

- 4.3.1. The Council has a Financial Risk Assessment which was approved at the Annual General Meeting (AGM) on 8<sup>th</sup> May 2019. The risks to the Parish Council have also been reduced with the appointment of an experienced Parish Clerk and an independent Internal Auditor who gives assurance on the Council's activities, and as the Parish Council has a very small budget with only 1 employee, its risks are considered to be low.
- 4.3.2. The Council has taken steps to reduce its risks by annually reviewing its Financial Standing Orders (which include Financial Regulations) at the AGM. (8<sup>th</sup> May 2019)
- 4.3.3. These were also reviewed at the June 2020 meeting.

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

- 4.4.1. There is very little income received by the Council and is banked through direct debits, mainly for garage rents and football rents and are recorded on the accounts income spreadsheet and reported which is approved by Members and recorded in the minutes. Payments for the football rents were received in March 2019, but due to the Coronavirus none was collected in March 2020.
- 4.4.2. There are 3 bank accounts held by the Council:
- Business Saver account – used to hold monies and obtain interest and to transfer money to Business Community account (for a specific purpose)
  - Business saver account – used to hold monies and obtain interest and to transfer money to Business Community account,
  - Community Account – shows all income and expenditure
- 4.4.3. Bank reconciliations are carried out from the spreadsheet, where the Parish Clerk identifies all payments shown on the bank statements. I understand that this is reported each month with the bank balances along with the bank statements being available for members to view. Bank reconciliation to the income and expenditure records was carried out after 6 months and 9 months, (for budget setting process), and at the year end.
- 4.4.4. VAT has not been claimed for 2018/19 and 2019/20, however, due to the changeover of Clerk where problems arose with the bank, this has recently been made.

## **4.5. Accounting Records**

- 4.5.1. The Council records its income and expenditure on a spreadsheet, which is adequate for a small Parish Council. The Council had agreed to purchase Rialtas Accounting System, which has commenced from 1<sup>st</sup> April 2020, and all income and expenditure is input into here, which will also improve the financial reporting of the Council
- 4.5.2. The end of year accounts has been completed by the independent accountant along with an end of year bank reconciliation and figures for the 2019/20 AGAR.

**4.6. Security/Assets**

4.6.1. An Inventory is to be completed of all asset for 2019/2020 and is to be approved with the statement of accounts.

**4.7. Debtors**

4.7.1. There are no accounts raised for debts.

**4.8. Budgetary Control**

4.8.1. Standing orders (26) state that the Responsible Finance Officer shall provide the Members with a copy of the budget every quarter or when deemed appropriate.

4.8.2. On examining the minutes of the Council, budgetary control was discussed and reported when the precept requirements and next year's budget were to be determined. (8th January 2020).

4.8.3. The precept was discussed at a meeting and reported and agreed at the Parish Council meeting on the 8th January 2020 with a budget agreed for the year 2020/2021. The annual budget was prepared to support the precept.

4.8.4. At the 8th January 2020 Council meeting it was agreed to accept the Medium-Term Financial Plan which had been submitted and discussed at the December meeting.

**4.9. Governance Arrangements**

4.9.1. The Council's Governance arrangements are shown in a report on the effectiveness of internal control covering, Internal Audit, Policies and Procedures and Risk Management. This has been completed and is to be reported at the next Council meeting.

4.9.2. The Council agrees the Council's Standing Orders including Financial Regulations, and Risk Management at the AGM each year, along with appointment of the internal auditor. It has been agreed that Standing Orders and Financial Regulations are to be reviewed when any other policies and procedures are considered during the year, this can be seen when the on line payments procedure was adopted by the Council.

4.9.3. The exercise of Public Rights for 2018/19 was announced on 1<sup>st</sup> July 2019 and covered the inspection period of 1<sup>st</sup> July to 9<sup>th</sup> August 2019.

**5. Conclusions/Recommendations**

5.1. The internal controls for the Council are satisfactory for the size of the Council and no action plan was required.

5.2. The purchase of Rialtas Accounting software will help improve the financial controls for the Council and better reporting, and for producing the end of year accounts.



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

**Internal Auditor**

**Date: 9<sup>th</sup> August 2020**