

# **CORNSAY PARISH COUNCIL**

## **INTERNAL AUDIT REPORT**

### **ANNUAL AUDIT 2017/2018**

#### **BACKGROUND TO REPORT**

Under the provisions of the Accounts and Audit Regulations 2015 Councils, such as Cornsay Parish Council, should arrange for an independent and suitably qualified person to carry out an internal audit who, *on the basis of an assessment of risk, should carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31<sup>st</sup> March.*

The internal auditor is provided with a detailed checklist ("objectives of internal control") by the external auditor (Mazars for 2017/18) to which he/she is asked to state if they Agree (YES) or disagree (NO) to each entry marked 1-9 on the checklist included in the Annual Governance and Accountability Return (AGAR). Such responses signify conclusions on whether, in all significant respects, each objective was being achieved throughout the financial year to a *standard adequate to meet the needs of the council.*

*Under the relevant sections of the Audit Commission Acts auditors are required to report any matters which should be given formal consideration by the body or brought to the attention of the public.*

#### **CARRYING OUT THE AUDIT**

I met with the Clerk of the Council on 17<sup>th</sup> May 2018.

The purpose of the meeting was to examine the year end accounts for 2017/18 in accordance with the guidelines set down by the Audit Regulations.

I was advised that on this occasion the annual return was based on a revenue and payment basis.

The Clerk has prepared a range of additional documents to be sent to the external auditor with this in mind and in compliance with the AGAR guidelines.

#### **BUDGET 2017/18**

The out-turn figures compared with the basic budget forecast were within reasonable parameters of the original budget and, where appropriate, a detailed note has been prepared by the Clerk as part of any papers to be sent in to the external auditor.

#### **RECEIPTS**

##### ***Precept***

Following a detailed report to the Council on 29<sup>th</sup> November 2017, the Council resolved to increase the precept by around 2% for 2018/19 (now £15,775 from £14,945). The Council Tax Base figure increased from 265 to 274.2 and as a result of the increase in Precept the Band D figure increased by 2% from £56.40 to £57.52.

## ***Recovery of VAT***

I was advised that a substantial outstanding amount was recovered for 2016/17 but due to various issues with HMRC nothing was recovered for 2017/18 (around £1200) but was assured that this should be paid shortly.

There is one potential area where vat might be recoverable – the telephone payments to TALKTALK. The Clerk to clarify whether any vat paid on the TALKTALK invoices should be recovered from HMRC.

## ***Grants from the Wind Farm***

None claimed/received during 2017/18.

## **PAYMENTS**

### ***Donations***

I was advised that one payment had been made during 2017/18 to a local “Kurling” Club in accordance with the Council's Grants and Donations Policy.

### ***Invoices***

From the random selection made all accounts appear to have been referred to the Council for approval and were in keeping with a previous authority to incur such expenditure.

## **BALANCES**

The balances at the year end are a net £18,838.98 (uncleared cheques) and from this should be deducted earmarked amounts for outstanding Lottery funding expenditure (£6,000) and for the Community Centre Building project (£3,000) resulting in an adjusted balance of £9,838.98.

Mazars (the external auditor) has suggested a lower figure of 25% of the annual precept up to 115% of the Precept as a range for a smaller Council's balances.

For Cornsay Parish Council this would give a range of around £4,000 to £11,500 as a recommended level (excluding any earmarked expenditure). As the Council's balances are in the order of £10,000 this would fit within Mazars recommendation.

## **PAYE**

I understand that the Council continues to submit the Real Time Information payments required by the HMRC. The only issue I had here was that as the HMRC returns have to be sent on line by Councils and as the Council does not have IT facilities available in the Community Centre I was not able to confirm the information presented to me.

## ***Expenditure greater than £500***

I understand that this information is easily extrapolated from the Council's website and at the moment it is not a mandatory requirement for Councils within the £25,000 to £200,000 within Transparency Codes introduced by the then Ministry of Housing, Communities and Local Government from 1<sup>st</sup> April 2015 .

## **Insurance**

I was advised that the Council is now into the third year of a 3 year contract and that apart from the usual RPI adjustments to some items there weren't any changes to the schedule attached to the policy document.

I also understand that there were no insurance claims made by the Council in 2017/18.

## **Clerk's salary and terms and conditions**

I understand that the Clerk's terms and conditions were reviewed during 2017/18 and that there were no changes made.

## **TENDERS/QUOTATIONS**

Within the Council's Standing Orders is the following:-

*When it is to enter into a contract of less than £60,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £100 the Clerk or RFO shall strive to obtain 3 32 estimates. Otherwise, Regulation 10 (3) above shall apply*

Should the Council have any ongoing contracts that fall within the parameters of these "Orders" then it might wish to consider them within the next budget round.

## **USE OF PERSONAL DEBIT CARD BY THE CLERK**

This issue has arisen again but on one such occasion the Clerk had already been issued with a cheque to cover his costs as payment was required before any cheque to the supplier could be presented and cleared.

The other incident was one of those unfortunate situations when time did not allow for the usual clearances to be obtained, a cheque made available to the Clerk and signed by the appropriate signatories.

Hopefully this is a situation which will not occur again and that procedures are in place to avoid this happening.

## **NEW HAMSTEELS COMMUNITY HALL**

I was advised that funding for this project was almost at an end and that the attendance figures were in excess of those contained within the business plan used when submitting the bids for funding.

However as mentioned under **BALANCES** there is still around £3,000 remaining in the balances for the Community Centre Building Project.

I would recommend that this amount be spent in the Centre as soon as possible on a project of benefit to the public in order to satisfy the funders that all their grants have been used on worthwhile projects.

## **OTHER MATTERS**

### ***Risk Assessment***

I understand that a review of the Council's Risk Assessment was carried out and approved by the Council at a Meeting held on 31<sup>st</sup> January 2018.

### ***Asset Register***

I understand that a review of the Council's Asset Register was carried out and approved by the Council at a Meeting held on 31<sup>st</sup> January 2018.

### ***Financial Risk assessment***

I have noted the Council's financial regulations continue to be based on the NALC model and that these were reviewed by the Council at a Meeting held on 31<sup>st</sup> January 2018 with no changes made.

### ***Review of the Effectiveness of Internal Audit***

I understand that the Review was carried out and approved by the Full Council at a Meeting held on 31<sup>st</sup> January 2018.

### ***Cheque counterfoils***

All counterfoils appear to have been initialled by 3 authorised signatories, as required under the Council's financial regulations, excepting one identified by me during a random selection.

### ***The General Data Protection Regulations***

There will be implications to the Council once these Regulations are in place.

I understand that the Council is aware of the Regulations and has the matter in hand although I have been advised that the Regulations might currently be under review at a government level.

### ***Playground Inspections***

I was advised that the annual inspection had been carried out in March 2017 and that the Councils that 2 local residents carry out logged weekly inspections.

Whilst no inspection took place in 2017/18 this was due to bad weather preventing a scheduled inspection in February 2018.

### ***Further matters raised by the County Durham Association of Local Councils***

- a) Have regular backups of electronic records with archive copies kept in a second remote location.
- b) Publicise on the Council's website Councillors contact details (separate council email addresses (not personal) and possibly a telephone contact.
- c) Have details of the Council's representatives on external local public bodies published on the Council's website.

## **MATTERS REQUIRING ATTENTION**

### ***Recovery of VAT***

To consider recovering the vat included in the various TALKTALK invoices received during 2017/18 and already paid.

### ***Review of ongoing contracts***

To consider whether any ongoing contracts that fall within the parameters of the Parish Council's Standing Orders should be reviewed within the next budget round.

### ***New Hamsteels Community Hall***

To take appropriate steps to spend the remaining Community Hall Project funding on a project beneficial to the residents of the Parish Council in the new Community Hall.

## **THE RESPONSE TO THE AUDIT FOR 2017/18**

Following a detailed discussion with the Clerk, and having reviewed a range of documents and other records, I came to the conclusion that I could response **YES** to each of the objectives identified by the external Auditor.

That said I would hope that by the date of next year's audit further that improvements have been made to the Council's financial affairs, as outlined in this report.

I would also remind the Council that the new AGAR requirements will probably involve some changes to the details included on any final submission to the external auditors.

## **QUALIFICATIONS**

My report is based on a limited review of the Council's accounts and was not a full audit.

It should not therefore be taken as approving the Council's accounts for 2017/18.

The purpose of this report is to be satisfied that the Council has adequate systems in place to meet the numerous control objectives sought by the External Auditor.

Finally I would like to thank the Clerk for his help in completing my audit.

M. G. Ackroyd  
Internal Auditor

20th May 2018