

Room 103 Floor 1
County Hall
Durham
DH1 5UF

4/26/2019

To: Sacriston Parish Council
Provision of 2018/19 Internal Audit

I confirm that I have carried out an Internal Audit of the Parish Council's accounts and records for the financial year ended 31st March 2019. I have examined the system of internal control by carrying out the tests required and I have certified the Annual internal audit section of the Council's Annual Return accordingly.



Sacriston Parish Council
Mr H Dixon
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**INTERNAL AUDIT OF SACRISTON PARISH COUNCIL
YEAR ENDED 31ST MARCH 2019 – AUDITORS REPORT**

Having carried out an internal audit of the Council's 2018/19 accounts and records I confirm that I have examined and assessed compliance with the relevant procedures and controls by carrying out the tests required and I have certified the Annual internal audit section of the Council's Annual Return accordingly.

2018/19 continued to be another year of uncertainty for Sacriston Parish Council. A permanent clerk was appointed in June 2018 only to fill the post for three months before resigning. A further permanent appointment was made and their new, and still current clerk, attended their first meeting on the 3 October 2018.

Therefore, for most, if not all, of the financial year, Cllr H Dixon continued to produce the financial records and returns for the council. This situation should not be allowed to continue for much longer and responsibility for the financial and other tasks should revert to the new Clerk/RFO as soon as practicable. The separation of duties must be established to allow good governance to be introduced.

Pleasingly I have seen evidence that the council has taken action on all of the points raised by external auditors Mazars during the course of the year.

The following details my assessment on each of the internal control objectives:

A. *Appropriate accounting records have been kept properly throughout the year.*

The scope of my audit included the inspection of the income receipts and expenditure payments recorded in the cash book during the year. It is recommended that the council ensures that all future income/expenditure ledger entries are supported by the appropriate documentation.

The introduction of a cash book that allocates income/expenditure to budget heads would help to improve the production of budgetary control statements and the end of your AGAR completion.

B. *The Council met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.*

It is evident that the council for 2018/19 has attempted to provide supporting invoices where necessary. Having said that there are still instances where no invoice was supplied for some items of expenditure.

There was evidence of VAT being recorded in the ledger for those invoices that did show the VAT element however, the council should insist that all suppliers provide appropriate VAT invoices which clearly show VAT (where applicable).

For 2018/19 it was pleasing to note that the previous backlog of VAT had been recovered from HMRC as well as a periodical HMRC VAT recoveries for the current financial year.

Again, periodically throughout the year a councillor should check the ledger entries to invoices to ensure all VAT is being correctly accounted for to ensure no recovery is

missed

There was evidence recorded in the minutes of meetings throughout the year to show that items of expenditure were approved by the council for payment.

The number of larger purchases in the year were reduced from last year. I was provided with verbal reassurance (no hard copy evidence) that three quotes/estimates had been obtained for any larger purchases.

C. *The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*

Minute 11 of the May Annual Meeting of the council refers to the approval of Financial Regulations being approved by council for the ensuing year.

Minute 12 approved the councils Standing Orders.

Other minutes from this meeting approved other policies for the ensuing year.

A Risk Assessment Plan was introduced to council at their meeting held on the 6 March 2019 but was not fully agreed by council until April 2019 i.e. not in the 2018/19 financial year. These policies should continue to be used and reviewed annually to ensure they remain fit for purpose.

Insurance arrangements should continue to be reviewed annually to provide certainty that all risks are adequately covered by insurance wherever possible.

D. *The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

At the 2nd January 2019 meeting the full council received a report from the councils Finance committee recommending that the Precept is increased by 5% with the additional funding being allocated to the Fulforth Centre to assist them with ongoing running costs.

Members discussed this in full and it was acknowledged that it would have to be put to residents of the village for consultation.

It was resolved that a leaflet would be included within the Parish Newsletter recommending the increase but asking for views from members of the public by the 18/01/2019. These would be taken into consideration prior to the precept submission to County Hall on the 29/01/2019.

I could find no evidence of a budget being provided during the budget setting and precept request process.

It would appear from the minutes that the full council has received some reports about the level of balances being available at the end of certain months in the year however from the evidence provided and agenda items online I could find no evidence that the council had received quarterly reports showing progress against each budget head and

that there was clear evidence to demonstrate proactive budget management.

The council should introduce and report to council a quarterly budgetary control statement showing, for each budget heading, last years actual spend, current year budget approval, actuals incurred to date and variances against current budget etc. This would enable the council to monitor its budget more appropriately than they currently do through the list of expenditure being approved at each council meeting along with a balance of accounts figure showing how much cash was still available..

E. *Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

Income evidenced during the year consisted of the yearly precept and Localisation of Council Tax Support grant along with a few miscellaneous income items. One item of income remains to be an unexpected receipt, this has been left in the accounts whilst the banks sort out the discrepancy. It could be that this income is reclaimed by the bank in 2019/20 or future years. It might be prudent to allocate this money to an earmarked reserve in possibility of it being reclaimed.

All were properly accounted for and balanced between the cash book and bank statements. No VAT involved.

F. *Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.*

Sacriston Parish Council stated to operate a Petty Cash account during 2019/20 with £200 provided from the main bank account on the 14 November. There was a balance of £2.17 remaining on this account at 31 March and details of receipts etc were provided.

I do not recommend the operation of petty cash systems. Perhaps a better option would be the introduction of a debit/credit card for such petty cash and online purchases.

G. *Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.*

As stated above the council is still in a period of turmoil having appointed two clerks during 2018/19.

Ongoing issues still exist with HMRC from the resignation of their clerk during 2017/18. This is apparently interfering with HMRC records being created and accounted for the clerk appointed for June July and August and the current clerk being paid for October onwards.

Payments have been made to these clerks and deductions made at 20% in respect of their PAYE contribution. It would appear that the monthly level of payment is below that which attracts an employers National Insurance contribution but the PAYE element deducted from salaries remains to be paid over to HMRC.

The council now only employs one person – the clerk. Council members confirmed that the clerk was paid on the salary grade and scale point allocated to her by council.

No allowances were paid to members.

H. ***Asset and investments registers were complete and accurate and properly maintained.***

The Council maintained an asset register which has been reviewed and updated on an ongoing basis. A newly purchased computer could be added to the asset register and an old obsolete one deleted from the register. The Council has no investments other than bank deposits and these were adequately recorded.

I. ***Periodic and year-end bank account reconciliations were properly carried out.***

There was no evidence provided that bank reconciliation statements had been provided during the year. An end of year bank reconciliation has been provided and examined which balances between the newly constituted cash book/ledger and the bank statement for 31 March 2019.

It is recommended that the council receives quarterly bank reconciliations between the cash book/ledger and the bank statements. A copy of the bank statement and cash book/ledger should be provided for certainty of this control.

This will provide evidence to the council to confirm that any issues are quickly identified, followed-up and resolved and at the year end there were no long standing unpresented cheques or discrepancies in cheque encashment or cash book recording of invoices etc.

J. ***Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded***

The accounts were prepared on an income and expenditure basis with no accruals at the year end. The Council's accounting records are much better than they were for 2017/18.