

# **CORNSAY PARISH COUNCIL**

## **SECTION 4 – ANNUAL INTERNAL AUDIT REPORT**

### **TO THE EXTERNAL AUDITOR**

#### **ANNUAL AUDIT 2016/2017**

#### **INTERNAL AUDITORS COMMENTS ON SECTION 4**

##### **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 (BDO Stoy Hayward for 2016/17) to which he/she is asked to state if they Agree (YES) or disagree (NO) to each entry marked 1-10 on the checklist. 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 18<sup>th</sup> May 2017.

The purpose of the meeting was to examine the year end accounts for 2016/17 in accordance with the guidelines set down by the Audit Regulations and more recently the BDO Audit Briefing for March 2016. I am aware that the Council is subject to an Intermediate Audit as either its income or expenditure exceeded £200,000 at the year end. The Clerk has prepared a range of additional documents to be sent to the external auditor with this in mind.

##### **BUDGET 2016/17**

The out-turn figures (Income/Expenditure) compared with the basic budget (excluding the new Centre) forecast were within reasonable parameters of the original budget or, if not, 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 17<sup>th</sup> December 2015 the Council resolved to increase the precept by 3% for 2016/17 although the actual amount payable by householders was slightly less as the Council Tax Base Rate increased from 243.4 to 261.3.

I understand that the Council increased the precept for 2017/18 by 5%, based upon a detailed budget presented to the Council, which resulted in a revised Council Tax Band B amount of £56.40 (from £53.71) with the Council Tax Base rising from 261.3 to 265.0.

## ***Recovery of VAT***

Not a major issue to report excepting that over £4,000 of vat paid in 2016/17 will not be recovered until the current financial year although these relate to accounts settled towards the end of 2016/17.

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

None received during 2016/17.

## **PAYMENTS**

### ***Donations***

I was advised that no payments had been made during 2015/16.

I noted that the Council has a Grants and Donations Policy which enables the Clerk and Chairman to identify which requests qualify for consideration by the Council and which do not.

### ***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.

### ***PAYE***

I understand that the Council continues to submit the Real Time Information payments required by the HMRC.

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

I understand that this information is easily extrapolated from the Council's website.

### ***Insurance***

I was advised that there were a couple of changes to the cover with the new Community Centre being included at an amount in excess of £700,000 (including rebuilding costs, demolition and architects fees) and for some new IT and other equipment.

I understand that there were no insurance claims made by the Council in 2016/17.

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

I understand that the Clerk's terms and conditions were reviewed during 2016/17 and that his hours were extended by 1 hour per week and pay increased by 1% in accordance with an NJC agreement.

## **TENDERS**

I understand that the Council has a policy in place for *Budgetary control & authorisation to spend*. Whilst there were items of expenditure for 2016/17, clearly in excess of some of the limits set out in this policy, the Clerk advised me that either due to the expediency of the matter, or that the Council had to deal directly with a named party.

Some payments for building works, due under the contract which had been agreed by the Council, were covered under Financial Reg 12a.

## **USE OF PERSONAL DEBIT CARD**

I have discussed with the Clerk his use of a personal debit card to buy some £3,000 of equipment from Curry's. I understand that this arrangement was approved by various Councillors before the equipment was bought by the Clerk, with reimbursement 5 days later.

Whilst I appreciate that the Clerk is prepared to help the Council in such cases I would recommend that the Council considers other arrangements to avoid placing the Clerk in this position again, particularly where large purchases are involved. On this point see DCLG Document below:-

*Reform of parish and community council payments law - Para 2.9 refers*

*Some banks do make available methods of authorising electronic payments involving two electronic signatures, but these facilities are not generally available and may be difficult for the smaller bodies to operate because of the access required to computer facilities. Some of the consultation responses have described the "work-arounds" used by councils to make electronic payments. These often involve the use of the council clerk's personal credit or debit cards to make a payment. This is an unreasonable imposition on an employee, and can also attract unwarranted suspicion when the reimbursement payments to the clerk are listed in the council's payment disclosures.*

There might be other options available to the Council, such as a Bankers Draft or by using Paypal (as do Curry's) or by at least providing the Clerk with a reimbursement cheque around the same time as the card is to be used.

In the unlikely event that the Council wishes the Clerk to use his/her personal debit card in future to make a purchase for the Council I would recommend that he/she speaks first with the then internal auditor.

## **OTHER MATTERS**

### ***Reserves***

The reserves are £29,413 at the year end - broken down as roughly £2,000 left from Derwentside District Council, £4,000 contingency, £15,000 Lottery funding for wages and £6,000 left for the community centre which leave around £3,000 unallocated reserve at the year end.

When spent this should reduce the Council's reserves to a more realistic level.

### ***Earmarked Reserves***

I was advised that the Council is observing its Financial Regulations re Earmarked Reserves.

### ***Risk Assessment***

I understand that a review of the Council's Risk Assessment was carried out and approved by the Full Council at a Meeting held on 25<sup>th</sup> January 2017.

### ***Asset Register***

I was advised that other than including some new televisions, and other equipment purchased in this period, there were no other significant changes to the Register during 2016/17. This was reported to the Council at a Meeting held on 25<sup>th</sup> January 2017.

## ***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 25<sup>th</sup> January 2017 with no changes made.

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

I was advised that the Council had carried out a review of the effectiveness of its own internal audit procedures and that it had been approved by the Council at a Meeting held on 25<sup>th</sup> January 2017.

## ***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.

## ***Minutes***

It was noted from a random check that all pages had been signed by the Chairman.

It was further noted that one set of minutes, which I identified during my audit for 2015/16, had now been signed off by the Council, namely the minutes of the Community Building Project Committee which last met in November 2014.

## ***Playground Inspections***

I noted that the Councils continues to have its playground equipment checked annually by a qualified engineer and that 2 local residents carry out logged weekly inspections.

## **NEW HAMSTEELS COMMUNITY HALL**

I was advised that the bricks and mortar element of this project had now been completed with all invoices paid and, where eligible for a repayment from HMRC, any vat either recovered or was in the process of being recovered.

I understand that the warranty period of 6 months for the building works has now lapsed and that the Council will be addressing the untidy area in front of the building this spring/summer.

There are ongoing "staffing" arrangements in place to monitor/market the project but any related costs are contained within the Council's reserves.

## **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 2016/17.

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  
25<sup>th</sup> May 2017