

BISHOP MIDDLEHAM AND MAINSFORTH PARISH COUNCIL
INTERNAL AUDIT REPORT
2020/2021 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 2020/2021.
- Payroll
 - Creditors
 - Risk Management
 - Income collection and Banking arrangements
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
 - Exercise of Public Rights

4. Findings by the Council,

4.1. Payroll

- 4.1.1 The Parish Council has a Parish Clerk who works varied hours and is paid a basic rate each month and is paid by cheque. Previously the Council processed the payroll through the on line banking system, Basic Paye tools run by HMRC. It was agreed 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.
- 4.1.2. The Parish Clerk completes a timesheet each month which is approved when payments are agreed each month.
- 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.

4.2. Creditors

- 4.2.1. All payments (mainly by cheque with some direct debits) for the Parish Council are recorded on an expenditure sheet and are input in the Rialtus Financial System and reported and agreed each month (where possible) to the Council on a Monthly Financial Transaction report. I understand that the invoices are presented for examination if requested.
- 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 2020 to March 2021 to the Cash book 3 report (which also shows vat) from Rialtus, all payments had been properly paid and recorded.

4.3. Risk Management

- 4.3.1. The Council has a Financial Risk Assessment which was usually approved at the Annual General Meeting. Due to Covid no AGM took place in 2020, (as with other Councils) and the Financial and Council Risk register was agreed at a special meeting on the 17th August 2020. 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. Again, these were reviewed at the 17th August 2020 meeting.
- 4.3.3. The above have also reviewed at the 10th March 2021 meeting for the financial year 2021/22.

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 finance system and reported which is approved by Members and recorded in the minutes.
- 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 Rialtus reports, where the Parish Clerk identifies all payments shown from the bank statements. Regular reports are produced from the Rialtus system with the bank statements being available for members to view.
- 4.4.4. As previously recommended outstanding VAT has been claimed for the previous 3.5 years and paid on 22nd September 2020. Vat claim for 2020/21 has been submitted.

4.5. Accounting Records

- 4.5.1. For the financial year 2020/21 the Council had purchase Rialtas Accounting System, (used by many Town and Parish Councils) which has commenced from 1st April 2020, and all income and expenditure is input into here, which has improved the financial reporting of the Council.
- 4.5.2. The end of year accounts has been completed with an end of year bank reconciliation and figures for the 2020/21 AGAR.

4.6. Security/Assets

- 4.6.1. An Inventory is to be completed of all assets for 2020/2021 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. Budgetary control is discussed from financial reports from Rialtus when required with detailed reports discussed and reported when the precept requirements and next year's budget are to be determined.
- 4.8.2. The precept and budget was originally discussed at the 25th November 2020 Council meeting with the final approval made on the 13th January 2021. The annual budget was prepared to support the precept.
- 4.8.3. I understand that the new Council are to consider a MTFP for 4 years at the 8th June 2021 meeting.

4.9. Governance Arrangements

- 4.9.1. The Council's Governance arrangements are shown in a Financial Governance report which reports on the effectiveness of internal control covering, Internal Audit, Policies and Procedures and Risk Management. This has been completed and was reported to the 17th August special meeting.
- 4.9.2. The Council normally agrees the Council's Standing Orders including Financial Regulations, and Risk Management at the AGM each year, along with appointment of the internal auditor. As no AGM took place due to Covid in 2020, these were reviewed at the Special Council meeting on 17th August 2020.
- 4.9.3. The exercise of Public Rights for 2019/20 was announced on 20th August 2020 and covered the inspection period of 21st August to 2nd October 2020.

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 has helped 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: