

# FELTON PARISH COUNCIL

## INTERNAL AUDIT REPORT FOR 2021-22

### 1 Introduction, purpose and background

An internal audit has been carried out to evaluate the adequacy and effectiveness of Felton Parish Council's (FPC) system of internal control. It takes into account the internal auditing guidance for smaller authorities as contained in The Practitioner's Guide (March 2022) issued by the Joint Panel on Accountability and Governance (JPAG) for Smaller Authorities in England.

The guide is intended as a working tool for smaller authorities, providing not only the common 'rules' for completing an Annual Governance and Accountability Return (AGAR) for use by responsible financial officers, but also as a reference work for auditors, both internal and external, councillors, other officers, and the public to aid understanding of the AGAR and the reporting on the smaller authority's governance and finances within it.

The legislation underpinning this is the Local Audit and Accountability Act 2014 and the Accounts and Audit (England) Regulations 2015.

### 2 Completion of the Annual Governance and Accountability Return

Felton Parish Council is a smaller authority above the £25k threshold, is classified as a 'non-exempt' authority and as such completes Part 3 of the AGAR.

The purpose of the AGAR is for an authority to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices, and that public money is safeguarded and properly accounted for.

There are two AGAR assertions specifically with respect to Audit that council members will need to consider.

#### **Assertion 6 – Internal Audit**

*We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.*

In satisfying the requirements associated with this assertion with respect to independence and competence, council members should also be aware the role of the internal audit is to review systems and controls rather than undertaking detailed checks that are more appropriately the responsibility of management.

## **Assertion 7 – Reports from Auditors**

*We took appropriate action on all matters raised in reports from internal and external audit.*

Where appropriate, the minimum reporting requirement can be met by completing the annual internal audit report of the AGAR. This audit report is provided for the benefit of FPC members in providing feedback from the current and where relevant the previous year's audits where areas of weakness have been identified or remain outstanding, and should be addressed.

The 20-21 internal audit report was issued and formed part of the council meeting agenda on 25 June 2021. An update/progress report on the recommendations was sought by the auditor towards the end of 2021 but only received in May 2022.

### **Recommendation**

An action plan should be agreed in a timely period following any audit recommendations.

## **3 Accounting method and year end totals**

Accounts are prepared on a receipts and payments basis (i.e., cash accounting).

Year-end combined Felton Parish Council and Felton Cemetery Joint Committee totals;

- Income £39,984
- Expenditure £34,523
- Net balances £90,666

## **4 Financial and other controls**

### **4.1 Policies and Procedures**

#### **4.1.1 Policy reviews**

As mentioned in the last year's review, all councils are required to prepare, consider and minute approval of key governance and internal financial control processes either annually or periodically. These include Standing Orders, Financial Regulations and Risk Assessments etc.

The positive changes made by the Policies Review Working Group during 2019-20 has provided the basis on which to establish, evaluate and compliance test a range of expected key controls.

The Policy Working Group review of policies and procedures is presently work in progress and anticipated to be carried out at the July 2022 meeting.

## **Recommendation**

Policies and procedures that are due for review should be updated as a matter of priority.

### **4.1.2 Disclosable Pecuniary and Other Interests (DPI)**

A member of the public has notified the auditor recently of an issue regarding the completion of DPI forms.

While it is not the role of the auditor to investigate a concern of this nature the matter has been discussed fully with the RFO and Chair during the course of this audit.

## **Recommendation**

The issues surrounding this concern should be addressed and in writing with Northumberland County Council's Monitoring Officer and the matter closed without further delay.

### **4.2 Accounting records**

This would include such items as the cash book, supporting documents (e.g., invoices and receipts), bank reconciliations and financial statements.

A sample of 31 (Approx. 21% of all FPC transactions) receipts and payments transactions was selected from the cash book and traced through to the relevant source documents, the bank accounts, financial statements and to FPC minutes.

The records were found to be well presented with a good audit trail evident.

## **Maintenance Contract Expenditure**

The approval process in some areas of expenditure such as maintenance contracts does not specifically ensure the job has been carried out to the council's satisfaction.

## **Recommendation**

On receipt of invoices of this type of expenditure a check that the work has been completed satisfactorily should be undertaken by a council member prior to approval and before the payment is arranged and released from the bank.

### **4.3 Employees**

Weaknesses are evident in relation to staffing matters.

There are currently three members of staff working for Felton Parish Council comprising the RFO/Parish Clerk and two employees associated with Felton Cemetery Joint Committee.

The two members of staff working for Felton Cemetery do not have employment contracts.

Since becoming Parish Clerk 5 years ago the hours required to work for FPC, which were carried forward from the previous incumbent, have significantly increased, however the changes are not reflected in any handover or current paperwork.

Although council members approve salary payments to staff at council meetings, and that the RFO keeps a record of hours worked, there is no formal confirmation that contracted hours are achieved, exceeded or otherwise.

Contrary to Standing Orders there have been no performance reviews for the RFO.

### **Recommendation**

Whilst it is acknowledged there are presently contracts being drafted for all 3 employees, it is essential to complete this work urgently.

In addition, whilst there is no legal requirement to carry out appraisals, undertaking performance reviews for all members of staff would demonstrate good practice.

## **5 Previous year's internal audits**

### **The Bridge Printer**

It is pleasing to note concerns reported last year regarding the Bridge Magazine printer have now concluded.

## **6 Overview and conclusion**

Disappointingly FPC continue to await the resolution from the external auditors PKF in respect of several year's challenges to the accounts made by a member of the public. FPC have further increased the budget for (external) audit fees to £3,600 for their additional input associated with the challenges.

Although recent contact by the RFO with PKF to resolve outstanding matters suggests a target date of the end of June 2022, this is by no means certain.

My thanks go to the Parish Clerk/RFO for her assistance in undertaking the audit.

Patrick Canner - MAAT  
June 2022

## Appendix

### ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN Annual Internal Audit Report

AGAR cert ref	EXPECTED CONTROLS	OVERALL OPINION	AGAR
<b>A</b>	Appropriate accounting records have been kept throughout the year.	Satisfactory	Yes
<b>B</b>	The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Satisfactory	Yes
<b>C</b>	The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Weakness	No
<b>D</b>	The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.	Satisfactory	Yes
<b>E</b>	Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.	Satisfactory	Yes
<b>F</b>	Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Not applicable	N/A
<b>G</b>	Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	Weak	No
<b>H</b>	Asset and investment registers were complete and accurate and properly maintained.	Satisfactory	Yes
<b>I</b>	Periodic bank reconciliations were properly carried out during the year.	Satisfactory	Yes
<b>J</b>	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	Satisfactory	Yes

<b>K</b>	If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	Not applicable	N/A
<b>L</b>	The authority publishes information on a website / web page, and complies with the relevant Transparency Code.	Not applicable	N/A
<b>M</b>	The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	Satisfactory	Yes
<b>N</b>	The authority complied with the publication requirements for the prior year AGAR.	Satisfactory	Yes
<b>O</b>	Trust funds (including charitable) - the Council has met its responsibilities as a trustee.	Not applicable	N/A