



HUDSON ACCOUNTING LTD.
INTERNAL AUDIT REPORT:
TO THE MEMBERS OF ST ISSEY PARISH COUNCIL
YEAR ENDED 31ST MARCH 2020

ISSUE DATE: 09/05/2020
ISSUED TO: PARISH CLERK

INTRODUCTION:

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Scope:

The scope of the audit covers, as a minimum, the areas included in the Internal Audit Report contained in the Annual Governance & Accountability Return and the Transparency Code.

Approach:

Audit work is carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards and guidance issued by the National Association of Local Councils.

Where applicable we have included reference to 'proper practice' and the associated guidance as laid out in 'Governance & Accountability for Smaller Authorities in England' which is applicable to financial years from 1st April 2019.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Documentation was requested electronically and hard copy documents were reviewed between 8th & 9th May 2020.

GENERAL COMMENTS:

We would like to thank the Clerk for their assistance and co-operation during the course of the audit.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The audit does not guarantee that the accounting records are free from fraud or error.

The review undertaken obtained a level of assurance which has allowed us to complete the Internal Audit Report element of the Annual Governance & Accountability Return with no qualifications, thus in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council

We have provided a table of audit recommendations that allow for the Council's response which can be used as an ongoing monitoring tool. We would be grateful if, in due course, it is completed and returned to us.

Also attached, as Appendix 1 is a copy of the completed Internal Audit Report required as part of the Annual Governance & Accountability Return.

AUDIT COMMENTARY:

Items in **bold text** within the body of the report represent our findings in respect of the application of controls, text in *italics* represent suggested actions that fall short of being a formal recommendation or do not necessarily pertain to the application of internal controls.

A. Appropriate accounting records have been properly kept throughout the financial year.
The cashbook is maintained in a written ledger and was up to date and appeared free from material error.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Financial Regulations

Financial Regulations are based on the NALC model and were reviewed in June 2018.

Payment

Within the sample checked payments were supported by invoices and appeared on schedules approved by Members.

The RFO is now certifying invoices and annotating with the Minute where payment is approved; this should be the Minute where the original spend was approved e.g. when the grass cutting contract is approved.

VAT

Vat had been inaccurately recorded on the invoice for the speed visors.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Insurance

Statutory insurances are in place and the Fidelity Guarantee is adequate at £50k.

Risk Assessment & Internal Controls

Risk assessments have been carried out, but they are predominantly health & safety based and do not cover the financial, administrative and governance risks faced by the Council.

Whilst these risk factors may have been deemed as low the impact of the current coronavirus pandemic on all Councils in terms of their ability to function is evidence that planning is needed. Our previous recommendation remains valid and the Council must improve its risk management arrangements and conform with proper practice.

GDPR

There does not appear to have been any progress made on GDPR compliance.

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

Budget setting

The 2020/21 budget and precept were approved in December 2019 following the production of detailed estimates.

Budget monitoring

Budget monitoring is still only done twice annually rather than quarterly.

Adequacy of Reserves

Earmarked reserves (at the end of February) were £12,796 leaving £3,953 in general reserves which equates to 22% of the 2020/21 budgeted expenditure, below generally

accepted parameters AND THE MINIMUM LEVEL PRESCRIBED IN THE PROPOSED Reserves Policy.

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

Income is limited to the precept, specific grants and a small amount of interest.

VAT claims for 2018/19 and 2019/20 are yet to be submitted.

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

NOT OPERATED.

- G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.**

A contract of employment has been produced but is yet to be signed on behalf of the Council.

Salary payments made were in accordance with the contract in place.

There are several cheques payable to HMRC that remain un-presented leading to a balance on the account at the end of the year of £206.60.

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

The asset register has been expanded as suggested and updated to reflect acquisitions and disposals.

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

Monthly bank reconciliations are carried out and there is evidence of some having been reviewed by a Member. There are a number of old un-presented payments which will need to be written back to the accounts.

- J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure) agreed to the cash book, supported by an appropriate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.**

The accounts were prepared on a receipts and payments basis and were in accord with underlying records.

Supporting documentation for the external auditor has been produced.

- K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt.**

The Council met the relevant criteria, followed the correct procedures and published the necessary documents.

- L. During summer 2019 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.**

The Council allowed the correct number of days for public inspection and published its Annual Governance Statement & Accounting Statements.

- M. Trust funds (including charitable). The council met its responsibilities as trustee.**

NOT APPLICABLE.

INTERNAL AUDIT REPORT RESPONSE RECORD – ST ISSEY PARISH COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
FINAL REPORT 2017/18				
1	Invoices are annotated with the Minute where the spend was approved or by using a signed slip or purchase order and invoices are certified by the RFO prior to being passed for payment.			Invoices are now certified, see comment in main report. closed
3	The risk assessment is expanded to meet the requirements of proper practice and a regime of Member checking introduced in support of the review of internal controls. A separate health and safety policy should be adopted or the risk assessment expanded sufficiently to include one.	Agreed – in progress	May 2020	Not implemented
4	The Council registers as a Data Controller and as a minimum completes the Information Commissioner’s Twelve Step Guide to GDPR compliance.	Agreed		Registration done – need to publish GDPR policies
5	A reserves policy should be formally adopted and due regard taken of it when setting the budget and precept.	Reserves regularly monitored – no policy yet	For 2021/22 budget	Not implemented
6	The Clerk’s contract of employment is reissued based on the Model Contract supplied by the National Association of Local Councils.	In progress	May 2020	Draft in place
7	Future payments to elected Members should be paid through the payroll or tax deductible expense claims (such as mileage, stationery) submitted that cover the amount claimed	Agreed		Payment made prior to issue of report
8	The asset register should be expanded to include some of the key information suggested in paragraph 5.57 of the ‘Proper Practice’ guidance.	Agreed		Register expanded - closed

Annual Internal Audit Report 2019/20

ST ISSEY PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")</i>	✓		
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

NOT USED

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

08/05/2020 09/05/2020

Name of person who carried out the internal audit

S.P. HUDSON C.P.F.A.

Signature of person who carried out the internal audit

S.P. Hudson REQUIRED

Date

09/05/2020

*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).