

Sandridge Parish Council

Internal Audit Report

## Year-End Review

Version	1
Date	10 <sup>th</sup> May 2022
Issued to	Parish Clerk
By	Rosanne Nulty CPFA; CMIIA

## 1. Introduction

- 1.1 Greenbiro Limited was first appointed as the internal auditors for the Council for the Municipal Year 2018-19 and has been re-appointed each year since up to and including 2021-22.
- 1.2 The Council has a statutory duty to complete an Annual Governance and Accountability Return (AGAR) each year. Within the AGAR there is an annual internal audit report that provides assurance on a range of prescribed control objectives.
- 1.3 The internal audit testing programme is designed to focus on the areas where assurance is required for completion of the AGAR.
- 1.4 An interim visit was undertaken on 4<sup>th</sup> November 2021 to undertake some sample review of documents, procedures and processes to establish the control framework and assess the adequacy and effectiveness of the controls. The Year-end visit was on 10<sup>th</sup> May 2022.
- 1.5 The purpose of this report is to provide the Parish Clerk and its Councillors with an interim update on the outcomes of the visit, assurance on the effectiveness of the control framework, and identify any areas of concern.
- 1.6 This report does not guarantee that the accounting records of the Council are free from fraud or error.

## 2. Overview

### Approach

- 2.1 Progress with the recommendations made in previous annual internal audit reports would normally be included below. There were no recommendations made in the final report for 2020-21 or from the interim visit, all previous recommendations from previous reports had been implemented.
- 2.2 The prescribed internal control objectives that were reviewed as part of the Annual Internal Audit Report are described in Table 1 below. Alongside each objective, a brief summary of the findings at the interim visit are included.

### Conclusions

- 2.3 General comments are that financial records are really well maintained, clearly labelled so are easy to find and follow, filed in an appropriate manner and appeared to be complete and fit for purpose.
- 2.4 There were no significant issues of concern regarding the internal control framework to report for the year ended 31 March 2022. The control framework is operating effectively, and although there is no absolute guarantee, the controls should protect the Council against fraud or error.
- 2.5 Following the external audit of the accounts for 2020-21, an unqualified opinion was provided.

**Table 1 – Internal Control Objectives (derived from the AGAR form)**

	Control Objective	Findings	Action Ref.
A	Appropriate books of account have been properly kept throughout the year.	Accounting records were reviewed and were in the expected format. The Council uses Sage to process its accounting records. Some arithmetic checks were performed to detect system errors. None were found.	
B	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<p>The Council's Financial Regulations are in accordance with the NALC model guidance and were updated in time for the May 2021 Finance Committee and was approved by the Council on 9<sup>th</sup> June 2021 with one minor amendment relating to increasing the limit of transfer value between council bank accounts by the Clerk. (minute 5127 refers). Some further minor amendments have been agreed (removal of reference to activities that the council does not engage in). Final agreement of the amended regulations is due to take place in May 2022.</p> <p>A sample of payments was examined. All had been processed in accordance with the described procedure and the Council's Financial Regulations were met.</p> <p>Accounting for VAT was examined on the invoices paid, no errors were detected.</p> <p>The latest VAT return was examined and had been submitted in full and on time.</p>	
C	The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	The Council's risk management policy and risk register was presented for agreement to Full Council on 9 <sup>th</sup> February 2022, minute 5248 refers. The risk register was reviewed and confirmed that significant risks are adequately recorded and managed. A copy of the risk register is available at the Council offices for inspection.	
D	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<p>The budget setting process was discussed with the Clerk and was considered to be appropriate for the Council's requirements. Appropriate budget monitoring is regularly undertaken with reporting of projections and variances, with explanations where required. The Clerk reports budget monitoring more formally around twice a year, usually September and then January or February. The agenda for the September 27<sup>th</sup> Finance Committee outlines the variances and reasons that apply. Minute 643 refers to this budgetary control discussion. The February 2022 meeting was postponed and took place on 11<sup>th</sup> April 2022 where the budgetary control was discussed and a report was presented by the Clerk. Minute 663 refers.</p> <p>The annual budget for 2022/23 and a medium-term financial plan (covering the next 6 years) was presented to the Finance Committee on 25<sup>th</sup> October 2021 where it was recommended for approval by Full Council in December. The assumptions used are reasonable and are clearly recorded on the MTFP.</p> <p>Reserves are monitored as part of the budget planning, and expected use of reserves is included the MTFP so it is clear how the budget will be funded, and its impact on the reserves balance.</p>	
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	The Council encourages all payments by customers to be made by bank transfer, and includes bank details on all sales invoices as the preferred method of payment. The Council will accept cheque payments from customers, although this is actively discouraged, and does not take cash payments.	

	Control Objective	Findings	Action Ref.
		A sample of payments received was examined. All had been processed in accordance with the described procedure, which was easy to follow and provided a sound audit trail. The Council's Financial Regulations were met, and appropriate charges had been made in accordance with the schedule of rates. The Council is not registered for VAT and does not charge VAT to its customers.	
F	Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	Petty cash records were examined at the interim visit. Records were appropriately kept, and receipts retained. Access to the petty cash was limited to three officers. There is quite low usage of petty cash (less than £100 per month on average), with most purchases being things like postage, key cutting and refreshments.	
G	Salaries to employees and allowances to Members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	A firm of accountants provides payroll services to the Council. Salary records were reviewed at the interim visit to check for reasonableness from month to month (analytical review). Payment amounts and deductions were as expected. One very minor and immaterial error was noted by a Council Member and was reported to the auditor. On closer inspection, the error related to overtime back pay of £40.20 and the employer's pension contribution of around £8 was erroneously omitted from the calculation by the salary service provider. The Clerk noted the error but did not pursue it being rectified as it was only his own pension contributions that were affected, and he concluded it was immaterial to follow up.	
H	Asset and investments registers were complete and accurate and properly carried out.	Asset registers exist and are adequate for financial reporting. There was evidence that the register has been updated with purchases and disposals as they arise during the year. The Asset register agreed to the year-end accounts showing any additions or disposals.	
I	Periodic and year-end bank account reconciliations were properly carried out.	The file of bank reconciliations was reviewed and it was confirmed that bank reconciliations are being performed regularly and were properly completed. There was evidence that the Clerk reviews the bank reconciliation and includes a physical sign-off to demonstrate that this control check had been undertaken. The year-end reconciliation was reviewed and agreed independently to the bank statements. All balances were accurately reflected in the accounts.	
J	Year-end accounts were prepared on the correct accounting basis (receipts & payments/income & expenditure), agreed with cashbook, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.	The year-end accounts were obtained and reviewed. All balances were compared to the cashbook and were supported by an appropriate audit trail. Debtors and creditors balances were properly recorded, as well as any accruals or prepayments. The AGAR figures were matched back to Sage and to the Final year-end accounts.	
M	The Council has met its responsibilities as a trustee.	Not applicable. The Council does not act as a trustee.	

### 3. Actions for consideration

- 3.1 There are no actions recommended for consideration at this stage.
- 3.2 If recommendations were made they are normally graded in terms of priority. The recommendations are rated in three categories – High, Medium and Low. Examples of

the risks of not making recommended changes are listed below. The list for each is not exhaustive.

- **High** – Where failure to make changes is likely to give rise to a risk of breach of legislation or breach of Financial Regulations; risk of significant loss (financial, reputational) due to undetected fraud or error; or danger to life. The risk is likely to materialise within 3 to 6 months.
- **Medium** – where failure to make changes may give rise to a breach of approved procedures or Financial Regulations; risk of loss (financial, reputational) due to undetected fraud or error; or risk of injury. The risk is likely to materialise within 6 to 12 months.
- **Low** – Where failure to make changes may result in weaker controls leading to risk of undetected fraud or error, or where good value for money is not being routinely achieved.

3.3 Any future recommended actions will be discussed with the Clerk and comments or agreed responses will be recorded in the Annual Internal Audit Report.

#### 4. Acknowledgements

4.1 The assistance and cooperation of the Clerk and other members of staff was greatly appreciated by the auditor.