

Sandridge Parish Council

Internal Audit Report

Annual Report

Version	1
Date	21st April 2021
Issued to	Parish Clerk
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1. Introduction

- 1.1 Greenbiro Limited was first appointed as the internal auditors for the Council for the Municipal Year 2018-19 and was re-appointed for 2019-20 and 2020-21.
- 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 4th November 2020 to undertake some sample review of documents, procedures and processes to establish the control framework and assess the adequacy and effectiveness of the controls. No recommendations or issues were identified following the interim visit in November 2020.
- 1.5 The year-end visit was undertaken in person on 20th April 2021. Required documents were made available electronically wherever possible, and other documents were available for review at the office.
- 1.6 The purpose of this report is to provide the Parish Clerk and its Councillors with assurance on the effectiveness of the control framework, and identify any areas of concern.
- 1.7 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 2019-20, all previous recommendations from the interim report 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.
- 2.3 Not all control objectives were examined at the time of the interim visit, so no opinion has been provided for those at this time.

Conclusions

- 2.4 General comments are that financial records are 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.
- 2.5 There were no significant issues of concern regarding the internal control framework to report. The control framework is operating effectively, and although there is no absolute guarantee, the controls should protect the Council against fraud or error.
- 2.6 Following the external audit of the accounts for 2019-20, 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.	The Council's Financial Regulations are in accordance with the NALC model guidance and were updated on 28 th October 2019. They were most recently reviewed and presented to Finance Committee on 1 st June 2020 and were approved (minute 599 refers). A sample of payments was examined. All had been processed in accordance with the described procedure and the Council's Financial Regulations were met. Accounting for VAT was examined on the invoices paid, no errors were detected. The latest VAT return was examined and had been submitted in full and on time.	
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 10 th February 2021, minute 5062 refers. Significant risks are adequately recorded and managed. A Covid-19 risk assessment was undertaken to cover council activities and ensure a safe workplace.	
D	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	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 annual budget for 2021/22 and a medium-term financial plan (covering the next 6 years) was presented to the Finance Committee on 26 th October 2020 where it was recommended for approval by Full Council in November. The assumptions used are reasonable and are clearly recorded on the MTFP. Reserves are monitored as part of the budget planning, and expected use of reserves is included in the MTFP so it is clear how the budget will be funded, and its impact on the reserves balance.	
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. 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.	

	Control Objective	Findings	Action Ref.
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. The annual additional contribution to the pension fund of £20,000 (which will be the fourth annual payment as part of a 5 year catch up plan) was paid as part of the February salary payments on 8 th March 2021.	
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 is updated with purchases and disposals as they arise during the year. A number of additions were reviewed as part of the payments testing. All had been appropriately recorded.	
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.	
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 Council uses Sage to record its financial transactions throughout the year and makes use of a year-end accountant to assist with the production of the year-end accounts and the year-end reconciliation. The accounts are produced on an Income & Expenditure basis with appropriate accruals and prepayments. There was appropriate and adequate audit trail to support the production of the income and expenditure statements. Debtors and creditors had been recorded appropriately.	
K	Where the authority declared itself as exempt from a limited assurance review in 2019/20, it met the criteria and correctly declared itself exempt.	Not covered in the audit as the Council does not meet the criteria to declare itself exempt.	
L	If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency Code for smaller authorities.	Not applicable, turnover exceeds £25,000	
M	During 2019/20 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.	Public rights notices were appropriately published in accordance with requirements. The notice was published on 22 nd May 2020 covering 30 working days commencing on 25 th May and concluding on 6 th July 2020. Whilst the A&A Regulations usually require covering at least the first 10 days of July, due to Covid-19 restrictions, guidance was provided in 2020 that the public rights notice could be any time for 30 days prior to the end of September 2020.	
N	The authority has complied with the publication requirements of the 2019/20 AGAR	The AGAR for 2019/20 was published on the Council's website in accordance with the publication requirements, along with the Annual Governance Statement and the Internal and External audit reports.	
O	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.