

Sandridge Parish Council

Internal Audit Report

## Annual Report

Version	1
Date	6 <sup>th</sup> May 2020
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.
- 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 2019 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 2019.
- 1.5 The year-end visit was undertaken remotely due to the government's travel restrictions as a result of the Covid-19 pandemic. Required documents were made available electronically wherever possible.
- 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. All recommendations made in previous reports were confirmed as implemented by May 2019. No further recommendations have been made.
- 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 is included.

### **Conclusions**

- 2.3 Financial records are well maintained, clearly labelled and organised, 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 at this stage. The control framework is operating effectively, and although there is no absolute guarantee, the controls should protect the Council against fraud or error.

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

	<b>Control Objective</b>	<b>Findings</b>	<b>Action Ref.</b>
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. The Council uses an accountancy service to produce its final accounts, and to provide monthly support with reconciliations and other accountancy needs during the year.	
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 most recently reviewed and presented to Finance Committee on 28 <sup>th</sup> October 2019. 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 was presented for agreement to Full Council on 9 <sup>th</sup> October 2019. The risk assessment register was presented to the February 2020 Council meeting for review. A sample of the risk register was reviewed as part of the internal audit work to ensure the appropriate and significant risks to the Council were included. Risk assessment arrangements are adequate and were appropriately reported to Council.  The full risk register is held on the LCRS software. Due to Covid-19 related travel restrictions, it was not possible to access all the records that were presented to the Council as the file was too large to download for the system to email.	
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 adequate in meeting the Council's requirements. Appropriate budget monitoring is regularly undertaken with reporting of projections and variances, with explanations where required. The annual budget for 2020/21 and a medium-term financial plan (covering the next 6 years) was presented to the Finance Committee on 28 <sup>th</sup> October where it was recommended for approval by Full Council in December. The precept and budget were agreed by Council on 11 <sup>th</sup> December 2020, Minute 4870 refers. Reserve balances were agreed to the relevant records and bank statements. The overall reserve balances are quite high, but there was evidence that earmarked reserves are being released for specific projects, in line with the objectives of the Council.	
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	

	Control Objective	Findings	Action Ref.
		easy to follow and provided a sound audit trail. One document did have a typo on the data entry, but this was in relation to the invoice number, all financial information was correct. 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. There was one large payment, this was the one-off additional contribution to the pension fund of £20,000 which is the third annual payment as part of a 5 year catch up plan.	
H	Asset and investments registers were complete and accurate and properly carried out.	Asset registers exist and are adequate for financial reporting. There was appropriate evidence that the register is updated with purchases and disposals as they arise during the year.	
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 bank reconciliations were reviewed for each account and compared to the corresponding bank statements. All were properly completed.	
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 2018/19, 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	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.	Accounts were published in accordance with requirements.	
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.