

Hargrave Parish Council

Internal Audit Report

Version	1
Date	10 th May 2019
Issued to	Parish Clerk
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1. Introduction

- 1.1 Greenbiro Limited was appointed as the internal auditors for the Council for the Municipal Year 2018-19, and had provided the same service for the previous five years.
- 1.2 The Council has a statutory duty to complete an Annual Governance & Accountability Return each year. Within the Annual Return there is an annual internal audit report that provides assurance on a range of prescribed control objectives.
- 1.3 The internal audit review was undertaken after the year end to provide assurance that the internal control framework was operating effectively. This included compliance and substantive testing to ensure the control objectives are being met.
- 1.4 The purpose of this report is to support the Internal Audit Report section of the Annual Return and provide the Parish Clerk and its Councillors with assurance that the control objectives are being met, and identify any areas where the control framework could be improved.
- 1.5 The audit does not guarantee that the accounting records are free from fraud or error.

2. Overview

- 2.1 The prescribed internal control objectives to be reviewed as part of the Annual Internal Audit Report are described in Table 1 below. Alongside each objective, a brief summary of the findings are included.
- 2.2 General comments are that financial records were easy to find and follow, filed in an appropriate manner and appeared to be complete and fit for purpose. A high level of assurance is provided that the internal control framework was operating effectively during 2018-19.
- 2.3 There were no significant issues identified and no recommendations made.
- 2.4 As Hargrave is a very small council with a turnover of less than £25k, it was affected by the changes to audit regulations, being governed by the Transparency Code for smaller authorities, with exemption from external audit once its current arrangements for external audit come to an end. The Council declared itself exempt as it met the criteria.

Table 1 – Internal Control Objectives

	Control Objective	Findings	Rec ref
A	<i>Appropriate books of account have been properly kept throughout the year.</i>	Simple spreadsheet of receipts and payments has been maintained which is entirely adequate for Hargrave PC based on the number of transactions in year.	
B	<i>The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.</i>	The Council's Financial Regulations were last reviewed in May 2018. Payments made during the year were examined and were supported by appropriate invoices or other documentation, and had been approved for payment in accordance with the Regulations. VAT was appropriately accounted for.	
C	<i>The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</i>	The Council maintains a risk register for its significant risks and reviews the register annually.	
D	<i>The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</i>	Evidence of regular budget monitoring reports were provided. The annual precept requirements were based on an appropriate budget. Reserves are at an appropriate level for a council of this size.	
E	<i>Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</i>	All income sources were reviewed and were recorded and banked in full.	
F	<i>Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.</i>	Not covered as not applicable. No petty cash system is operated.	
G	<i>Salaries to employees and allowances to Members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.</i>	The Council does not have any employees nor does it pay any allowances to Members. The Clerk receives a monthly payment and reimbursement of minor expenses incurred. Pay records are maintained using HMRC's BasicPAYETools software, PAYE and NI had been applied properly.	
H	<i>Asset and investments registers were complete and accurate and properly carried out.</i>	Appropriate records of assets have been maintained by the Clerk.	
I	<i>Periodic and year-end bank account reconciliations were properly carried out.</i>	The Clerk matches the income and expenditure to the bank statements throughout the year. Reconciliations with bank recorded are produced regularly and at the year-end. There was one unrepresented cheque at the year ended 31 March 2019.	
J	<i>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</i>	The year-end accounts were prepared on the receipts and payments basis, and agreed to other financial records. The audit trail was adequate to verify all receipts and payments.	

	Control Objective	Findings	Rec ref
	<i>records, and, where appropriate debtors and creditors were properly recorded.</i>		
K	<i>If the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself as exempt.</i>	Yes, the Council income was less than the threshold and it correctly declared itself as exempt.	

3. Actions for consideration

- 3.1 There are no recommendations in this report.
- 3.2 The recommendations (where made) 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.

4. Acknowledgements

- 4.1 The assistance and cooperation of the Clerk was greatly appreciated by the auditor.