

Hargrave Parish Council

Internal Audit Report

Version	1
Date	18 th May 2020
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 2013-14 and has provided this service since then.
- 1.2 The Council has a statutory duty to complete an Annual Governance and 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 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.
- 2.3 There were no significant issues identified. 1 recommendation from the previous year was followed up as part of the review and has been fully implemented.

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 and updated in accordance with the NALC model in 2019 and were presented for approval by Council on 4 th November 2019. They were formally adopted, minute 19-77c refers. 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.	

	Control Objective	Findings	Rec ref
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. Latest review of risks was at the Council Meeting of 2 nd March 2020.	
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. The budget and precept were agreed by Council on 9 th November 2019, minute 19-77 parts d and e refer. 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 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.	
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. Due to the low volume of transactions it is not necessary to keep additional reconciliation records. The full reconciliation at the year end is recorded on the bottom of the receipts and payments listing maintained by the Clerk.	
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 records, and, where appropriate debtors and creditors were properly recorded.</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.	
K	<i>Where the authority declared itself as exempt from a limited assurance review in 2018/19, it met the criteria and correctly declared itself exempt.</i>	The Council meets the criteria for exemption.	
L	<i>During summer 2019 this authority has correctly provided the proper opportunity for the exercise of public rights in</i>	Accounts were published in accordance with requirements.	

	Control Objective	Findings	Rec ref
	<i>accordance with the requirements of the Accounts and Audit Regulations.</i>		
M	<i>The Council has met its responsibilities as a trustee.</i>	Not applicable. The Council does not act as a trustee.	

3. Actions for consideration

- 3.1 There are no new recommendations following the audit review for 2019-20.
- 3.2 Table 2 shows the recommendation made at the end of 2018-19. This recommendation has been followed up as part of the current year review. The update records that the recommendation has been fully implemented.
- 3.3 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.

Table 2 - Action Plan follow up review

Ref	Recommended action	Rating	Explanatory Notes	Update 2019-20
1	Revise the Council's Financial Regulations to reflect changes to legislations – notably the Local Audit and Accountability Act 2014.	Low	Local Audit and Accountability Act 2014 received Royal Assent on 30 January 2014. Changes to external audit arrangements and transparency of reporting, publicity and recording / reporting of public meetings are included in the Act and should be considered by the Council. Financial Regulations and Standing Orders should be amended accordingly.	The Council's Financial Regulations were last reviewed and updated in accordance with the NALC model in 2019 and were presented for approval by Council on 4 th November 2019. They were formally adopted, minute 19-77c refers.

- 3.4 The recommended actions will be discussed with the Clerk and comments or agreed responses will be recorded and followed up at subsequent internal audit visits.

4. Acknowledgements

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