



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS OF MAWNAN PARISH COUNCIL  
YEAR ENDED 31ST MARCH 2016

Directors: Steve Hudson BA (Hons), C.P.F.A; Mandy Hudson  
Company Registration: 6935832 (England & Wales)  
Registered Office: Brynmor, St. Ives Road, Carbis Bay, St. Ives, Cornwall, TR26 2SF

We have undertaken an internal audit of Mawnan Parish Council for the financial year 2015/16. The scope of the audit covers the areas referred to in Appendix 9 of the National Association of Local Council's publication *Governance & Accountability for Local Councils*.

It has been carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed.

We would like to thank the Clerk for their assistance and co-operation during the course of the audit.

Our findings are shown below along with our response to Part 4 of the Annual Return.

	Internal Control Objective	Agreed?		
		Yes	No	Not Covered
Test	A. Appropriate accounting records have been kept properly throughout the year.	✓		
Comments	<ul style="list-style-type: none"> <li>The accounts are maintained on a spreadsheet and no issues were detected.</li> </ul>			
Recommendations	<b>None.</b>			
Test	B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
Comments	<ul style="list-style-type: none"> <li>Standing Orders &amp; Financial Regulations have both been reviewed during the year.</li> <li>The Public Contracts Regulations 2015 place compliance obligations on local councils for contracts worth more than £25,000, NALC have advised (Legal Briefing LO5-15) that Standing Orders &amp; Financial Regulations should be amended accordingly.</li> <li>Testing of expenditure revealed no issues to report other than a map was reclaimed on expenses twice.</li> <li>VAT has been claimed up to the end of February.</li> <li>The HMRC Advisory Rate for claiming VAT on mileage claims has changed during the year and this was not reflected in the Council's claims.</li> </ul>			
Recommendations	<ol style="list-style-type: none"> <li><b>Standing Orders &amp; Financial Regulations should be updated to reflect the Public Contracts Regulations 2015.</b></li> <li><b>Systems should be put in place to capture compliance.</b></li> <li><b>A VAT reconciliation for the year should be carried out prior to the next claim being submitted.</b></li> <li><b>The HMRC Advisory Rate should be regularly checked to ensure it is correctly applied.</b></li> </ol>			
Test	C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
Comments	<ul style="list-style-type: none"> <li>Statutory insurances are in place and the Fidelity Guarantee is in adequate at £150,000</li> </ul>			

	Internal Control Objective	Agreed?		
		Yes	No	Not Covered
	<ul style="list-style-type: none"> <li>The Council has assessed its risks.</li> <li>No Member internal audit activity is undertaken.</li> <li>The production of a procedure manual is underway.</li> </ul>			
Recommendations	<ol style="list-style-type: none"> <li><b>The Council should consider implementing some Member internal audit activity.</b></li> <li><b>The procedures manual should be completed as soon as is practicable.</b></li> </ol>			
Test	D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
Comments	<ul style="list-style-type: none"> <li>The precept was set following the production of detailed estimates.</li> <li>Budget monitoring is carried out quarterly.</li> <li>After allowing for earmarked reserves of £35,325 the general reserve stands at £39,838 equating to 57% of gross expenditure in 2015/16.</li> </ul>			
Recommendations	<b>None.</b>			
Test	E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
Comments	<ul style="list-style-type: none"> <li>Income is currently limited and adequately controlled.</li> </ul>			
Recommendations	<b>None.</b>			
Test	F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓
Comments	NOT OPERATED			
Test	G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.	✓		
Comments	<ul style="list-style-type: none"> <li>Testing revealed no issues to report other than there was a £10 discrepancy between expenses signed off in February and those actually incurred and paid and the March payslip was incorrect, albeit that the correct amount had been paid.</li> </ul>			
Recommendations	<ol style="list-style-type: none"> <li><b>Care should be taken when overwriting the previous month's payslips to ensure accuracy.</b></li> </ol>			
Test	H. Asset and investments registers were complete and accurate and properly maintained.	✓		
Comments	<ul style="list-style-type: none"> <li>The asset register provided had not been updated to include benches purchased in May 2015, this has been corrected.</li> </ul>			
Recommendations	<ol style="list-style-type: none"> <li><b>Asset movements should be reflected in the Register.</b></li> </ol>			
Test	I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
Comments	<ul style="list-style-type: none"> <li>Bank reconciliations are carried out monthly and reported to Members.</li> </ul>			

	Internal Control Objective	Agreed?		
		Yes	No	Not Covered
Recommendations	<b>None.</b>			
Test	J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure) agreed to the cash book, supported by an appropriate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	✓		
Comments	<ul style="list-style-type: none"> <li>Accounting statements were in accord with underlying records.</li> <li>The variance analysis provided would not meet the requirement of the external auditor.</li> </ul>			
Recommendations	<b>1. The variance analysis should be in the format required by the external auditor and follow the guidance provided by them.</b>			
Test	K. Trust funds (including charitable). The council met its responsibilities as trustee.	✓		
Comments	<ul style="list-style-type: none"> <li>Annual Returns have been submitted for both charities.</li> <li>Separate Trustee meetings are held</li> </ul>			
Recommendations	<b>None.</b>			

By E Mail  
Hudson Accounting Ltd 08/05/2016