



HUDSON ACCOUNTING LTD.
INTERNAL AUDIT REPORT:
TO THE MEMBERS OF MAWNAN PARISH COUNCIL
YEAR ENDED 31ST MARCH 2019

ISSUE DATE: 01/05/2019
STATUS: DRAFT
ISSUED TO: PARISH CLERK

INTRODUCTION:

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Scope:

The scope of the audit covers, as a minimum, the areas included in the Internal Audit Report contained in the Annual Governance & Accountability Return and the Transparency Code.

Approach:

Audit work is carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards and guidance issued by the National Association of Local Councils.

Where applicable we have included reference to 'proper practice' and the associated guidance as laid out in 'Governance & Accountability for Smaller Authorities in England' which is applicable to financial years from 1st April 2018.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Documentation was requested electronically and hard copy documents were reviewed on the 21st April 2019 & 1st May 2019.

GENERAL COMMENTS:

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

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The audit does not guarantee that the accounting records are free from fraud or error.

The review undertaken obtained a level of assurance which has allowed us to complete the Internal Audit Report element of the Annual Governance & Accountability Return with no qualifications, thus in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council

Previous recommendations have all been implemented.

Attached is a copy of the completed Internal Audit Report required as part of the Annual Governance & Accountability Return.

AUDIT COMMENTARY:

Items in **bold text** within the body of the report represent our findings in respect of the application of controls, text in *italics* represent suggested actions that fall short of being a formal recommendation or do not necessarily pertain to the application of internal controls.

A. Appropriate accounting records have been properly kept throughout the financial year.

The accounts are maintained on a spreadsheet which is kept up to date and appeared free from material errors.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Financial Regulations

Financial Regulations based on the NALC model are in place and were last reviewed in September 2016.

Payments

Payments made in November and December were reviewed.

They were supported by invoices, certified by the RFO and approved by Members on payment schedule. VAT had been accurately recorded.

Grants

Grants made were checked to Member approvals and found to be in accord.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Insurance

Statutory insurances are in place and the Fidelity Guarantee is adequate at £150K.

Risk Assessment & Internal Controls

The Council reviewed its Risk Management arrangements in January 2019.

The Annual Governance Statement requires that the Council affirms that *“We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness”*.

The Council undertook such a review when it considered its Financial Internal Controls.

General Data Protection Regulation (GDPR)

The Council has adopted a number of policies designed to ensure it meets its GDPR obligations.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Budget setting

The 2019/20 budget was approved along with the precept on 20th December 2018 following the production of estimates.

The omission of income estimates other than the precept was raised by a Member and this is a valid query. Assessing levels of income is a key stage of budget setting as laid out in proper practice and failure to take it in to account could lead to the levying of unnecessarily high precept demands.

Whilst it is prudent to estimate income levels conservatively they should be taken into account during the precept setting process in future.

Budget monitoring

Quarterly budget monitoring information has been provided to the Office & Finance Committee.

Adequacy of Reserves

Total reserves stand at £100,398 of which the general reserve comprises £50,871 equivalent to 90% of gross expenditure within generally accepted parameters.

- E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.**

Burials

Burial income was checked to receipts and the burial register. Fees had been accurately applied the relevant documentation retained the registers completed.

Interest

Bank interest has been accurately reflected in the cashbook.

Precept

The precept received was cross referenced to the Councils Minutes and the principal authority records.

VAT claims

VAT claims are up to date with the period from October 2018 awaiting payment.

- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.**

NOT OPERATED.

- G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.**

Testing revealed no issues to report.

- H. Asset and investments registers were complete and accurate and properly maintained.**

An improved asset register is in place and the value of assets has been correctly input in the accounting statements.

- I. Periodic and year-end bank account reconciliations were properly carried out.**

Bank reconciliations are carried out monthly and are reported to each Council meeting and are being 'signed-off' in accordance with our previous recommendation.

A year-end bank reconciliation in support of the accounting statements has been provided and checked for accuracy, there were no 'balancing' entries or old un-presented payments.

- 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.**

The accounts were produced on a receipts and payments basis and were in accord with underlying records.

Supporting documentation for the external auditor has been produced.

Exercise of Public Rights:

Next year internal auditors are required to report on whether the Council has correctly provided the opportunity for the exercise of public rights, in accordance with the Accounts & Audit Regulations, during the summer of 2019.

The Council must ensure that it not only provides the opportunity for public inspection for the correct period but also that it retains evidence of the publication of the appropriate notices on its website and elsewhere.

K. IF the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself exempt.

NOT APPLICABLE.

L. During summer 2018 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.

NOT APPLICABLE.

M. Trust funds (including charitable). The council met its responsibilities as trustee.

Accounts have been produced but are yet to be submitted to the Charity Commission, the deadline has not been breached however.