

## Mawnan Parish Council

### Notice of conclusion of audit

#### Annual Governance & Accountability Return for the year ended 31 March 2018

Sections 20(2) and 25 of the Local Audit and Accountability Act 2014

Accounts and Audit Regulations 2015 (SI 2015/234)

<p>1. The audit of accounts for <b>Mawnan Parish Council</b> for the year ended 31 March 2018 has been completed and the accounts have been published.</p> <p>2. The Annual Governance &amp; Accountability Return is available for inspection by any local government elector of the area of <b>Mawnan Parish Council</b> on application to:</p> <p>(a) <u>Lise Clements - Parish Clerk</u> <u>The Parish Offices, 40 MS Electrical, The Square,</u> <u>Mawnan Smith, TR11 5EP</u></p> <p>(b) <u>Monday, Wednesday + Thursday 9am - 2pm</u> <u>Other times by appointment</u></p> <p>3. Copies will be provided to any person on payment of <u>£1.00</u> (c) for each copy of the Annual Governance &amp; Accountability Return.</p> <p>Announcement made by: (d) <u>Lise Clements - clerk</u></p> <p>Date of announcement: (e) <u>10/9/18</u></p>	<p>Notes -</p> <p>This notice and Sections 1, 2 &amp; 3 of the AGAR must be published by 30 September. This must include publication on the smaller authority's website.</p> <p>(a) Insert the name, position and address of the person to whom local government electors should apply to inspect the AGAR.</p> <p>(b) Insert the hours during which inspection rights may be exercised.</p> <p>(c) Insert a reasonable sum for copying costs.</p> <p>(d) Insert the name and position of person placing the notice.</p> <p>(e) Insert the date of placing of the notice.</p>
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# Local Councils, Internal Drainage Boards and other Smaller Authorities in England Annual Governance and Accountability Return 2017/18 Part 3

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## To be completed by:

- all smaller authorities\* where either the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; and
- any other smaller authorities that either:
  - are unable to certify themselves as exempt; or
  - have requested a limited assurance review.

## Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2017/18

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Part 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with Proper Practices.
2. The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:
  - The annual internal audit report is completed by the authority's internal auditor.
  - Sections 1 and 2 are to be completed and approved by the authority.
  - Section 3 is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved **before 2 July 2018**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or requesting a limited assurance review, **must** send to the external auditor:
  - the Annual Governance and Accountability Return Sections 1, 2 and 3, together with
  - a bank reconciliation as at 31 March 2018
  - an explanation of any significant year on year variances in the accounting statements
  - your notification of the commencement date of the period for the exercise of public rights
  - Annual Internal Audit Report 2017/18

Unless requested, do not send any original records to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed and is able to give an opinion on the limited assurance review, the Annual Governance and Accountability Return including **Section 3 – External Auditor Report and Certificate** will be returned to the authority.

## Publication Requirements

Smaller authorities with either income or expenditure exceeding £25,000 **must** publish on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return:

- Section 1 – Annual Governance Statement 2017/18, page 4
- Section 2 – Accounting Statements 2017/18, page 5
- Section 3 – The External Auditor Report and Certificate 2017/18, page 6
- Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

\*for a complete list of bodies that may be smaller authorities refer to schedule 2 to Local Audit and Accountability Act 2014.

## Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2017/18

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this Annual Governance and Accountability Return. *Proper Practices* are found in the *Practitioners' Guide*\* which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the Annual Governance and Accountability Return is complete (i.e. no empty highlighted boxes), and is properly signed and dated. Avoid making amendments to the completed Annual Governance and Accountability Return. Any amendments must be approved by the authority, properly initialled and accompanied by an explanation. If the Annual Governance and Accountability Return contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the annual internal audit report prior to approving the annual governance statement and before approving the accounts.
- Use the checklist provided below to review the Annual Governance and Accountability Return for completeness before sending it to the external auditor.
- Do not send the external auditor any information not specifically requested. However, you **must** inform your external auditor about any change of Clerk, Responsible Finance Officer or Chairman, and provide relevant email addresses and telephone numbers.
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the Annual Governance and Accountability Return covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (Section 2, page 5). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide*\*.
- Explain fully significant variances in the accounting statements on page 5. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the explanation.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs will be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2017) equals the balance brought forward in the current year (Box 1 of 2018).
- Please enter the authority's name **only** in Section 3 on Page 6. Do not complete the remainder of that section, which is reserved for the external auditor.
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the commencement date for the exercise of public rights. From the commencement date for a single period of 30 consecutive working days, the accounts and accounting records can be inspected. Whatever period the RFO sets it **must** include a common inspection period – during which the accounts and accounting records of all smaller authorities must be available for public inspection – of the first ten working days of July.
- The authority **must** publish the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?	✓	
	Has all additional information requested, including the dates set for the period for the exercise of public rights, been provided for the external auditor?	✓	
Internal Audit Report	Have all highlighted boxes have been completed by the internal auditor and explanations provided?	✓	
Section 1	For any statement to which the response is 'no', is an explanation provided?	✓	
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?	✓	
	Has an explanation of significant variations from last year to this year been provided?	✓	
	The bank reconciliation as at 31 March 2018 is agreed to Box 8?	✓	
	Has an explanation of any difference between Box 7 and Box 8 been provided?	✓	
Sections 1 and 2	Trust funds – have all disclosures been made if the authority is a sole managing trustee? <b>NB:</b> do not send trust accounting statements unless requested or instructed.	✓	

\*More guidance on completing this annual return is available in *Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices*, which can be downloaded from [www.naic.gov.uk](http://www.naic.gov.uk) or from [www.slcc.co.uk](http://www.slcc.co.uk) or from [www.ada.org.uk](http://www.ada.org.uk)

# Annual Internal Audit Report 2017/18

## MAWNAN PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓ <i>Not used</i>
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.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
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 adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		

K. (For local councils only)	Yes	No	Not applicable
	Trust funds (including charitable) – The council met its responsibilities as a trustee.	✓	

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

26.4.18

Name of person who carried out the internal audit

S P HUDSON C.P.F.A. (Hudson Accounting Ltd)

Signature of person who carried out the internal audit

*SP Hudson*

Date

02/05/2018

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

## Section 1 – Annual Governance Statement 2017/18

We acknowledge as the members of:

**Mawnan Parish Council**

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2018, that:

	Agreed		Yes means that this authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	✓		has only done what it has the legal power to do and has complied with Proper Practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered and documented the financial and other risks it faces and dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.
9. (For local councils only) Trust funds including charitable, in our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.
	✓		

\*Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how the authority will address the weaknesses identified.

This Annual Governance Statement is approved by this authority and recorded as minute reference:

2741-18 REFERENCE

dated

17/5/18

Signed by the Chairman and Clerk of the meeting where approval is given.

Chairman



SIGNATURE REQUIRED

Clerk



Other information required by the Transparency Codes (not part of Annual Governance Statement)  
Authority web address

www.mawnan.org.uk WEBSITE ADDRESS

## Section 2 – Accounting Statements 2017/18 for

### MAWNAN PARISH COUNCIL

	Year ending		Notes and guidance
	31 March 2017 £	31 March 2018 £	
1. Balances brought forward	75,163	83,678	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	41,918	42,337	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	25,780	16,752	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	11,518	12,239	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	47,665	39,633	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	83,678	90,895	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	<del>86,378</del> 83,678	90,895	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – <b>To agree with bank reconciliation.</b>
9. Total fixed assets plus long term investments and assets	60,808	62,553	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.
10. Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including FWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council acts as sole trustee for and is responsible for managing Trust funds or assets.  N.B. The figures in the accounting statements above do not include any Trust transactions.
	✓		

I certify that for the year ended 31 March 2018 the Accounting Statements in this Annual Governance and Accountability Return present fairly the financial position of this authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:



Date

17/5/18

I confirm that these Accounting Statements were approved by this authority on this date:

17/5/18

and recorded as minute reference:

2743.18

Signed by Chairman of the meeting where approval of the Accounting Statements is given



## Section 3 – External Auditor Report and Certificate 2017/18

In respect of

Mawnan Parish Council (Ref CO0064)

### 1 Respective responsibilities of the body and the auditor

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2018; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with international Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

### 2 External auditor report 2017/18

Except for the matters reported below, on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with *Proper Practices* and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

The AGAR was not accurately completed before submission for review. Please ensure that amendments are corrected in the prior year comparatives when completing next year's AGAR:

- The figures in Section 2, Box 8 of the prior year comparative column do not agree to the prior year final signed Annual Return. The prior year Box 8 should read £83,678

Other matters not affecting our opinion which we draw to the attention of the authority:

We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2018/19 for the exercise of public rights, since the period for the exercise of public rights was less than 30 consecutive working days in length. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2018/19 and ensure that it makes proper provision for the exercise of public rights during 2019/20

### 3 External auditor certificate 2017/18

We certify that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2018.

External Auditor Name

PKF LITTLEJOHN LLP

External Auditor Signature

Date

06/09/2018

\* Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews for 2017/18 in Auditor Guidance Note AGN02. The AGN is available from the NAO website ([www.nao.org.uk](http://www.nao.org.uk))

## Bank Reconciliation for financial year ending:

31/03/2018

Name of smaller authority:

Mawnan Parish Council

Prepared by:

Mrs Lisa Clements(clerk &amp; RFO)

Date:

**Balance per bank statements as at: 31.3.18**

Current Account - Lloyds

£

£2,008.48

£ Total

Deposit Account - Lloyds

£54,203.87

95 Day Saver Account - Nationwide

£34,683.19

£90,895.54**Less: any un-presented cheques at 31 Mar 18**

(normally only current account)

Cheque number

£0.00**Add any unbanked cash at: 31 Mar 18**£0.00**Net bank balances as at: 31 Mar 18**£90,895.54

The net balances reconcile to the Cash Book (receipts and payments account) for the year, as follows

**CASH BOOK**

Opening Balance on 1.4.17

£83,678.24

Add: Receipts in the year

£59,088.81

Less: Payments in the year

£51,871.51

Closing balance per cash book (receipts and payments book) as  
at end of month (must equal net bank balances above)£90,895.54



## Explanation of variances – pro forma

Name of smaller authority: Mawnan Parish Council

Please provide **full explanations, including numerical values** for the following:

- variances of more than 15% between totals for individual boxes (except variances of less than £200);
- a breakdown of approved reserves if the total reserves (Box 7) figure is more than twice the annual precept/rates & levies value (Box 2).

Section 2	2016/17 £	2017/18 £	Variance £	Variance %	Detailed explanation of variance (with amounts £)
<b>Box 2</b> <i>Precept or Rates and Levies</i>	41918	42337	419	1	n/a
<b>Box 3</b> <i>Total other receipts</i>	25780	16752	-9028	-35	One off donation in 2016/7 of £8434. Burial income down from £4600 to £4380 Ongoing decline of CTS grant from £1064 to £771  Explained variance: £8947
<b>Box 4</b> <i>Staff costs</i>	11518	12247	721	6	n/a
<b>Box 5</b> <i>Loan interest/ capital repayments</i>	0	0	0	0	n/a
<b>Box 6</b> <i>All other payments</i>	47663	39624	-8030	-17	Play equipment purchase in 2016/7 of £8434  Explained variance: £8434
<b>Box 9</b> <i>Total fixed assets &amp; long term investments &amp; assets</i>	60808	62553	1745	3	n/a
<b>Box 10</b> <i>Total borrowings</i>	0	0	0	0	n/a
<b>Explanation for 'high' reserves</b>	<p>Box 7 is more than twice Box 2 because the authority held the following breakdown of reserves at the year end:</p> <p><i>We have an annual grant income from a solar farm – the initial capital payment of £25000 + approx £6000 per year. We put +/- £5000 per year to our parish grant/donations budget line with the remainder building as a capital projects pot in case a suitable (larger) project is found over the 25 year period. This is held in a separate bank account (see Nationwide account on bank reconciliation).</i></p> <p><i>We also have a £5000 contingency fund set aside for the community graveyard (owned by the parish council) in case of any additional works/ repairs and a balance from an agreed £5000 pot (currently £3995 remaining) towards a community led Neighbourhood Development Plan pending their application for outside funding.</i></p>				

**CONFIRMATION OF THE DATES OF THE PERIOD FOR THE  
EXERCISE OF PUBLIC RIGHTS**

Name of smaller authority: **Mawnan Parish Council**

On behalf of the smaller authority, I confirm that the dates set for the period for the exercise of public rights are as follows:

Commencing on 22<sup>nd</sup> June 2018

and ending on 23<sup>rd</sup> July 2018

Signed: 

Role: clerk/RFQ

**PLEASE SUBMIT THIS FORM TO PKF LITTLEJOHN LLP WITH  
THE AGAR AND OTHER REQUESTED DOCUMENTATION**



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS OF MAWNAN PARISH COUNCIL  
YEAR ENDED 31ST MARCH 2018

ISSUE DATE: 09/05/2018  
STATUS: DRAFT  
ISSUED TO: 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 2017.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Documentation was requested electronically and Hard copy documents were reviewed between 26<sup>th</sup> April and 2<sup>nd</sup> May 2018.

## **GENERAL COMMENTS:**

We would like to thank the Clerk for their 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***

We have provided a table of audit recommendations that allow for the Council's response which can be used as an ongoing monitoring tool. We would be grateful if, in due course, it is completed and returned to us.

Also attached, as Appendix 1, 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 cashbook is maintained on a spreadsheet and was up to date and balanced.**

**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 documentation are in place.**

*Expenditure*

**Payments are supported by invoices but the authority to spend is not evidenced as required by Financial Regulation 4.1.**

**Payments were approved prior to payment.**

*The source of the authority to spend should be evidenced on invoices by referencing the appropriate Minute or attaching a signed purchase order.*

*Grants:*

**A sample of grants awarded was tested. Grants were awarded following the submission of an application in line with the Council's policy**

**The Power under which grants are awarded is not included in the Minutes.**

*The Minutes should reflect the legislative basis for the grant award*

*VAT*

**Within the sample tested VAT has been accurately recorded.**

**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*

**A risk assessment has been carried out and been reported to Members.**

**A review of the effectiveness of internal controls has not been undertaken.**

*A review of the effectiveness of internal controls is a requirement of the Accounts & Audit Regulations and should be carried out prior to approving the Annual Governance Statement.*

*General Data Protection Regulation (GDPR)*

**The Clerk has reported to Council on the implications of the new legislation and progress towards compliance has been made.**

*Business Continuity*

**Procedure manuals are in place and computers are protected and regularly back up.**

**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 budget and precept were set following the production of estimates and reserve levels were taken into consideration.**

*In conjunction with the consideration of reserve levels the Council should assess the need for a*

*contingency within the budget set.*

*Budget monitoring*

**Budget monitoring information is regularly reported with explanations of variances.**

*Adequacy of Reserves*

**Reserves stood at £90,895 and after allowing for earmarked reserves of £50,074 the general reserve stands at £40,821 equating to 79% 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*

**A sample of burial income tested revealed no issues to report.**

*Other income:*

**The majority of other income is derived from the precept and specific grants and contributions.**

*VAT claims*

**VAT has been reclaimed up to February 2018.**

- 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.**

**The Clerks salary is paid in accordance with Member approvals and PAYE and NI requirements have been met in that respect.**

*Timesheets in support of payments made are not authorised. This should be done going forward.*

*The Clerk's contract of employment needs updating as there is no mention of the entitlement to a pension, a model document is available from CALC.*

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

**An asset register in support of the accounting statements figure was provided. The 2016/17 figure needed to be restated due to an omission of an asset purchased in that year.**

**No documented physical checking of assets is undertaken and the asset register could be expanded.**

It is a requirement that the authority's assets need to be secured, properly maintained and efficiently managed. If the assets it owns or for which it is responsible are not being managed properly the authority is exposed to the risk of financial loss. These risks are most likely to be realised when information is poor and it is therefore recommended that:

**Recommendation 1**

**The asset register should be expanded to include some of the key information suggested in paragraph 5.57 of the 'Proper Practice' guidance and a physical verification of assets undertaken at least annually.**

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

**Bank reconciliations are carried out monthly and are reported to Council. They are not**

however 'signed off' by a non-signatory as required by Financial Regulations.

In order to comply with Financial Regulations it is recommended that:

**Recommendation 2**

**Bank reconciliations are signed off by a non signatory at least quarterly.**

- 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 prepared on a receipts and payments basis and were verifiable to the underlying records.

Some minor amendments were required which have been actioned.

**One of the bank accounts only covered the period to 6/11/2017.**

*Verification that no further transactions took place should be obtained.*

The supporting documentation required by the external auditor has also been produced.

- K. Trust funds (including charitable). The council met its responsibilities as trustee.**

The Council is sole Trustee of two charities both of which have been newly registered as CIO's. Thus no Charity Commission documentation is yet due. As previously commented upon the Council must be careful to ensure it does not confuse its role as Trustee with its role as a Council and that discussions in respect of the management of the charities takes place in separate meetings.

The Council supports the charities with a combination of a grant and by undertaking works on the charity properties.

*It would be worth seeking advice from the Cornwall Association of Local Councils and its VAT advisor to ensure that this arrangement is appropriate and that the provision of this service is not a taxable supply in respect of VAT.*

**Transparency Code**

Whilst not subject to the Code the Council meets most of the requirements that apply to Council's with income and expenditure under £25,000.

**INTERNAL AUDIT REPORT RESPONSE RECORD – MAWNAN PARISH COUNCIL**

<b>FINAL REPORT 2017/18</b>				
<b>No</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>Timescale/ Responsibility</b>	<b>Follow Up (for auditor use)</b>
1	The asset register should be expanded to include some of the key information suggested in paragraph 5.57 of the 'Proper Practice' guidance and a physical verification of assets undertaken at least annually.			
2	Bank reconciliations are signed off by a non signatory at least quarterly.			



## Annual Internal Audit Report 2017/18

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.			
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
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.			
H. Asset and investments registers were complete and accurate and properly maintained.			
I. Periodic and year-end bank account reconciliations were properly carried out.			
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 adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.			

K. (For local councils only)	Yes	No	Not applicable
	Trust funds (including charitable) – The council met its responsibilities as a trustee.		

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

26/04/2018 - 02/05/2018

Signature of person who carried out the internal audit

S. P. Hudson

Date

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).