



HUDSON ACCOUNTING LTD.
INTERNAL AUDIT REPORT:
TO THE MEMBERS CHACEWATER PARISH COUNCIL
YEAR ENDED 31ST MARCH 2021.

ISSUE DATE: 22/05/2021
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 2020.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Due to the pandemic much of the work was carried out remotely with information provided electronically or hard copies collected and returned a few days later. Overall coverage has not been materially affected.

GENERAL COMMENTS:

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

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.
Accounting records are maintained on Free Agent software; they were up to date and appeared free from error.

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 are in place and were last reviewed in May 2020.

Purchasing

Purchasing decision can be traced to the Minutes.

Payment

All payments in quarter 2 were tested and all were properly evidenced and authorised.

VAT

VAT had 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

The Council reviewed its risk assessment in January 2021.

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 precept was approved at Full Council in December 2020 following the production of detailed estimates with accompanying notes.

No account of income was taken into consideration and there was no formal approval of the budget.

The precept must by law, be set following the production of a budget and whilst this is clearly the case, Council should formally approve the budget prior to the precept in future.

The precept should be the difference between projected expenditure and income after allowing for any required movements in reserves; thus, income streams should form part of the calculation.

Budget monitoring

Budget monitoring has been carried out in line with Financial Regulations.

Adequacy of Reserves

Reserves stand at £64,572 and an explanation of this 'high level' will be required by the external auditor.

Our previous comment and recommendation regarding a reserves policy for the minimum requirement remains valid and we would suggest this is done and reserve levels adjusted accordingly before submitting an explanation to the auditor.

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

Room Hire

Invoices are raised through the accounting system and there are no issues to report.

Lease income

Income from leased property is in line with the Agreement in place, once approved Covid related discounts have been applied.

Precept

The precept received is in line with the records of both the Council and the principal authority

VAT claims

VAT claims up to the end of December 2020 have been submitted.

Grants

Substantial grant income has been received primarily in respect of the pandemic and for Pocket Parks Plus; care should be taken to ensure the grant terms for the latter are met.

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

NOT USED

- 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.**

Minimum wage obligations are now being met and the Clerk's contract amended to break the link to national pay scales. A retrospective change does not, in our view, remove the obligation to back date pay in line with the contract that was in place at the time.

This issue and adherence to national pay scales for the sector should be considered by the new Staffing Committee.

Salaries are paid in line with the contracts now in place.

Payments to HMRC are up to date.

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

The asset register has been updated and restated on the AGAR to include previously omitted assets.

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

Monthly bank reconciliations have been performed and been reported to and signed off by Members.

The year-end bank reconciliation was found to be accurate.

- 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.

K. IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt.

NOT APPLICABLE

L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.

NOT APPLICABLE

M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations

The correct number of days was allowed for public inspection and the requisite Notice published.

N. The authority has complied with the publication requirements for 2019/20 AGAR.

The publication requirements in respect of the 2019/20 accounts have been met.

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

Charity returns have been made for all the Trusts and financial transactions are separate to those of the Council.

INTERNAL AUDIT RESPONSE RECORDED – CHACEWATER PARISH COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow up (Auditor Use)
Financial Year 2019/20				
1	The council establishes a minimum reserve level policy and then reviews its current reserves and ‘frees up’ sufficient resource to ensure that this level is achieved.			Still required – see comments in Section D
2	The Clerks’ salary is re-calculated and backdated to April 2018 and that the Council ensures it is meeting statutory requirements regarding pay rates.			Contract amended – obligation to back date may remain – closed
3	A suitable pension scheme should be adopted.			This is underway
Financial Year 2018/19				
3	The actual controls in place in respect of internet banking are embedded in Financial Regulations and the controls expanded to reflect the SLCC guidance.			Still only Clerk involved in releasing payments and Financial Regulations not amended
5	<p>Recommendation 5</p> <p>1. The budget process is expanded to include:</p> <ul style="list-style-type: none"> • The consideration of all income streams; • The need, if any, for a contingency sum; • Consideration of the impact on reserves. <p>As part of the approval process the budget is approved prior to the precept and the amount of precept is detailed in the Minute.</p>			Still no account of income streams in budget setting process
6	The quarterly receipts and payments reports are expanded to include comparison with the budget set with explanations of material variances as defined in Financial Regulation 4.8			Budget monitoring now reported - closed

Annual Internal Audit Report 2020/21

CHACEWATER PARISH COUNCIL

chacewater.net/your-parish/council-finances

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 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	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 bank account reconciliations were properly carried out during the year.	✓		
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. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")</i>			✓
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			✓
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes ✓	No 	Not applicable

NOT USED

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

21/05/2021

Name of person who carried out the internal audit

S P HUDSON C.P.F.A.

Signature of person who carried out the internal audit

S. P. Hudson

Date

22/05/2021

*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).