



HUDSON ACCOUNTING LTD.
INTERNAL AUDIT REPORT:
TO THE MEMBERS CHACEWATER PARISH
COUNCIL
YEAR ENDED 31ST MARCH 2022.

ISSUE DATE: 18/04/2022
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.

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 other than the Council did not review its risk assessment. In all other 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 accounts are maintained on Scribe accounting software; they were up to date, in balance and 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 were last reviewed in May 2020.

Purchasing

Tenders were sought for car park excavation works as required by Financial Regulations.

Payment

Q4 payments were tested; all payments were supported by invoices, other than one which was paid on a supplier statement, all were properly authorised.

Payments should only be made on invoices to ensure, amongst other things, that VAT records are properly maintained.

VAT

VAT has been incorrectly applied to water rates bills.

These errors will require correction and amendments to the next VAT claim.

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 completed but there has been no formal review by Members during the financial year, the last time being January 2021, hence the requirements of the Annual Governance Statement have not been met.

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 2022/23 budget and precept were properly approved by Council following the production of detailed estimates.

Budget monitoring

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

Adequacy of Reserves

After allowing for earmarked reserves of £32,247 the general reserve stands at £15,895; equating to 22% of gross expenditure in 2021/22; which is slightly below generally accepted parameters.

However, if one-off expenditure during the year is excluded the general reserve sits within the parameters mentioned above.

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

Precept

The precept received was checked to the records of the Council and the principal authority and found to be in accord.

VAT claims

VAT claims to the end of December have been received in the year.

Care needs to be taken to ensure that the changes to VAT applied mentioned in paragraph B above are reflected in future claims and that the accounting system remains in balance in respect of VAT. The assistance of the software provider may be required to ensure that this happens as the 2021/22 year has been 'shut down.'

Hall Hire

Bookings are managed through a software package and the majority of income is invoiced through the accounting system, allowing for recovery action for late payers. Testing revealed no issues to report.

Leased Property

Full rent is now being charged in line with the Agreement in place.

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 of the payroll revealed no issues to report.

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

The asset register has been updated for movements in the year and the total value of assets held is accurately reflected in the AGAR.

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

Bank reconciliations have been carried out monthly; they are reported to Council and reviewed and 'signed-off' by a Member.

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 prepared on a receipts and payments basis and were in accord with underlying records.

Tracing the accounting statements back to the accounting system was straightforward.

K IF the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt.

NOT APPLICABLE.

L The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.

NOT APPLICABLE.

M The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations

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

N The authority has complied with the publication requirements for 2020/21 AGAR.

All publication requirements have been met.

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

Charity Returns have been submitted and the Trust and Council accounts are kept separately.

INTERNAL AUDIT RESPONSE RECORD – 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.			Policy drafted for adoption at April 2022 meeting
3	A suitable pension scheme should be adopted.			Investigations continue
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.			Move to new bank under investigation – dual release of payments should be included.
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 – income now included - closed

Annual Internal Audit Report 2021/22

CHACEWATER PARISH COUNCIL

chacewater.net/your-parish/council-finances/

During the financial year ended 31 March 2022, 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 2021/22 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 2020/21, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i>			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements			✓
M. The authority, during the previous year (2020-21) 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 2020/21 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

16/04/2022 18/04/2022

Name of person who carried out the internal audit

S P HUDSON CPFA

Signature of person who carried out the internal audit

S. P. Hudson

Date

18/04/2022

*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).