



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

ISSUE DATE: 12/04/2021
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, other than the Council did not consider the 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 have been maintained on SCRIBE accounting software; they were up to date, in balance and appeared free from material 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 were last reviewed in January 2020.

Purchasing

Ongoing contracts have been re-let during the year and spending decisions can be traced to the Minutes.

Payment

Payments made over a two-month period were scrutinised and there were no issues to report.

Online banking is now in place and good controls are in place.

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, but the Fidelity Guarantee is no longer adequate at £100K.

It is generally accepted that the Fidelity Guarantee should equate to at least the sum of cash balances held plus half of the precept and council tax support grant. This calculation is used to estimate the highest level of cash held at any one time. To ensure that the Fidelity Guarantee covers the 'maximum' exposure to cash losses it is recommended that:

Recommendation 1

The Fidelity Guarantee should be increased.

Risk Assessment & Internal Controls

The Risk Assessment was reviewed by the Clerk but was not presented to Council for approval thus not meeting the requirements of the Annual Governance Statement.

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 2020/21 budget and precept were set following the production of detailed estimates of income and expenditure and consideration of the impact on reserve levels; they were properly approved by Full Council in December 2020.

Budget monitoring

Budget monitoring reports have been provided regularly during the year.

Adequacy of Reserves

After allowing for earmarked reserves of £66,648 the general fund stands at £26,782 equating to 39% of gross expenditure in 2020/21; 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 has been correctly charged and the relevant documentation retained.

Donations & Grants

New grant funding streams this year include Community Infrastructure Levy (CIL) and a Covid Grant.

Consideration should be given to establishing an earmarked reserve for CIL income to enable the recording of subsequent expenditure.

Precept

The precept received was checked to Council approvals and the records of the principal authority

VAT claims

A partial claim for the current year has been submitted and paid.

- 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 national pay award was correctly implemented; no tax or NI was payable.

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

The asset register has been updated to reflect purchases during the year and is in accord with disclosures in the accounting statements.

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

Bank reconciliations have been carried out regularly through the year in a timely manner.

The year-end bank reconciliation was found to be accurate and there are no old unrepresented cheques.

- 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 have been prepared on a receipts and payments basis and are in accord with underlying records.

Additional documentation required by the external auditor has been produced.

- 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 Council met its obligations under the Regulations.

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

The Council published the required documentation within the timescales laid out.

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

NOT APPLICABLE.

INTERNAL AUDIT REPORT RESPONSE RECORD – ST. MAWGAN IN PYDAR PARISH COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
2020/21				
1	The Fidelity Guarantee should be increased.			
2017/18				
2	The specific arrangements in place in respect of internet banking are embedded in Financial Regulations including a requirement for whichever Member(s) authorise the payment to indicate, in some way, agreement of the details shown on the internet payment with the invoice or similar documentation.	RFO to seek business banking advice at local Lloyds Bank, but envisage a 'log-on' at the end of the meeting with signatories on the bank mandate authorizing payment and initialing the invoice and accounts sheet. RFO together with the Internal Control Group undertake a review of the Financial Regulation 6, in order to embed the specific arrangements.	2 months	Electronic banking now in use – Financial Regulations should be updated if this has not been done.

Annual Internal Audit Report 2020/21

ST MAWGAN IN PYDAR PARISH COUNCIL

stmawganparishcouncil.org.uk

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> .	✓		

NOT USED

O. (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

12/04/2021

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

12/04/2021

*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).