

St Sampson Parish Council

Internal Audit Report

Year Ended 31st March 2021

Prepared by: Aalgaard Renshaw Business Solutions Ltd

Date of Interim Visit: n/a

Date of Final Inspection: 18th June 2021

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Internal Audit Regulation

*All town and parish Councils are required, by the provisions set out in **The Audit Commission Act 1998** and **Accounts and Audit Regulations** (issued from time to time under the Act) to arrange for an independent internal audit examination, to be undertaken in respect of the authority's accounting records and system of internal control. The conclusions of the said examinations are, thereafter, reported at Section 4 of the authority's Annual Return for the relevant year.*

Internal auditing is defined as "an independent, objective assurance and consulting activity designed to add value and 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."

Aalgaard Renshaw Business Solutions Ltd was appointed as the Internal Auditor by St Sampson Council, for the Municipal Year 2020/21

The Internal Audit Review was undertaken after the year end. This audit included compliance and substantive testing to ensure that the control objectives are being met.

The Audit does not guarantee that the accounting records are free from fraud or error.

This report details the scope of the assessment undertaken in relation to St Kew Parish Council for the 20/21 financial year. This assessment was undertaken on 22nd June 2021.

Methodology

When undertaking the Internal Audit for the financial year 2020/21 regard has been given to the materiality of the authority's transactions and the potential for mis-recording or misinterpreting the same in year- end Statement of Accounts/ Annual Return.

Aalgaard Renshaw Business Solutions Ltd operates an investigatory programme, designed to provide the requisite level of assurance that the audited authority has appropriate and robust financial processes in situ, which ensure that transactions are enacted with both efficacy and integrity and which provide a reasonable probability that any material errors, or possible abuses of organisational, or national, regulatory frameworks are easily identifiable.

The Internal Audit programme applied by Aalgaard Renshaw Business Solutions Ltd also facilitates the completion of the Internal Audit Report, which forms part of the authority's Annual Return document.

Observations and Conclusion

Having undertaken a comprehensive Internal Audit of St Kew Parish Council's accounting records and system of internal control, we have concluded that, based on our inspection, the Parish Council has maintained an effective and accurate system of internal control arrangements for the accounting period 2020/21

The Parish Council's 'Internal Audit Report', part 4 of the Annual Return, has been duly completed and signed. We are of the firm opinion that the control objectives set out in that report have been achieved within the financial year to a high standard and thereby easily meets the needs of the Council.

Acknowledgement

Aalgaard Renshaw Business Solutions Ltd would like to take this opportunity to thank the Members of St Sampson Parish Council for their instruction to undertake their Internal Audit. Thank you to the Clerk/RFO Sue Blaxley for her co-operation she is to be commended on her meticulous record keeping.

Carolyn Y May LLB (honours) M.A. (Finance & Investment), B.Sc.

Jacquelyn Peskett

Aalgaard Renshaw Business Solutions Ltd

Overview of Council and Corporate Governance Statement

Terms of Engagement		Ref	Notes
1.	Review Terms of Engagement; confirm that engagement is appropriate to this financial year.	n/a	Engagement by Email; June 11 th 2021
2.	Confirm the professional independence and competence questionnaire has been completed and agreed with the client		Confirmed: June 11 th 2021
3.	Agree Internal Audit fee with client	n/a	Agreed a cost of £125.00 (plus VAT).
4.	Agree attendance date	2 nd June 2020.	Agreed by telephone; work undertaken by ARBS Ltd. June 22 nd 2021.

Planning Notes		Ref	Notes
5.	Number of Electors	n/a	Circa: 200
6.	Precept sum	Minutes	£3758.00
7.	Other Income (Total)	n/a	CTS £30.95 CIL payment £4450.10 COVID grant £10,000 PROW Maintenance Grant £110.02 Car Park income £6775.05 Parking Permits £660.00 Other income £10
00 8.	Key Personnel	n/a	Susan Blaxley (Parish Clerk/RFO).
9.	Type of Manual Accounting in Place	n/a	Excel spreadsheet.
10.	Any significant changes to staff/ procedures since previous Internal Audit?	n/a	No
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?	n/a	No
12.	Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material mis-statement?	n/a	No
13.	Key high risk/ expected problem areas	n/a	None

Observations	<i>Satisfactory – no Issues identified.</i>
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Corporate Governance Statement

Area	Response (please provide detail below or on supplementary pages)
<p>Please confirm whether or not Standing Orders and Financial Regulations are in place.</p> <p>If so, when were they last updated and formally adopted by the Council?</p> <p>(Please provide an electronic copy of both).</p>	<p>Standing Orders and Financial Regulations are in place and these were reviewed and updated September 2020</p> <p>Approved and adopted at the meeting held on 22nd September 2020 (Minute reference 12 refers).</p> <p>These were received and inspected by the Auditor.</p>
<p>Where original minutes are not provided for our examination, please confirm that each page of the master copy is signed or initialed by the Chairman at the subsequent meeting when they are approved.</p>	<p>Original Minutes were provided however, due to the restrictions imposed during the past financial year, the documents had not been signed in accordance and signed in accordance with the terms and conditions of the Local Government Act 1972; Schedule 12. Para 41(1).</p> <p>Minutes to be signed when restrictions permit.</p>
<p>Does the Council meet the criteria for adoption of the General Power of Competence and, if so, has it been adopted. Please confirm minute reference and date.</p> <p>If reliance is still placed on S.137, etc., when considering the approval of grants and donations to local (and other) bodies, are the relevant powers considered and formally minuted?</p> <p>Where detail of powers relied on is only set out on an agenda paper, please provide an example.</p>	<p>No</p> <p>Yes.</p> <p>N/A</p>
<p>Please confirm that all internal and external audit reports are presented to and agreed by members, also with agreement on the actions to be taken to address any issues identified. Again, please provide detail of the relevant meeting and minute reference.</p>	<p>The Internal Audit Report for Financial Year 2020-21 was considered at the Parish Council Meeting held on 22nd September 2020 (Minute reference 11 refers).</p> <p>There was External Audit to be considered as the Parish Council was classed "Exempt"</p>
<p>Has the Council reviewed an updated version of the financial risk assessment and formally approved its re-adoption (Governance and Accountability Manual – 2014 refers)</p>	<p>Yes, this was updated and approved at the Parish Council Meeting held on 22nd September 2020 (Minute reference 12 refers).</p>
<p>When approving payments for release, do those members signing cheques examine and sign / initial individual invoices. Please provide a brief description of the approval process from receipt of invoice through to release of funds, on a separate sheet.</p>	<p>A schedule of payments is provided to the Members and agreed with the corresponding invoice at the relevant Parish Council Meeting. Cheques and stubs are signed by 2 signatories.</p>
<p>Are all individual payments by direct debit, bankers' standing order or internet, if in use, similarly examined and approved for payment by members? Please provide detail of the controls in</p>	<p>The Council currently has no on-line banking facility.</p>

place over such payments, where different to those for cheque payments.	
Does the Council / a nominated member review the detail of bank reconciliations routinely throughout the year and verify detail to underlying cashbooks and bank statements (Governance and Accountability manual refers)	No
Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.	The Clerk circulates a detailed document highlighting income and expenditure for the extant year. Projections are determined for income and spend to the end of the Financial Year. Members discuss financial requirements for the following year and set the budget accordingly.
Does the Council formally consider and approve the level of reserves (General and Earmarked Funds) to be carried forward to the next financial year? (Such consideration should be minuted formally).	The reserves are considered and approved at the same time the Precept is set. This was carried out at the Parish Council Meeting held on 24 th November 2020.
Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?	The assets are inspected weekly by Members of the Parish Council. The inspections are reported at Parish Council Meetings, when any required maintenance is addressed.
Are asset values based on purchase cost net of VAT (where known)? Where detail of the purchase cost is unknown, asset values should be reported on the Annual Return at the same value as the previous year, except where new assets are acquired or disposed of.	The Parish Council has a comprehensive Asset Register which details the location, purchase date and cost of each item. It does not appear that the Asset Register has been recently updated, nor do values reflect any measure of depreciation.
Does the Council act as Sole or Custodial trustees of any charitable funds? If so, are the transactions excluded from the Annual Return financial detail at Section 2?	No

Observations	<p><i>It is recommended that an individual Councillor is nominated to routinely inspect and verify all bank statements, against the cheque book and schedule of payments, to ensure probity. This action should be conducted by the appointed person on a regular basis throughout the financial year and reported to the Parish Council.</i></p> <p><i>It is recommended that the Parish Council re visits the Asset Register in order to update the same, it may be advantageous to detail the life estimate of non-permanent assets and implement a method of depreciation for appropriate items.</i></p>
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Professional Independence and Competence Questionnaire

The internal audit function must be sufficiently independent from the management of financial controls and procedures of the council which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the council. The two key principles, which councils must follow in setting up their internal audit function are; **independence and competence**.

Independence	
Do you have any specific reliance on the fee to be earned from this assignment	No
Overdue fees	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
Litigation	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
Associated firms	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
Family or other personal relationships	
Do you or any of your staff have personal or family connections with the council or its officers?	No
Mutual business interest	
Do you or any of your staff have any mutual business interests with the client or with an officer or employee of the client?	No
Financial involvement	
Do you or your staff, or anyone closely related to you or any of your staff, have any financial involvement in the client in respect of the following:	
Any beneficial interest in shares or other investments?	No
Any loans or guarantees?	No
Goods and services: hospitality	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
Ex-partners or senior staff	
Has any senior officer of the council been a partner or senior employee of the practice?	No
Is the partner or any senior employee on the audit team in negotiations to join the client?	No
Long association	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
Provision of other services	
Do we provide any of the following services to the client:-	
Accounting services, book-keeping or payroll services	No
Staff secondments	No
IT services where we are involved in the design, provision or implementation of systems	No
Specialist valuations which are included in the accounts	No
Tax compliance work or tax planning	No

Section 1 – Maintenance of Accounting Records & Bank Reconciliations

Internal Control Objectives

	Control Objective	Comments
A	Has the RFO been appointed with specific duties? (S.151 LGA 1972)	Appointed as Clerk/RFO but has not been provided with a contract of employment.
B	Appropriate records of account have been properly kept throughout the year	Yes
C	Closing Cashbook Balance	£26160.10 in cash and short term investments.
D	Formal, year-end, Bank Reconciliations were carried out.	Yes, these are presented in a clear and concise manner and were found to be extremely accurate, utilising an Excel spreadsheet.

Observations	<i>It has been noted that the Clerk has not been provided with a formal contract of employment. It is recommended that this matter should be addressed in early course. It is suggested that a general NALC contract could be issued,</i>
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2. Review of Corporate Governance

	Control Objective	Comments
E	There are appropriate governance arrangements in place to help ensure compliance with extant legislation and that no decisions are taken that may result in unlawful, or unbudgeted costs.	Yes, documents have been inspected and have been found satisfactory,
F	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	The Parish Council was found to be compliant in all aspect of Financial Management.
G	Procurement	The Council's Financial regulations confirm that a proposed contract for the supply of goods, materials, services and the execution of works with an estimated value in excess of £50,000 shall be procured on the basis of a formal tender as summarised in Standing Order sections 10, 11 & 12.
H	Clarity of Records	Financial Records were easy to find and follow; filed in an appropriate manner and; appeared to be complete and fit for purpose.
I	Precept Setting 2021-2022	The Precept for the Financial Year 2021-2022 was discussed and approved at the Parish Council meeting held 24 th November.

Observations	<i>Satisfactory – no issues identified</i>
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3. Review of Expenditure

	Control Objective	Comment
J	Payments	Supported by Invoices; Authorised and Minuted.
K	Procurement of services above the 'de minimis' Amount	N/A
L	VAT	It does not appear that any claim for VAT has been submitted.
M	S.137 Expenditure (LGA 1972)	The Parish Council has made 3 donations under S.137 during this Financial Year. Golant Boat Owners Association £500 Royal British Legion £30 St Sampson Parish Church £1000.00
N	Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for	No Petty Cash Account utilised.
O	Clerk's Expenditure	Expenditure is properly accounted for and supported with appropriate documentation.

Observations	<i>Satisfactory – no issues identified</i>
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4. Review of Income

	Control Objective	Comment
P	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	Yes
Q	Expected income was fully received, based on correct prices, properly recorded and promptly banked, with VAT appropriately accounted for.	Yes
R	Are there any significant, unexplained, variances from the budget?	No

Observations	<i>Satisfactory – no issues identified</i>
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5. Review of Capital Budgeting

	Control Objective	Comment
S	Sale of fixed assets	None
T	Use of income from sales (de minimis £10,000)	N/A
U	Capital Expenditure	None
V	Long-term capital budget/ rolling capital schemes	Yes, consideration is given to future Capital Projects and monies are allocated to the same.
W	Capital budget review (annually) date	Not known.

Observations	<i>Satisfactory – no issues identified</i>
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6. Review of Employment Arrangements

	Control Objective	Comment
X	Each employee has been issued with a contract of employment, with clear terms and conditions	No.
Y	Salaries paid agreed with those approved by the Council	Yes
Z	Are all employees in a registered pension scheme/ have all employees been offered the opportunity to enrol in a work pension scheme	The Clerk is eligible for the Pension Scheme and is a Member of the Cornwall Pension Fund.
AA	Are other payments made to employees reasonable and approved by the Council	Yes
AB	Have PAYE / NIC been properly operated by the Council as an employer	Payments have been made in compliance with the PAYE/NIC requirements
AC	Does the Council have current, appropriate Employer Liability Insurance?	It is noted that the Parish Council has an appropriate Insurance Policy with BHIB Ltd. Not provided with sight of the same.

Observations	<i>The matter of a contract of employment has been addressed under "Internal Control Objectives" page 9.</i>
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7. Risk Management Arrangements

	Control Objective	Comment
AD	Does a review of the minutes identify any unusual financial activity?	None identified.
AE	Do the minutes record the Council carrying out an annual risk assessment?	These are habitually reviewed in June of each year. However, due to the meeting restrictions imposed during the past financial year this has yet to be undertaken.
AF	Is insurance cover current, appropriate and adequate?	The Council has appropriate and adequate insurance cover, provided by BHIB (policy LC000235).
AG	Is the Fidelity Guarantee appropriate and has it been reviewed?	The Fidelity Guarantee (£100,000 limit) is Index Linked and deemed appropriate for a Council with an annual precept of £3,758.00
AH	Are internal control systems documented and regularly reviewed?	There is no evidence in the Minutes provided, which highlights that a review of the internal control systems has taken place. However, it is clear from the Minutes that Members receive a monthly schedule of payments and are provided with an opportunity to consider the same, prior to electing to accept/ reject the proposed payments.
AI	Has the Council carried out a review of the effectiveness of internal auditing during the year?	Yes
AJ	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	None raised

AK	Have adequate measures and steps been put in place in respect of GDPR.	It is noted that the Parish Council has a robust GDPR policy.
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Observations	<i>Satisfactory – no issues identified</i>
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8. Asset Register

	Control Objective	Comment
AL	Does the Council maintain a register of all material assets owned, or in its care?	Yes inspected
AM	Are the assets and investments register up to date?	Last reviewed 2019.
AN	Have dates of acquisitions been noted?	Yes.
AO	Is a life estimate recorded?	No
AP	Has the location of the item been recorded?	Yes.
AQ	Have costs of acquisitions and enhancement been recorded?	Value recorded
AR	Have dates of upgrade and disposal been noted?	No.
AS	Do asset insurance valuations agree with those in the asset register?	Not known.

Observations	<i>This matter has been addressed previously at page 7.</i>
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9. Investments and Loans

	Control Objective	Comment
AT	Have all excess balances been appropriately and prudently invested in appropriate accounts for safeguarding? (LGA 2003 and guidance issued by the Secretary of State).	All monies held by the Parish Council are accounted for and deposited in an appropriate Lloyds Bank account.
AU	Does the Council have, documented and approved, appropriate recovery actions for unpaid debts/ writing off, of irrecoverable debts process/ debt monitoring arrangements in place?	Not known.

Observations	<i>Satisfactory – no issues identified</i>
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10. Audit Notices and Annual Return

	Control Objective	Comment
AV	When were these advertised to the public?	The relevant notices including "Certificate of Exemption" were published on the website.

Observations	<i>Satisfactory – no issues identified</i>
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11. Transparency

	Control Objective	Comment
AW	Publication Method of Agendas/ Minutes	Website
AX	Publication of Annual Governance Statement	Website - Complete
AY	Public Meeting date	Fourth Tuesday of each month except August & December.
AZ	List of Council Members and their responsibilities	Website - complete
ABA	Councillors Code of Conduct/ Complaints	Website - complete
ABB	Financial Regulations/ Standing Orders	Website - complete

Observations	<i>Satisfactory – no issues identified</i>
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Recommendations	<ol style="list-style-type: none"> 1. <i>It is recommended that an individual Councillor is nominated to routinely inspect and verify all bank statements, against the cheque book and schedule of payments, to ensure probity. This action should be conducted by the appointed person on a regular basis throughout the financial year and reported to the Parish Council.</i> 2. <i>It is recommended that an individual Councillor is nominated to routinely inspect and verify all bank statements, against the cheque book and schedule of payments, to ensure probity. This action should be conducted by the appointed person on a regular basis throughout the financial year and reported to the Parish Council.</i> 3. <i>It is recommended that this matter should be addressed in early course. It is suggested that a general NALC contract could be issued.</i>
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