

Bradworthy Parish Council

Internal Audit Report

Year Ended 31st March 2020

Prepared by: Aalgaard Renshaw Business Solutions Ltd

Date of Interim Visit: n/a

Date of Final Inspection: 15th June 2020

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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 Bradworthy Parish Council, for the Municipal Year 2019/20

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 Bradworthy Parish Council for the 2019/20 financial year. This assessment was undertaken on 15th June 2020.

Methodology

When undertaking the Internal Audit for the financial year 2019/20 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 Bradworthy 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 2019/20

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 and Clerk of Bradworthy Council for their instruction in relation to this matter. In Particular, Christine Kett, Clerk & RFO.

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; Date: May 2020
2.	Confirm the professional independence and competence questionnaire has been completed and agreed with the client	Page 8	Confirmed: May 2020
3.	Agree Internal Audit fee with client	n/a	Agreed a cost of £135.00 (plus VAT).
4.	Agree attendance date	n/a	Agreed by email that necessary work would be carried out at ARBS Ltd June 2020.

Planning Notes		Ref	Notes
5.	Number of Electors	n/a	Circa: 1082
6.	Precept sum	Minutes	£19,000.00
7.	Other Income (Total)	n/a	£3,708.10 other income.
8.	Key Personnel	n/a	Christine Kett (Parish Clerk/ RFO)
9.	Type of Manual Accounting in Place	n/a	<p>Parish Council Members are presented with a Schedule of Payments, which are detailed with the appropriate agenda at the relevant Parish Council Meeting.</p> <p>Cheques are signed by two Councillors and cheque stubs are initialled by the same Members.</p> <p>Schedules are maintained and reconciled against bank statements. Accounting recorded on Excel Spreadsheet.</p>
10.	Any significant changes to staff/ procedures since previous Internal Audit?	n/a	None.
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?	n/a	It is noted that there were some minor issues highlighted by the Internal Auditor which have now been addressed by the Parish Council.
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.</p> <p>These were reviewed and re -adopted at the Meeting held 28th February 2020.</p> <p>It is noted however, that due to COVID -19 and the suspension of meetings, there is no formal Minute number. At the time of undertaking the Internal Audit.</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 and signed in accordance with the terms and conditions of the Local Government Act 1972; Schedule 12. Para 41(1).</p>
<p>Please provide detail of the approved precept and any Support Grant for 2019/20 including a copy of the relevant approving minute.</p>	<p>This was discussed at the Parish Council Meeting held on 25th January 2019. Finance - Minute reference 14/19 (iv) refers.</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>N/A</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>Yes. Internal Audit Report for Financial Year 2018/19 was considered at the meeting held on 26th July 2019. Finance Section – Minute reference 133/19 refers.</p> <p>The External Audit was on the Agenda for the Meeting held on 25th October 2019.</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 and this had been reviewed ready for approval at the March 2020 meeting.</p> <p>It is noted however, that due to COVID -19 and the suspension of meetings, there is no formal Minute number. At the time of undertaking the Internal Audit.</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 selection of Invoices were examined and it is noted that these are approved by Full Council; cheques are signed on Approval by two Councilors; cheque stubs are also initialed by two Councilors.</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 place over such payments, where different to those for cheque payments.	Yes, the Parish Council uses Internet Banking Facilities whenever possible. These are clearly shown on the payment sheet for each meeting, which is then in turn, presented to Members. Monthly Finance sheets are clearly displayed on the Parish Council Website.
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)	Updated financial statements are provided Monthly and have been reconciled to bank balances/ statements, these are then presented at full Council.
Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.	Previous year's expenditure and income are considered along with bank balances.
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).	Only when considering the amount for Precept.
Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?	Yes.
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.	Yes.
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

Certified by Christine Kett (Clerk/RFO)

Date: June 2020

Observations	<i>Satisfactory – no issues identified.</i>
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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)	The Clerk has been appointed with specific duties (Standard NALC Contract).
B	Appropriate records of account have been properly kept throughout the year	Yes
C	Closing Cashbook Balance	£66,254.32
D	Formal, year-end, Bank Reconciliations were carried out.	Yes, these calculations are clearly shown on an Excel Spreadsheet.

Observations	<i>Satisfactory, no issues identified.</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.	It is noted that the Council has prepared and adopted both Standing Orders (S/O's) and Financial Regulations (F/R's).
F	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	A sample of payments were examined. All had been processed appropriately and were in accordance with the terms and conditions set out in the Council's Financial Regulations.
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 £60,000 shall be procured on the basis of a formal tender as summarised in Financial Regulation No. 11.1(b).
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 2020/21	It is noted that the Council discussed and agreed its precept requirement for 2020/21 at the Parish Council Meeting held on 24 th January 2020. Finance Minute reference 13/20 (iii) refers.

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 under 'Finance'
K	Procurement of services above the 'de minimis' Amount	N/A
L	VAT	VAT returns are regularly submitted, monies received are accounted for in the proper manner on the Accounts spreadsheet. It is noted that a refund of £1255.97 was received for this Financial Year.
M	S.137 Expenditure (LGA 1972)	N/A
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 was properly supported by receipts, expenditure was approved and VAT appropriately accounted for	Yes

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	No significant Capital Expenditure.
V	Long-term capital budget/ rolling capital schemes	No
W	Capital budget review (annually) date	No

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	Yes, The Clerk has been issued with a standard NALC contract.
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	This is undertaken by Torridge District Council
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	No. Not Applicable
AC	Does the Council have current, appropriate Employer Liability Insurance?	Yes – Cover provided by (Community First) Zurich Municipal Policy No. YLL-2720278713.

Observations	<i>Satisfactory – no issues identified</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?	
AF	Is insurance cover current, appropriate and adequate?	Yes –. Cover provided by (Community First) Zurich Municipal Policy No. YLL-2720278713.
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 £19,000
AH	Are internal control systems documented and regularly reviewed?	Yes
AI	Has the Council carried out a review of the effectiveness of internal auditing during the year?	No
AJ	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	Yes

Observations	<i>Satisfactory – no issues identified</i>
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8. Asset Register

	Control Objective	Comment
AK	Does the Council maintain a register of all material assets owned, or in its care?	Yes. Requested and inspected.
AL	Are the assets and investments register up to date?	Last updated 2018. They had been reviewed and were due to be presented at the March 2019 meeting. It is noted however, that due to COVID -19 and the suspension of meetings, there is no formal Minute number. At the time of undertaking the Internal Audit
AM	Have dates of acquisitions been noted?	No
AN	Is a life estimate recorded?	No
AO	Has the location of the item been recorded?	Yes
AP	Have costs of acquisitions and enhancement been recorded?	Value recorded
AQ	Have dates of upgrade and disposal been noted?	The Council has not disposed of any assets at value
AR	Do asset insurance valuations agree with those in the asset register?	N/A

Observations	<i>Satisfactory – no issues identified</i>
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9. Investments and Loans

	Control Objective	Comment
AS	Have all excess balances been appropriately and prudently invested in appropriate accounts for safeguarding? (LGA 2003 and guidance issued by the Secretary of State).	N/A
AT	Does the Council have, documented and approved, appropriate recovery actions for unpaid debts/ writing off, of irrecoverable debts process/ debt monitoring arrangements in place?	No.

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

	Control Objective	Comment
AU	When were these advertised to the public?	All published in accordance with required regulations.

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

	Control Objective	Comment
AW	Publication Method of Agendas/ Minutes	Website - Complete
AX	Publication of Annual Governance Statement	Website - Complete
AY	Public Meeting dates	Last Friday of each month, except for 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 – none identified.</i>
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Recommendations	<i>Nothing identified.</i>
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