

**5<sup>th</sup> June 2020**

Hopesay Parish Council

Ladies and Gentlemen

I have been appointed as your Internal Auditor and am employed by the Council to conduct such tests as are sufficient to enable me to complete the Internal Auditor's Report contained within the Annual Governance and Accountability Return Form for the financial year 2019-2020.

My report is based on the Guide issued by the Joint Panel on Accounting Guidance (JPAG) in March 2017, and whilst the tests I have made are taken from the Practitioners' Guide, they are relevant to the various headings on the Annual internal audit report. I have given my rationale for the answers given on that report.

**A. Appropriate accounting records have been kept properly throughout the year.**

Appropriate books of account have been kept properly throughout the year. A Cash Book is maintained, is up to date, regularly balanced and the reconciliation of the cash book balance and the bank statement is agreed by a councillor and duly minuted. The books are made up to 31st March 2020 and were audited by me on 3<sup>rd</sup> June 2020.

**B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.**

I have checked a sample of the Income received and also the invoices paid, together with a sample of the payment transactions and found them to be satisfactory. Where applicable, prior to authorisation, the invoice is checked by the Clerk. All cheques require two signatures, and the regulations state that cheque signatories are required to check and initial the original invoice that they have assured themselves that the invoice is appropriate for payment and that the invoice and cheque are in agreement as to payee and value. From the samples checked, this is being done. VAT on payments has been identified and recorded separately. The Standing Orders were reviewed in June 2019 when NALC revisions for new legislation were incorporated, see minute 17 from the July meeting. The Financial Regulations were reviewed in September 2019 when the Council adopted the new NALC model, see minute 16 from the September meeting. The other policies and procedures under which the Council operates were also reviewed and minuted during the year.

**C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

The Council assessed the significant risks to achieving its objectives and has a detailed Risk Assessment. This Risk Register is updated on a rolling programme, and the Register is discussed at most, if not all, meetings of the Council. The discussion and outcomes of those discussions are minuted, sometimes there are amendments made and if no amendments are necessary, that, too, is minuted (see September 2019 minutes). In addition the full Council are regularly asked to consider the Risk Register and to put forward any views and suggestions they may have with regard to the risks to the Council. As evidence I would quote the minutes of every meeting during the year. The existing Insurance cover was discussed at the April 2019 meeting and it was agreed that, of several quotations received, the Council would adopt the quotation from Came and Co. which is for a three year term with an annual premium this year of £330. See minute 18 of the April meeting. The insurance cover runs from 1<sup>st</sup> June 2019 to 31<sup>st</sup> May 2020.

**D. The precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored and reserves were appropriate.**

A draft budget was drawn up by the RFO and circulated to Councillors at the November meeting. They were advised to consider that draft in detail, and it would be discussed at the December meeting. At the December meeting, discussions took place and it was agreed that an Expenditure budget of £14052 would be set. A precept of £12707 was agreed with £1345 being drawn from reserves. This constituted a 3.39% increase for

the 2019-20 precept. The budget is regularly monitored by the Council, and I am delighted to see that it is treated as a “living” document, with funds being vired from other headings to make up any unexpected shortfalls or additional spending, but not until any shortfalls or additional expenditure has been discussed by the full council and agreed. As evidence I notice that £1040 was taken from restricted reserves for use on enclosure improvements to the Arbor Tree. Progress is regularly monitored and a quarterly budget review is discussed, agreed and duly minuted. The council regularly discusses its reserves in conjunction with these budget updates and they are to be commended for their financial stability and viability, and the way their financial management operates.

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

All income has been received, is properly recorded and promptly banked where applicable. The recorded precept agrees to the Council Tax authority's notification. The council does not deal in cash or near cash items. VAT has been properly accounted for and a claim for 2018-19 was made amounting to £557.48, and this refund was received in April 2019 and duly minuted at the May meeting.

**F. The smaller authority does not operate a petty cash system.**

**G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.**

The clerk has a Contract of Employment, which is based on the NALC model. Having checked a sample of the salary records, I am satisfied that salaries to the Clerk and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied and payments to HMRC are up to date.

**H. Asset and investment registers were complete and accurate and properly maintained.**

The council has an Asset register which is complete and accurate and properly maintained. That is what is required from the heading above, but I would like to place on record the excellent content of that register. It was discussed at the April meeting and also the July meeting and the review was finally concluded and the document agreed at the August meeting (see minute 11). Again, it is treated like a “living” document, and is not merely wheeled out once a year to be agreed and then left until the following year. The council does not have an investment register as it has no investments.

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

Periodic reconciliations have been carried out, as has a final year end reconciliation. These have been duly discussed by the Councillors, and I would like to thank those councillors who, during the year, have undertaken the monthly checks on those reconciliations and have reported back to the full council that in all cases there were no variances. All reconciliations have been duly minuted at each council meeting. I am aware that the Covid-19 coronavirus has made things a little difficult, but the reconciliations have all been properly carried out.

**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.**

Accounting statements have been prepared on the correct accounting basis (Receipts and Payments). The accounts are supported by an audit trail. At the year-end there are no unexplained balancing entries in the reconciliation. The value of investments held is not applicable. At the year end, there is an original bank statement for both the current and savings accounts and a reconciliation has been done for each.

**K. If the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt.**

The authority did certify itself as exempt from a limited assurance review in 2018/19, and I can confirm that it met the exemption criteria and the exemption certificate was correct.

**L. The authority has demonstrated that during the summer of 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.**

This exercise was correctly provided for and the exercise was duly minuted and also placed on the council's website.

## **Conclusion.**

I have marked all the categories on the internal audit form as conforming to the required standard on the basis that under risk management there is little, or no risk attached to the council from any of the comments I have made.

The bold headings above are from my internal audit report and they, together with the points upon which I have commented in my report, should provide the basis on which the council's own internal controls are set. The Council has a very efficient Internal Control mechanism, and I would like to place on record my thanks to all the councillors for the excellent way in which they carry out their duties, not only with regard to the financial side but their duties in general. I am very well aware of the considerable amount of time councillors spend on the unpaid task of actually being a councillor and you are all to be commended.

This brings me to the duties of your Clerk and RFO, and from my internal audit testing there is no evidence of any irregularities, and I would like to thank the Clerk for the very professional way she has produced the records and vouchers for this internal Audit. This year has been a difficult one since lockdown on 23<sup>rd</sup> March because of the Covid-19 coronavirus, and she has had a lot of extra work in producing and sending me the records I need to carry out my audit. I am well aware that the lockdown has denied you the chance of holding your March meeting at which councillors would have carried out end of year checks on the accounts; as well as approving various payments and end of year tidying up actions. The Clerk did a wonderful job in getting approval for matters which needed authorisation and whilst the council did not meet in April when they would normally get the year end budget monitoring form, the previous year's accounts and other year end reports, e.g. reserves etc., these items were all on the agenda for a remote meeting in May. This has shown the resilience of the council to cope with the problems which lock down has caused; all I can say is "Well done".

Yours faithfully

A handwritten signature in black ink, appearing to read "Bernard Townson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bernard Townson  
Internal Auditor  
5<sup>th</sup> June 2020