

[REDACTED]  
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**28<sup>th</sup> May 2021**

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 2020-21.

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 2021 and were audited by me on 14<sup>th</sup> May 2021.

**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 and Financial Regulations together with 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. 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. The insurance cover was discussed during the year to see that it was adequate. The insurance cover runs from 1<sup>st</sup> June 2020 to 31<sup>st</sup> May 2021.

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

A revised budget for 2020-21 was drawn up by the RFO and circulated to Councillors and approved at the July meeting. A draft budget for 2021-22 was presented to the full council meeting in November 2020 (minute 17) The council members 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

£16105 would be set. A precept of £13320 was agreed with £2885 being drawn from reserves. This constituted a 4.83% increase over the 2020-21 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. 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 2019-20 was made in the sum of £657.20 and this refund was received in June 2020 and duly minuted.

**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 is discussed and when the review is finally concluded, the document is agreed. 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 2019/20, it met the exemption criteria and correctly declared itself exempt.**

The authority did certify itself as exempt from a limited assurance review in 2019/20, and I can confirm that it met the exemption criteria and the exemption certificate was correct.

**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.**

The authority's turnover did not exceed £25,000 and I can confirm that it published information on the council's website up to date at the time of the internal audit in accordance with the Transparency Code for smaller authorities.

**M. The authority has demonstrated that during the previous year (2019-20) it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.**

I can confirm that the authority did provide correctly for the exercise of public rights and this fact has been minuted.

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

The authority has complied with the publication requirements of the AGAR and this appeared 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. I can do no better than to re-state my comments from last year in that the Council has a very efficient Internal Control mechanism, and once again, 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.

Yet again, 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 her for the very professional way she has produced the records and vouchers for this internal Audit. Because of lockdown restrictions she spent a lot of time copying all the documents I needed to complete my audit and transfer them to a memory stick. The only problem that brought was the effect on the rain forests due to the amount of paper I used to print them off.

This year has again been a difficult one since lockdown on 23<sup>rd</sup> March 2020, and has lasted the whole of this last financial year because of the Covid-19 coronavirus. I am well aware that the lockdown has denied you the chance of holding your normal meetings at which councillors would have carried out internal control 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 the council held remote meetings to attend to the normal running of the Council. I have been provided with a number of very self-explanatory notes to assist with the audit. This has shown, even more, the resilience of the council to cope with the problems which lock down has caused; at this time last year lockdown had only affected the March meeting, now you have succeeded in coping with the demands placed on you as councillors, but more importantly in providing support, not only for each other, but the whole parish.

Yours faithfully



Bernard Townson  
Internal Auditor  
28<sup>th</sup> May 2021