



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS OF KENWYN PARISH COUNCIL  
YEAR ENDED 31ST MARCH 2020

ISSUE DATE: 02/06/2020  
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 2019.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Documentation was requested electronically, and hard copy documents were reviewed between 1<sup>st</sup> & 2<sup>nd</sup> June 2020.

## **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.

In giving our internal audit opinion, 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, thus in all 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 are now maintained on RBS accounting software; they were up to date 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 reviewed in May 2019.**

*Purchasing*

**It is clear from reviewing the Minutes that spending decisions are taken by Members and that competitive pricing is obtained as a matter of routine.**

*Payment*

**Payments for January and February were tested, and all were supported by invoices, approved by Members on schedules reported to Council and 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 and the Fidelity Guarantee is just about adequate at £500K.**

*Risk Assessment & Internal Controls*

**The Council has reviewed its risk management arrangements and reviewed the effectiveness of its internal controls.**

*The Coronavirus pandemic has had significant impacts on local councils not only in terms of the way that work is carried out but for some there will be significant losses of income and potentially increased costs. The Council's experience should be reflected in its risk management arrangements and continuity planning as well as any financial impact being included in its budget management processes and reserves policies.*

*In addition it is suggested that a formal appraisal of the impact of the pandemic, including (the unlikely) possibility that there is an impact on the 2019/20 accounts, is carried out as part of the Councils approval of the Annual Governance Statement, specifically Assertion 8.*

*Cash*

**The Council has now adopted an Investment Strategy as recommended.**

**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 budget and precept were approved by full Council in November 2019 following the production of detailed estimates and an in-depth presentation.**

*Budget monitoring*

**Budget monitoring has been carried out in line with Financial Regulations.**

*Adequacy of Reserves*

The General Fund stands at £138,210 equating to 90% of gross expenditure in 2019/20; 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.**

*Lettings*

Controls around hall hire have been further strengthened with the use of the RBS sales ledger and there were no issues to report.

*Interest*

Bank interest is minimal and is accurately recorded in the ledger.

*VAT claims*

VAT claims are up to date, and the accounts reflect the year-end debtor.

- 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.**

Salaries are paid in accordance with Member approvals.

PAYE and pension deductions have been properly applied and paid to the relevant authority.

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

The asset register has been updated and the total value of assets has been accurately reflected in the accounting statements.

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

Monthly bank reconciliations have been carried out, reported to Council, and certified as accurate by Members.

The year-end bank reconciliation was found to be accurate and there were no old un-presented payments.

- 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 an income and expenditure basis for the first time, and the 2018/19 accounts have been restated accordingly.

A good audit trail was provided, and the accounts agree with underlying records.

- 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.**

**NOT APPLICABLE.**

- L. During summer 2019 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.**

**The Council met its obligations by allowing the correct number of days for public inspection and publishing the correct documentation.**

**M. Trust funds (including charitable). The council met its responsibilities as trustee.  
NOT APPLICABLE.**

**INTERNAL AUDIT REPORT RESPONSE RECORD – KENWYN PARISH COUNCIL**

<b>No</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>Timescale/ Responsibility</b>	<b>Follow Up (for auditor use)</b>
<b>FINAL REPORT 2018/19</b>				
1	An Investment Strategy meeting the requirements of government guidance is adopted.			<b>Strategy in place - closed</b>

# Annual Internal Audit Report 2019/20

## KENWYN PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 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	Agreed? Please choose one of the following		
	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 and year-end bank account reconciliations were 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.	✓		
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. <i>(If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")</i>			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
<b>M. (For local councils only)</b> 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

01/06/2020      02/06/2020

Name of person who carried out the internal audit

S P HUDSON CPFA

Signature of person who carried out the internal audit

*S. P. Hudson* REQUIRED

Date

02/06/2020

\*If the response is 'no' you must include a note to 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).