



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS KENWYN PARISH COUNCIL  
YEAR ENDED 31ST MARCH 2022.

ISSUE DATE: 12/04/2022  
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 2020.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed.

## **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.

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 other than it did not review its Risk Management arrangements or properly allow for the Public Inspection of the accounts. In all other 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 maintained on RBS accounting software; they were up to date, in balance and free from material errors.

### **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 last reviewed in March 2021.

#### *Purchasing*

Purchase Orders are used, spending decisions are noted in the Minutes and the play equipment purchase was tendered in line with both Financial Regulations and the Public Contract regulations.

#### *Payment*

Payments were supported by invoices and had been included on payment schedules approved by Council.

*The audit trail would be improved if coding information were included along with the 'paid' stamp on the face of the invoices.*

#### *VAT*

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 adequate at £1 million.

#### *Risk Assessment & Internal Controls*

The Council, in response to the return of face-to-face meetings and the potential difficulties involved, reviewed all its policies in March 2021. Thus, the requirement to review its risk management arrangements has not been met within the 2021/22 financial year.

The effectiveness of internal controls was reviewed in November 2021.

#### *Cash*

For the same reasons as mentioned above the Investment Strategy has not been reviewed as required by Regulations.

### **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 2021 following the production of detailed estimates and an in-depth presentation.

#### *Budget monitoring*

The infrequency of meetings has made quarterly budget monitor reporting difficult.

*Council must ensure that meetings are held at times that allow for the budget monitoring requirements of Financial Regulations to be met.*

*Adequacy of Reserves*

**After allowing for earmarked reserves of £346,295 the general reserve stands at £184,790; equating to 54% of gross expenditure which is within generally accepted parameters.**

*The percentage would be considerably higher if one-off expenditure in 021/22 was excluded. The external auditor will also require an explanation for the overall high level of reserves.*

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

*Precept*

**The precept received was checked to the records of the Council and the principal authority and found to be in accord.**

*VAT claims*

**VAT claims for the year have been submitted and the year-end Returns accurately reflected in the accounts.**

*Room Hire*

**A booking system is in place and lettings are well controlled.**

**F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.**

**Petty cash has not been used during the year.**

**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.**

**Payroll testing revealed no issues to report.**

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

**The asset register has been updated to reflect additions and disposals and the total value of assets held has been accurately disclosed in the AGAR.**

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

**Monthly reconciliations have been carried out in a timely manner and are reported to Council.**

**There is no indication, on the filed copies, that a Member has certified them as having been reviewed.**

*Bank reconciliations should be certified as having been reviewed in line with Financial Regulation 2.2.*

**The year-end bank reconciliation was found to be accurate.**

**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 were prepared on an income and expenditure basis and were in accord with underlying records. A good audit trail was provided.**

**Debtors and creditors were properly recorded and appeared reasonable.**

*A Telepay charge was erroneously included in staff costs. The amount, £10, is immaterial but the relevant indicators on the accounting system should be changed to ensure that such payments are treated as 'Other Expenditure' going forward.*

**K IF the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt.**

**NOT APPLICABLE.**

**L The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.  
NOT APPLICABLE.**

**M The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations  
The Council did not comply for the reasons set out in the External Auditors report; this should be reflected in the Annual Governance Statement.**

**N The authority has complied with the publication requirements for 2020/21 AGAR.  
The publication requirements have been met.**

**O 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>YEAR END REPORT 2020/21</b>				
1	The Fidelity Guarantee should be increased			Increased to £1 million - closed

# Annual Internal Audit Report 2021/22

## KENWYN PARISH COUNCIL

www.kenwynparishcouncil.gov.uk/finance

During the financial year ended 31 March 2022, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2021/22 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	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 bank account reconciliations were properly carried out during the year.	✓		
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 2020/21, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i>			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements			✓
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .		✓	
N. The authority has complied with the publication requirements for 2020/21 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .	✓		
<b>O. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

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

11/04/2022 12/04/2022

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

Date

12/04/2022

\*If the response is 'no' please 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).