

# St Minver Highlands Parish Council

## Internal Audit Report

Year Ended 31<sup>st</sup> March 2022

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**Prepared by:** Aalgard Renshaw Business Solutions Ltd

**Date of Interim Visit:** n/a

**Date of Final Inspection:** 20/05/2022

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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 St Minver Highlands Parish Council, for the Municipal Year 2021/22*

*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 St Minver Highlands Parish Council for the 2021/22 financial year. This assessment was undertaken on 2<sup>nd</sup> July 2021.*

## **Methodology**

*When undertaking the Internal Audit for the financial year 2021/22 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 St Minver Highlands 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 2021/22*

*The Parish Council's 'Internal Audit Report', part 3 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 of St Minver Highlands Parish Council for their instruction to undertake the 2021/22 Internal Audit.*

*It is felt that it is appropriate to note that St Minver Highlands Parish Council operated as an efficient and effective operation during the 2021/22 Financial Year. Both the Members and the Clerk are to be commended for the professional manner in which duties have been carried out, and paperwork maintained.*

*Finally, we would wish to thank the Parish Clerk, Jo Wilson for her co-operation during the audit process. It is clear from the records provided that she is a competent and diligent Clerk, who performs to a high standard.*

*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 – March 2022
2.	Confirm the professional independence and competence questionnaire has been completed and agreed with the client		Confirmed
3.	Agree Internal Audit fee with client	n/a	Agreed a cost of £275.00 (plus VAT).
4.	Agree attendance date		Agreed by telephone; work undertaken by ARBS Ltd. May 2021.

Planning Notes		Ref	Notes
5.	Number of Electors	n/a	Circa 645
6.	Precept sum	Minutes	£52,885
7.	Other Income (Total)	n/a	£29,801
8.	Key Personnel	n/a	Clerk: Jo Wilson
9.	Type of Manual Accounting in Place	n/a	Exel
10.	Any significant changes to staff/ procedures since previous Internal Audit?	n/a	A new Clerk was appointed during the 2021/22 Financial Year.
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?	n/a	No
12.	Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material misstatement?	n/a	No
13.	Key high risk/ expected problem areas.	n/a	None

<b>Observations</b>	<b><i>Satisfactory – no Issues identified.</i></b>
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## Corporate Governance Statement

Area	Response (please provide detail below or on supplementary pages)
<p><b>Please confirm whether Standing Orders and Financial Regulations are in place.</b></p> <p><b>If so, when were they last updated and formally adopted by the Council?</b></p> <p><b>(Please provide an electronic copy of both).</b></p>	<p>Standing Orders are in place. The document reviewed and adopted by the Parish Council at the Parish Council meeting of 9<sup>th</sup> July 2019.</p>
<p><b>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.</b></p>	<p>A selection of original Minutes provided for inspection highlighted there was intermittent signing of the same. This should be addressed in the next financial year. With each set of Minutes being appropriately signed by the Chairman, at the appropriate meeting.</p>
<p><b>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.</b></p> <p><b>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?</b></p>	<p>The Clerk is not CiLCA qualified.</p> <p>Yes</p>
<p><b>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.</b></p>	<p>The External Audit was received and discussed by the Parish Council on 14th September 2021 (Minute 385/9/2021 refers).</p> <p>No record could be found relating to the receipt and consideration of the Internal Audit. The only document available to the Internal Auditor was that compiled as part of the AGAR Form.</p>
<p><b>Has the Council reviewed an updated version of the financial risk assessment and formally approved its re-adoption (Governance and Accountability Manual – 2014 refers)</b></p>	<p>Financial Regulations are in place, and current. These documents were adopted by the Parish Council on July 9<sup>th</sup>, 2019. It is suggested that these be revisited in early course.</p>
<p><b>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.</b></p>	<p>A schedule of payments is provided to the Parish Council, by the Clerk. The payments are clearly detailed in the Meeting Minutes. The schedule is considered by the full Council and is appropriately approved. It is noted that all cheques counterfoils are initialed.</p>
<p><b>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)</b></p>	<p>Yes, it is noted that this is carried out monthly as evidenced by agenda items and minutes.</p>

<p><b>Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.</b></p>	<p>A draft budget is presented to the Parish Council. Proper consideration is given to the proposals and the matter is voted upon, the decision being correctly minuted.</p>
<p><b>Does the Council formally consider and approve the level of reserves (General and Earmarked Funds) to be carried forward to the next financial year?</b>  (Such consideration should be minuted formally).</p>	<p>No evidence submitted to support a view that this had been carried out.</p>
<p><b>Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?</b></p>	<p>Yes</p>
<p><b>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.</b></p>	<p>The Asset Register was viewed. IT met with the required regulations and the value of Assets on the AGAR form concurred with that on the Asset Register.</p>
<p><b>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?</b></p>	<p>No</p>

<p><b>Observations</b></p>	<p><i>It is recommended that the Standing Order / Financial Regulations of the Parish Council should be reviewed and re-adopted in early course.</i>  <i>It is recommended that consideration of the Internal Audit document should be recorded in the Minutes of the meeting at which it is received.</i>  <i>It is recommended that the reserves of the Parish Council should be set and that the decision is Minuted.</i></p>
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## 2. 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**.

<b>Independence</b>	
Do you have any specific reliance on the fee to be earned from this assignment	No
<b>Overdue fees</b>	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
<b>Litigation</b>	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
<b>Associated firms</b>	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
<b>Family or other personal relationships</b>	
Do you or any of your staff have personal or family connections with the council or its officers?	No
<b>Mutual business interest</b>	
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
<b>Financial involvement</b>	
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
<b>Goods and services: hospitality</b>	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
<b>Ex-partners or senior staff</b>	
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
<b>Long association</b>	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
<b>Provision of other services</b>	
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)	Yes.
B	Appropriate records of account have been properly kept throughout the year	The Clerk keeps meticulous records of all transactions carried out on behalf of the Council.
C	Closing Cashbook Balance	£111,678`
D	Formal, year-end, Bank Reconciliations were carried out.	Yes

<b>Observations</b>	<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.	The Parish Council continues to operate a strong and effective process, which ensures that decisions are reached in accordance with governing legislation.
F	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved, and VAT was appropriately accounted for.	The Council is deemed to be fully compliant with Financial Regulations. All payments were made in accordance with the stated process.
G	Clarity of Records	Records were well presented and properly maintained.
H	Precept Setting 2021-2022	

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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### 3. Review of Expenditure

	Control Objective	Comment
I	Payments	A selection of invoices was examined against the payment ledger and were found to be well documented and accurate.
J	Procurement of services above the 'de minimis' Amount	The regulations appertaining to the 'de minimis' amount are clearly set out in the Parish Council's Standing Orders.
K	VAT	VAT has been properly accounted for.
	S.137 Expenditure (LGA 1972)	One donation was identified as having been made to a local organisation, in accordance with the S137 Rules. It is considered that the sum spent falls within the permissible limit, as set out under LGA 1972, S137 (4)
M	Petty cash payments were properly supported by receipts, expenditure was approved, and VAT appropriately accounted for	No petty cash utilised.
N	Clerk's Expenditure	All payments were found to be properly accounted for.

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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### 4. Review of Income

	Control Objective	Comment
O	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	The Annual Budget was discussed and agreed by the Parish Council at its meeting of the 14 <sup>th</sup> December 2021 (Minute reference 490/12/2021 refers).  The Annual Precept was discussed and agreed by the Parish Council at its meeting of the 14 <sup>th</sup> December 2021 (Minute reference 491/12/2021 refers).
P	Expected income was fully received, based on correct prices, properly recorded, and promptly banked, with VAT appropriately accounted for.	Yes, inspection of the income ledger and relevant bank accounts highlight no anomalies.
Q	Are there any significant, unexplained, variances from the budget?	None noted

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 5. Review of Capital Budgeting

	Control Objective	Comment
R	Sale of fixed assets	None
S	Use of income from sales (de minimis £10,000)	N/a
T	Capital Expenditure	None
U	Long-term capital budget/ rolling capital schemes	None Noted

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 6. Review of Employment Arrangements

	Control Objective	Comment
V	Each employee has been issued with a contract of employment, with clear terms and conditions	Yes
W	Salaries paid agreed with those approved by the Council	The Parish Council is compliant on this matter.
Z	Are all employees in a registered pension scheme/ have all employees been offered the opportunity to enrol in a work pension scheme	The Parish Council is compliant on this matter.
AA	Are other payments made to employees reasonable and approved by the Council	The Parish Council is compliant on this matter.
AB	Have PAYE / NIC been properly operated by the Council as an employer	The Parish Council is compliant on this matter.
AC	Does the Council have current, appropriate Employer Liability Insurance?	Yes. The Council is covered under a Zurich Municipal Insurance Policy, Number YLL-2720867333

<b>Observations</b>	<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 noted
AE	Do the minutes record the Council carrying out an annual risk assessment?	The Annual Risk Assessment was partially reviewed in March 2022.
AF	Is insurance cover current, appropriate and adequate?	Yes. The Council is covered under a Zurich Municipal Insurance Policy, Number YLL-2720867333
AG	Is the Fidelity Guarantee appropriate and has it been reviewed?	The Fidelity Guarantee, provided for under the Parish Council's Insurance Policy is £250,000. This sum is deemed appropriate for a Council with a precept of £52,885.
AH	Are internal control systems documented and regularly reviewed?	Yes, systems are clearly laid out in the Standing Orders and Financial regulations.

AI	Has the Council carried out a review of the effectiveness of internal auditing during the year?	It is clear from perusal of the Parish Council Minutes that standards are strictly adhered to and that the Council is to be commended on its' thorough implementation of regulations.
AJ	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	Yes.

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

	<b>Control Objective</b>	<b>Comment</b>
AL	Does the Council maintain a register of all material assets owned, or in its care?	Yes.
AM	Are the assets and investments register up to date?	Yes
AN	Have dates of acquisitions been noted?	Yes – where known
AO	Is a life estimate recorded?	No
AP	Has the location of the item been recorded?	Yes
AQ	Have costs of acquisitions and enhancement been recorded?	Acquisition costs are noted on the register. However, no enhancement value is alluded to.
AR	Have dates of upgrade and disposal been noted?	No
AS	Do asset insurance valuations agree with those in the asset register?	Yes.

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

AT	Have all excess balances been appropriately and prudently invested in appropriate accounts for safeguarding? (LGA 2003 and guidance issued by the Secretary of State).	Yes
AU	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.

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

	Control Objective	Comment
AV	When were these advertised to the public?	Yes – the Council was fully compliant

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

	Control Objective	Comment
AW	Publication Method of Agendas/ Minutes	Website
AX	Publication of Annual Governance Statement	Website
AY	Public Meeting date	Website
AZ	List of Council Members and their responsibilities	Website
ABA	Councillors Code of Conduct/ Complaints	Website
ABB	Financial Regulations/ Standing Orders	Website

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 13.Recommendations

<b>Recommendations</b>	<p><i>It is recommended that the Standing Order / Financial Regulations of the Parish Council should be reviewed and re-adopted in early course.</i></p> <p><i>It is recommended that consideration of the Internal Audit document should be recorded in the Minutes of the meeting at which it is received.</i></p> <p><i>It is recommended that the reserves of the Parish Council should be set and that the decision is Minuted.</i></p>
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