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## **Foulness Island Parish Council**

*Internal Audit Report 2019-20*

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*For and on behalf of*  
*Auditing Solutions Ltd*

## **Background**

**Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the AGAR.**

This report sets out the work undertaken in relation to the 2019-20 financial year. Due to the impact of the Covid-19 pandemic, we have undertaken our review for the year remotely: we wish to thank the Clerk for assisting the process, providing complete documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have continued to focus on whether governance and financial controls remain effective.

## **Internal Audit Approach**

In undertaking the review for 2019-20, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover has, as with all our clients, been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' as part of the year's AGAR process, which requires independent assurance over ten internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory conclusion of our annual programme of work, the Council has continued to maintain adequate and effective internal control arrangements. Detail of the work undertaken on the Council's accounting and other records is set out in the following detailed report, together with any issues arising with recommendations further summarised in the appended Action Plan.

We have completed and signed the Internal Audit Certificate in the 2019-20 AGAR, having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a reasonable standard which meets the needs of the Council.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the Council's accounting records in spreadsheet format, which, given the low level of annual transactions, we consider more than adequate for the Council's requirements. Two bank accounts are in use with the Co-operative Bank.

In view of the low number of annual transactions, we have checked and agreed detail of all cashbook entries to bank statements for the year: we have also reviewed the quarterly and year-end bank reconciliations and, consequently, verified the cash at bank balance disclosed in the AGAR for the financial year.

### *Conclusions*

*No issues arise warranting formal comment or recommendation in this area.*

## Review of Corporate Governance

In this area, we aim to establish whether the Council is operating in accordance with best practice and has established a sound basis of governance controls. In order that we may assess the strength of the Council's controls we have reviewed the year's Minutes (available on the Council's website) as well as published Policies.

We note that Standing Orders (SO's) and Financial Regulations (FR's) were reviewed and adopted by the Council at the November 2019 meeting, which meet the current NALC Model Standards. However, we note that the tendering levels in both SO18a(v) and FR11.1h have been left at the Model level of £25,000, which we feel is too high for a Council of this size. We note that the previous versions approved by the Council in 2019 (which are still on the website) set this level at £500, which should be reapplied to the current documents.

The Council shows a high level of compliance with the Transparency Code, including good historical information. However, a separate annual list of payments over £100 is not made available. While we note that this information can be determined from other financial reports on the website, a single annual list would aid Public scrutiny of the Council's Accounts.

### *Conclusions and recommendation*

*R1. The Council's current Standing Orders and Financial Regulations should be amended to show a reduced threshold for tendering, as was previously the case in 2019.*

## Review of Payments

Given the relatively low number of payments during the year, we have checked all payments in the year to supporting documentation to ensure that the following criteria have been met: -

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly and is recovered at appropriate intervals.
- The Council has approved each payment.
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
- Any Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We are pleased to note that the supporting documents for all payments are initialled by Councillors at the meeting when they are approved.

### *Conclusions*

*No issues arise warranting formal comment or recommendation in this area.*

## Assessment and Management of Risk

We note that the Council reviews its risk assessment annually, most recently at the meeting in September 2019, using the Local Councils Risk System (LCRS) software.

We have examined the Council's insurance schedule for the year, noting that Employer's and Public Liability cover are both in place at £10 million.

We note that documents are downloadable from the website in Microsoft Word and Excel formats. This represents a small risk of fraudulent manipulation. Saving documents on the website in PDF format is considered far more secure.

### *Conclusions and recommendation*

*R2. All documents downloadable from the Council's website should be in PDF format.*

## **Budgetary Control and Reserves**

We are pleased to note that, at the December 2019 meeting, the Council formally set the 2020/21 Precept at £2,843, which is properly recorded in the Minutes. We also note that Council receives budgetary performance reports on a quarterly basis.

The overall cash balance at 31 March 2020 (as agreed to the AGAR) is £5,134, which represents around 1.8 years of net expenditure. We are not aware of any specific reserves, for instance with regard to playground equipment repairs. While the balances appear high, they are not unduly so for a Council of this size. The position should, however, be reconsidered at each annual Budget Setting meeting.

### ***Conclusions***

*No issues arise warranting formal comment or recommendation in this area.*

## **Review of Income**

The Council receives, in addition to the annual Precept, very limited income from sporadic burial and memorial fees, minor sales, reclaimed VAT and small amounts of bank interest. We have agreed income entries, with particular relevance to burial fees, to the cash book and bank statements with no issue arising. We note that burial fees and charges were reviewed at the May 2019 meeting, and left unchanged.

### ***Conclusions***

*No issues arise warranting formal comment or recommendation in this area.*

## **Petty Cash Account**

*The Council does not operate a petty cash account. Any out-of-pocket expenses incurred by the clerk are reclaimed periodically and paid by separate cheques, which are minuted and approved as with ordinary trade invoices.*

## **Review of Staff Salaries**

We note that the Clerk's salary is controlled in the same manner as with other payments. Tax deductions are properly notified to HMRC via the Basic PAYE Tools system, and are paid over quarterly.

### ***Conclusions***

*No issues arise warranting formal comment or recommendation in this area.*

## **Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We note that an appropriate Register as at 31 March 2020 is available from the Council's website, with values unchanged from 2019, although we have previously noted that the assets recorded do not align with the insurance schedule. Additionally, whilst only of nominal value, the burial ground is not identified on the register.

### ***Conclusions***

*No issues arise warranting formal comment or recommendation in this area.*

## **Investments and Loans**

*The Council does not hold any long-term investments or loans warranting disclosure in the AGAR.*

## **Statement of Accounts and AGAR**

We have checked and agreed the content of the financial information presented in Section 2 of the Council's AGAR by reference to the spreadsheet cashbook and other relevant supporting records.

### ***Conclusions***

*No matters have arisen in this area of review this year. Based on the satisfactory conclusion of our review process for the year, we have duly signed off the Internal Audit Report assigning positive assurances in each relevant area.*

# Action Plan

Rec. No.	Recommendation	Response
R1	<i>(Corporate Governance)</i> The Council's current Standing Orders and Financial Regulations should be amended to show a reduced threshold for tendering, as was previously the case in 2019.	
R2	<i>(Management of Risk)</i> All documents downloadable from the Council's website should be in PDF format.	