

*Internal Audit Report*

*Fridaythorpe Parish Council*

*Year ended 5 April 2021*

*Prepared by*

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Accounts

## Background and Scope

The Accounts and Audit Regulations 2015 requires all smaller authorities to conduct 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'. Under the regulations, a smaller authority has gross income or expenditure less than £25,000. This report is made to the parish council of Fridaythorpe relating to the accounting information, and records held for the year ended 5<sup>th</sup> April 2021. The review took place from the 1<sup>st</sup> to the 19<sup>th</sup> June 2021.

## Internal Audit Approach

As the Council's Internal Auditor and under the revised audit arrangements, I have a duty to complete the internal audit certificate in the Council's Annual Return, which covers the basic financial systems and requires assurances in ten separate areas. In carrying out the internal audit review for 2020-21, I have regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts. This report sets out the areas of work examined during the year: my reports and file of work completed is available, on request, for review by the Council's external auditors and should assist them in gaining the required level of assurance on the adequacy of those Council's systems examined and detailed in this report.

## Overall Conclusion

I am pleased to conclude that, in the areas examined, the Council has effective systems in place to ensure that transactions are free from material misstatement and should be reported accurately in the Statement of Accounts for 2020-21. On the basis of the work undertaken this year, I have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in each relevant area.

## Recommendations

There are no recommendations at the current time. The clear report in all areas is a reflection of the commitment and care of the clerk and councillors during a difficult year.

### ***Detailed Report Review of Accounting Arrangements & Bank Reconciliations***

The objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To that end, I have:

- Ensured that the ledgers remain in balance at the end of the year;
- Checked and agreed all transactions (receipts, payments and inter account transfers) in the Council's current account and cashbooks to the relevant bank statements
- Checked and agreed detail on bank reconciliations for all accounts as at March 2021 ensuring that no long-standing uncleared cheques or other anomalous entries exist; and
- Verified the accurate disclosure of the year-end balances in the Accounts and Annual Return.

#### **Conclusions**

All records were accurately maintained, and reviews throughout the year were evident and recorded in meeting minutes.

### ***Review of Corporate Governance***

The objective is to ensure that the Council has robust corporate governance documentation and procedures in place, that Council meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation. I have: -

- Examined the minutes of the Council meetings for the current year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- Examined the Councils Website to ensure it is up to date in accordance with the Transparency Code for smaller authorities and
- Considered the Council's approach to corporate governance.

#### **Conclusions**

No issues have been identified in this area of our review.

### ***Review of Expenditure***

The aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All payments are being reported to Council;
- An official order was placed for all goods and services as necessary when not covered by contracts or similar agreements, such as utility bills;
- That suitable quotations had been obtained and formally considered for more costly works; and

To confirm compliance with the above criteria, we have examined a sample of payments made in the year. As the number of transactions in the year is not extensive, the sample taken was spread across the year with transactions from each month being matched to appropriate supporting documentation.

#### **Conclusions**

Items included in expenses were adequately supported.

### ***Assessment and Management of Risk***

The aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

- the Council's insurance cover was examined through a copy of the most recent policy to ensure that suitable Employer's and Public Liability and Fidelity Guarantee protection is in place.

#### **Conclusions**

There were no issues identified in this area of my review. Minutes of meetings provide evidence of continued awareness of risks and mitigating factors for the parish council to achieve agreed goals.

### ***Precept Determination and Budgetary Control***

The aim in this area of is to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the parent Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we:

— Note that the process for determining the budget and precept requirement was completed at the Council's meeting in December 2020 and Council agreeing a precept for the forthcoming year;

Conclusions

There are no issues arising from my work in this area and the council continues to adopt a budget in line with requirements for spending allowing for smaller contingencies.

### ***Review of Income***

In considering the Council's income streams, the aim is to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. To meet this objective, we have:

— Tested a further sample of receipts noted as paid to ensure that the cash had been appropriately banked

Conclusions

No issues have been identified in this area

### ***Petty Cash Account***

I have reviewed a sample of payments during the year ensuring that each is appropriately supported by a trade invoice and / or till receipt.

Conclusions

No matters arise in this area.

### ***Salaries and Wages***

In examining the Council's payroll function, my aim is to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation and the deduction and payment over of income tax and NI contributions

To meet the above objective, I have: -

- checked and agreed the amounts paid to individuals by reference to the NIC schedule, examining individual monthly payments; and
- Ensured that PAYE, NIC deductions have been made accurately

Conclusions

No issues arise in this area.

### ***Fixed Asset Register***

The Accounts and Audit Regulations 1996 require all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

Conclusions

A register of assets is maintained.

### ***Investments and Loans***

The objectives here are to ensure that the Council is investing “surplus funds”, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

The Council currently has no loans outstanding.

### ***Statement of Account and Annual Return***

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs. I have verified the accuracy of detail in the Statement of Accounts and Annual Return by reference to the underlying records with no issues arising.

Conclusions

I have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in each relevant area.