

SILVERTON PARISH COUNCIL

Internal Audit Report for the year
ended 31 March 2021

James Dishman FCA

Basis of Report

The internal audit has been conducted in accordance with the Joint Panel on Accountability and Governance Practitioners' Guide (March 2021) specifically as a reference work for completion of the Annual Governance Statement. Where relevant, reference has also been made to The Accounts and Audit Regulations 2015.

The scope of the internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in these processes.

Internal Audit

Internal auditing is an independent, objective assurance 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.

It is a requirement of the Council to undertake an effective annual internal audit to evaluate the effectiveness of its risk management, control and governance processes taking account internal auditing guidance for smaller authorities.

Internal Control

Responsibility for internal control –

The Council must ensure that it has a sound system of internal control which –

- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) Ensures that the financial and operational management of the Council is effective; and
- (c) Includes effective arrangements for management of risk.

As recommended in my report last year, I am pleased to report that the Council's Statement on Internal Control was approved by Council.

Format of Report

For ease of reference, the sections of the report are set out below:

Policies and procedures documentation review

Other Sections

- Accounting records and financial control systems
- Payment controls
- Risk management
- Budgetary controls
- Income controls
- Petty cash
- Payroll controls
- Asset controls
- Bank reconciliations
- Year-end procedures

Policies and procedures documentation review

Governance	Last Review	Next Review
Standing Orders	June 2020	June 2021
Financial Regulations	October 2020	October 2021
Risk assessment	June 2020	June 2021
Statement of internal control	October 2020	October 2021
Reserves policy	April 2021	April 2022

It would appear that the Council's Standing Orders may need clarification and/or amendment. Clause 14, 'Code of complaint dealt with by District Council' is not consistent with the Council's complaints policy. Clause 20, Data Protection Act 1998 should read Data Protection Act 2018.

I would mention that the Data Protection policy is incorrect in that the Data Protection Act 1998 should read the Data Protection Act 2018.

The General Data Protection Privacy policy review has identified the following point: General Data Protection Act 1998 should read Data Protection Act 2018.

The meeting Minutes reviewed were of a good standard, clear and easy to read, and all decisions had been recorded appropriately.

Finally, I would recommend the complete Annual Governance and Accountability Return for 2018/19 and 2019/20 are uploaded under Annual Audit section in the same way as 2017/18 and going forward thereafter.

Accounting records and financial control systems

The Responsible Financial Officer has the responsibility to determine on behalf of the Council -

- (a) the form of its accounting records and supporting records; and
- (b) its financial systems.

The accounting records must, in particular, contain –

- (a) entries from day to day of all sums of money received and expended by the Council and the matters to which its receipts and payments relate; and
- (b) a record of the assets and liabilities of the Council.

The financial control systems must include –

- (a) measures –
 - (i) to ensure that the financial transactions of the Council are recorded as soon as, and as accurately as, reasonably practicable;
 - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
 - (iii) to ensure that risk is appropriately managed;
- (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

I am satisfied with the accounting records and financial control systems in place.

Payment controls

Payment controls are in place including segregation of duty from incurring and recording the liability.

I am satisfied with the payment controls in place.

Risk management

The Council's Risk Assessment for 2020 was reviewed at the June 2020 meeting. I am satisfied with the Council's risk assessment in place.

Budgetary controls

A budget was prepared to set the annual Precept and details thereof/points covered at the Council's meeting on 18 January 2021 were recorded.

Also, in accordance with clause 17 of its Standing Orders the Responsible Financial Officer shall supply each quarter a statement to summarise:

1. The Council's receipts and payments for each quarter;
2. The Council's aggregate receipts and payments for the year to date;
3. The balances held at the end of the quarter being reported and which includes comparison with the budget for the financial year and highlights any actual or potential overspends.

Subject to the above, I am satisfied with the budgetary controls in place.

Income controls

I am satisfied with the income controls in place.

Petty cash

Petty cash is not held and so no checks are required.

Payroll controls

Payroll has been outsourced, therefore the risk of not keeping abreast of employment legislation and the possibility of payroll errors has been considered.

I am satisfied with payroll controls in place.

Asset controls

Fixed asset register was reviewed at the Council meeting on 2 November 2020.

The draft Annual Governance and Accountability Return 2020/21 shows fixed assets to be the same value as last year.

My work with regard to fixed assets last year confirmed that I was satisfied with the asset controls in place and I am of the same opinion this year.

Bank reconciliations

All bank accounts are regularly reconciled and periodically a member of the Council will formally certify his/her review.

I would recommend the bank reconciliation is signed and dated as evidence of independent review.

Subject to the above, I am satisfied with arrangements regarding bank reconciliations.

Year-end procedures

The brought forward balance from 31 March 2020 was not correctly brought forward on page 5 of 6 of the Annual Governance and Accountability Return 2020/21 and the receipts and payments summary.

In all other respects, the Responsible Financial Officer is very familiar with the various deadlines and procedures that are necessary to fulfil the Council's duties in this regard.

Subject to the above, I am satisfied with the year-end procedures in place.

Other matters**PAYE/NIC**

Liability for the quarter ended 5 January 2021 was £437.60 but cheque 002462 was made out at value £437.00. This underpayment should be adjusted against a future payment and corroborated with the payroll provider.

VAT

My review of supplier invoices to entries in the cash book revealed that VAT had not been claimed, value £199 and VAT had been claimed twice, value £10.

Summary

I am pleased to report that, within the areas checked as abovementioned, and my recommendations accordingly, it is my opinion that Silverton Parish Council has effective systems of internal control in place, which as a result, supports the lowering of risk to the Council.

I would wish to thank the Clerk/Financial Responsible Officer for all her assistance during the course of the audit.

James Dishman FCA
3 June 2021