



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS PORTREATH PARISH COUNCIL  
YEAR ENDED 31ST MARCH 2021.

ISSUE DATE: 10/05/2021  
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. Due to the pandemic much of the work was carried out remotely with information provided electronically or hard copies collected and returned a few days later. Overall coverage has not been materially affected.

## **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, thus in all 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 a spreadsheet which was up to date and free from error.**

**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 reviewed in July 2020, no amendments were deemed necessary.**

*Purchasing*

**Quotes are sought where required and purchase orders are consistently used.**

*Payment*

**Testing of all payments made in September and October revealed no issues to report with controls working well.**

*VAT*

**VAT was accurately recorded; we have discussed with the Clerk the best way to account for VAT on the 'on account' payments for utilities.**

**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 £100K**

*Risk Assessment & Internal Controls*

**The council reviewed its risk management arrangements in February 2021.**

**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 was set following the production of estimates and due consideration of future needs and reserve levels.**

*Proper Practice Guidance now requires Councils to establish a reserves policy detailing the minimum levels required and the Council should do this as part of the next budget setting cycle.*

*Budget monitoring*

**Budget monitoring has been carried out in line with Financial Regulations.**

*Adequacy of Reserves*

**Reserves stand at £35,725 equating to 40% of gross expenditure in 2020/21; within generally accepted parameters.**

**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 is in accord with the records of both the parish council and the principal authority

*VAT claims*

The VAT claim for the previous year was received in April 2020 and a claim for the 2020/21 year has been submitted.

**F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.  
NOT OPERATED.**

**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.  
Testing revealed no issues to report; the national pay award has been accurately implemented.**

**H. Asset and investments registers were complete and accurate and properly maintained.  
The asset register has been updated to reflect disposals during the year and the total value of assets held is accurately disclosed in the AGAR.**

**I. Periodic and year-end bank account reconciliations were properly carried out.  
Monthly bank reconciliations have been performed in a timely manner and have been reviewed by a Member.  
  
The year-end bank reconciliation was found to be accurate with no old unrepresented payments.**

**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 the correct basis and were in accord with underlying records.**

**K. IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt.  
NOT APPLICABLE.**

**L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.  
NOT APPLICABLE.**

**M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations  
The correct number of days was allowed, and the requisite Notice was published on the website.**

**N. The authority has complied with the publication requirements for 2019/20 AGAR.  
All Publication requirements were met.**

**O. Trust funds (including charitable). The council met its responsibilities as trustee.  
NOT APPLICABLE.**

**INTERNAL AUDIT REPORT RESPONSE RECORD – PORTREATH PARISH COUNCIL**

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
<b>2017/18 REPORT</b>				
3	The form and content of the risk assessment is reviewed against proper practice guidance and updated as and where required. Care should be taken to ensure that any new activities and new legislation is included.	Delegated to H&S committee, furthered work still required.		<b>Completed - closed</b>
4	The minimum and maximum level of free reserves required should be considered as part of the budget setting process in future and be recorded in the Minutes. The precept should be set having taken due regard of the required reserve levels required.	Members were reminded by the clerk 04/02 that this needed more consideration when setting the 20/21 budget. It was noted that planned expenditure was being held up due to the timescales for the removal of the telecommunication pole situated outside the toilets.		<b>Consideration of reserves formed part of budget setting but still no formal Policy in place.</b>

# Annual Internal Audit Report 2020/21

## PORTREATH PARISH COUNCIL

portreathpc.co.uk/Finance

During the financial year ended 31 March 2021, 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 2020/21 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 2019/20, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")</i>			✓
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			✓
M. The authority, during the previous year (2019-20) 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 2019/20 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .	✓		

NOT USED

O. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

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

10/05/2021

Name of person who carried out the internal audit

S P HUDSON C.P.F.A.

Signature of person who carried out the internal audit

S. P. Hudson

Date

10/05/2021

\*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).