

Gwennap Parish Council

Internal Audit Report

Year Ended 31st March 2022

Prepared by: Aalgard Renshaw Business Solutions Ltd

Date of Interim Visit: n/a

Date of Final Inspection: 7th April 2022

Section	Page
Internal Audit Regulation and Methodology	3
Observations and Conclusions	4
Overview and Corporate Governance - document	5
Corporate Governance Statement – document	7
Professional Independence and Competence Questionnaire - document	10
 Review	
Section 1 - Maintenance of Accounting Records and Bank Reconciliations	11
Section 2 - Review of Corporate Governance	11
Section 3 - Review of Expenditure	11
Section 4 - Review of Income	12
Section 5 - Review of Capital Budgeting	12
Section 6 - Review of Employment Arrangements	13
Section 7 - Risk Management Arrangements	13
Section 8 – Asset Register	13
Section 9 – Investments & Loans	14
Section 10 – Audit Notices and Annual Return	14
Section 11 - Transparency	14
Recommendations	15

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 2015) 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 Gwennap 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 Gwennap Parish Council for the 2021/22 financial year. This assessment was undertaken on 7th April 2022

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 Gwennap Parish Council's accounting records and system of internal control, we have concluded that, based on our inspection, the Parish Council has striven to comply with the basic tenets of management, and financial, reporting for the accounting period 2021/22.

It seems clear that the body has previously faced a number of difficulties, which have adversely impacted upon its ability to comply with the Internal and External Auditing requirements, as set out in the Accounts and Audit Regulations (2015). It is our contention that the failures highlighted in the Internal Audit Report for 2020/21, cannot be fairly laid at the feet of the Members, who would have looked to their Clerk for guidance.

In July of 2021, the Parish Council was required to appoint a new Parish Clerk/ RFO. Unfortunately, no comprehensive handover of materials, or information, was carried out by the outgoing holder of the post. Consequently, the newly appointed Clerk inherited a system of operation which was inadequate. The previous holder of the position of Clerk had failed to complete and submit the 2020/21 AGAR document, in accordance with the regulations governing the same, and the body was criticised by the External Auditor for that omission.

Close inspection of the Minutes/ processes of the Parish Council further highlights a previous failure to implement effective Internal Governance Procedures, in respect of Parish Council activities.

The newly appointed Clerk is to be commended for his valiant effort to manage the Parish Council's functions, whilst seeking to address the numerous governance issues which had been neglected previously . Mr Ring has, thus far, undertaken numerous complex tasks for the benefit of the body, and those which must be undertaken by him in early course are both onerous and time consuming. It is, respectfully, suggested that additional hours may have to be provided to ensure this work can be completed in a timely manner. Some of the tasks will, undoubtedly, be on-going.

The Parish Council's 'Internal Audit Report', part 4 of the Annual Return, has been duly completed and signed.

Acknowledgement

Aalgaard Renshaw Business Solutions Ltd would like to take this opportunity to thank the Members of Gwennap for their instruction to undertake their Internal Audit.

Thank you to the Clerk/RFO, Chris ring for his co-operation.

Carolyn Y.May LLB(Hons), M.A., B.Sc.

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; February 2022
2.	Confirm the professional independence and competence questionnaire has been completed and agreed with the client		Confirmed: April 2022
3.	Agree Internal Audit fee with client	n/a	Agreed a cost of £350 (plus VAT).
4.	Agree attendance date	n/a	Agreed by telephone; work undertaken by at Parish Council Office 4 th April 2022.

Planning Notes		Ref	Notes
5.	Number of Electors	n/a	Circa: 1675
6.	Precept sum	Minutes	£ 50,891.67
7.	Other Income (Total)	n/a	£34,537.67
8.	Key Personnel	n/a	Clerk/ RFO – Mr Chris Ring
9.	Type of Manual Accounting in Place	n/a	Scribe
10.	Any significant changes to staff/ procedures since previous Internal Audit?	n/a	There has been a change in Clerkship (commencing 1 st July 2021)
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?	n/a	<p>The AGAR was not approved in accordance with the Accounts and Audits Regulations 2015;</p> <p>The AGAR was not accurately completed before submission for review</p> <p>The Parish Council failed to approve the AGAR in time to publish it before July 1st 2021, and failed to disclose the said fact by answering 'No' in the appropriate box.</p> <p>The Parish Council did not provide:</p> <ul style="list-style-type: none"> • an adequate explanation for the variance between the prior and current year values in Boxes 2, 3 and 6 of Section 2. <p>The Parish Council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it had failed to make proper provision during the year 2021/22 for the exercise of public rights, since the approval date was after the start of the period for the exercise of public rights.</p>

			As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2021/22 and ensure that it makes proper provision for the exercise of public rights during 2022/23.
12.	Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material mis-statement?	n/a	None known
13.	Key high risk/ expected problem areas	n/a	None identified

Observations	<p><i>The Parish Council has experienced a significant degree of turmoil during the past Financial Year, and a new Clerk/RFO has now been appointed.</i></p> <p><i>It has been noted that the Parish Council failed to properly comply with the relevant Financial Regulations for Small Councils, as set out in the Accounts and Audit Regulations 2015. The failures have been noted a number 11 (ibid). The extant Clerk was not responsible for those failures.</i></p> <p><i>It is recommended that particular attention should be given to the processes set out in the Accounts and Audit Regulations 2015, to ensure that the 2021/22 AGAR document is compliant with the same.</i></p>
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Corporate Governance Statement

Area	Response (please provide detail below or on supplementary pages)
<p>Please confirm whether or not Standing Orders and Financial Regulations are in place.</p> <p>If so, when were they last updated and formally adopted by the Council?</p> <p>(Please provide an electronic copy of both).</p>	<p>Standing Orders are in place. However, these require immediate review and updating, as the date of acceptance is shown as May 2017. Financial Orders form part of the Standing Orders. Again, these should be updated in very early course.</p>
<p>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.</p>	<p>Yes.</p>
<p>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.</p> <p>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?</p> <p>Where detail of powers relied on is only set out on an agenda paper, please provide an example.</p>	<p>No.</p>
<p>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.</p>	<p>An extensive examination of the Parish Council Agendas and Minutes was carried out by the Auditor. No references could be found in respect of the receipt, discussion, or acceptance of either the Internal Audit, or the External Audit. No Minute, specifically appertaining to the signing of the AGAR, could be identified.</p>
<p>Has the Council reviewed an updated version of the financial risk assessment and formally approved its re-adoption (Governance and Accountability Manual – 2014 refers)</p>	<p>No.</p>
<p>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.</p>	<p>Orders for the payment of money are authorised by resolution of the Council and signed by at least two members. Provided that, unless prohibited so to do by law, the Council requires three signatories to every cheque issued and DD/BACS authorised</p>
<p>Are all individual payments by direct debit, bankers' standing order or internet, if in use, similarly examined and approved for payment by members? Please provide detail of the controls in place over such payments, where different to those for cheque payments.</p>	<p>Standing Orders for the Parish Council state that 'Orders for the payment of money shall be authorised by resolution of the Council and signed by at least two members. Provided that unless prohibited so to do by law the Council shall require three signatories to every cheque issued and DD/BACS authorised'.</p>

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)	No. Whilst the financial documentation is provided to Members for inspection at each Meeting of the Parish Council, no Member has been nominated to review the same on a regular basis.
Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.	The Clerk reviews the budget and expenditure for the previous financial year. Expected income is estimated and a calculation made to ensure that liabilities can be met in the next financial year. The draft budget is then disseminated to the Members of the Council, who then consider the matter and determine whether to accept the same. The Precept is then agreed by the full Council.
Does the Council formally consider and approve the level of reserves (General and Earmarked Funds) to be carried forward to the next financial year? (Such consideration should be minuted formally).	Not to date. However, it has been noted that the new Parish Clerk intends to undertake this task in early course.
Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?	Yes. Undertaken by the Clerk regularly.
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.	Yes.
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?	No.

Observations	<p><i>It is clear, from the information provided to the Auditor, that the newly appointed Clerk has undertaken a great deal of work, in order to improve the Corporate Governance Processes of the Parish Council. Such tasks are both onerous and time consuming.</i></p> <p><i>It is, however, noted that the Standing Orders, and Financial Regulations of the Parish Council require updating and re-ratification in very early course.</i></p> <p><i>A nominated person should undertake regular reviews of the detail of bank reconciliations routinely throughout the year and verify detail to underlying cashbooks and bank statements.</i></p> <p><i>The recording of proposals, discussions and resolutions should receive particular attention. Several decisions were not adequately Minuted.</i></p> <p><i>Proper attention should be given to the signing of the 2021/22 Agar Form, which should be undertaken in a prescribed manner.</i></p>
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	<i>A written record of consideration and acceptance of both the Internal and External Audits should be shown clearly in Parish Council Minutes.</i>
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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**.

Independence	
Do you have any specific reliance on the fee to be earned from this assignment	No
Overdue fees	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
Litigation	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
Associated firms	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
Family or other personal relationships	
Do you or any of your staff have personal or family connections with the council or its officers?	No
Mutual business interest	
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
Financial involvement	
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
Goods and services: hospitality	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
Ex-partners or senior staff	
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
Long association	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
Provision of other services	
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	Yes
C	Closing Cashbook Balance	£71,449.57
D	Formal, year-end, Bank Reconciliations were carried out.	Yes

Observations	<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.	Not at present. The Clerk has articulated his intention to undertake this work in early course.
F	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved, and VAT was appropriately accounted for.	Yes.
G	Clarity of Records	Records were accurate, having been transferred to Scribe.
H	Precept Setting 2021-2022	This requires more detailed reporting in the relevant Meeting Minutes.

Observations	<i>There is a requirement to ensure that appropriate governance arrangements are addressed in very early course, and that adequate reporting is undertaken.</i>
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3. Review of Expenditure

	Control Objective	Comment
I	Payments	All payments were properly accounted for during the reporting period.
J	Procurement of services above the 'de minimis' Amount	Yes.
K	VAT	VAT has been properly reclaimed for the reporting period.
L	S.137 Expenditure (LGA 1972)	
M	Petty cash payments were properly supported by receipts, expenditure was approved, and VAT appropriately accounted for	This requirement has been complied with.
N	Clerk's Expenditure	This requirement has been complied with.

Observations	<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	Yes. However better recording of the process undertaken is required.
P	Expected income was fully received, based on correct prices, properly recorded and promptly banked, with VAT appropriately accounted for.	Yes.
Q	Are there any significant, unexplained, variances from the budget?	No.

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

	Control Objective	Comment
R	Sale of fixed assets	N/A
S	Use of income from sales (de minimis £10,000)	N/A
T	Capital Expenditure	N/A
U	Long-term capital budget/ rolling capital schemes	N/A
V	Capital budget review (annually) date	No – this is to be undertaken in early course.

Observations	<i>The annual Capital Budget review should be undertaken, prior to the approval of the AGAR, and clearly recorded in Meeting Minutes.</i>
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6. Review of Employment Arrangements

	Control Objective	Comment
W	Each employee has been issued with a contract of employment, with clear terms and conditions	Yes.
X	Salaries paid agreed with those approved by the Council	Yes.
Y	Are all employees in a registered pension scheme/ have all employees been offered the opportunity to enrol in a work pension scheme	Available.
Z	Are other payments made to employees reasonable and approved by the Council	Yes.
AA	Have PAYE / NIC been properly operated by the Council as an employer	Yes.
AB	Does the Council have current, appropriate Employer Liability Insurance?	Yes.

Observations	<i>Satisfactory – no issues identified</i>
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7. Risk Management Arrangements

	Control Objective	Comment
AC	Does a review of the minutes identify any unusual financial activity?	No.
AD	Do the minutes record the Council carrying out an annual risk assessment?	Yes.
AE	Is insurance cover current, appropriate and adequate?	Yes.
AF	Is the Fidelity Guarantee appropriate and has it been reviewed?	Yes.
AG	Are internal control systems documented and regularly reviewed?	No. This is currently being addressed by the Clerk.
AH	Has the Council carried out a review of the effectiveness of internal auditing during the year?	No.
AI	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	No matters raised as the last Internal Audit was undertaken to confirm the veracity of the accounts only. No other aspects of the Parish Council's functions were addressed.
AJ	Have adequate measures and steps been put in place in respect of GDPR.	Yes.

Observations	<i>The Clerk is intent on addressing the issues relating to the lack of internal control systems within the Parish Council.</i>
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8. Asset Register

	Control Objective	Comment
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?	No.
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?	Yes.
AR	Have dates of upgrade and disposal been noted?	No.
AS	Do asset insurance valuations agree with those in the asset register?	Yes.

Observations	<i>The extant Clerk has worked tenaciously to create a register of assets. It is understood that previous incumbents of the position failed to maintain adequate records. The records should, however, be expanded to provide (where possible) the details alluded to in Section 8 (ibid).</i>
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9. Investments and Loans

	Control Objective	Comment
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?	Yes.
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Observations	<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?	29 th September 2021

Observations	<i>Not published within the required period of time.</i>
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11. Transparency

	Control Objective	Comment
AW	Publication Method of Agendas/ Minutes	Yes.
AX	Publication of Annual Governance Statement	Yes.
AY	Public Meeting date	8 th March 2021
AZ	List of Council Members and their responsibilities	Yes
ABA	Councillors Code of Conduct/ Complaints	No
ABB	Financial Regulations/ Standing Orders	Yes.

Observations	<i>It is recommended that the Councillors Code of Conduct and the Complaints Procedure is published on the Parish Council Website.</i>
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RECOMMENDATIONS

Section	Recommendation
Overview	<i>It is recommended that particular attention should be given to the processes set out in the Accounts and Audit Regulations 2015, to ensure that the 2021/22 AGAR document is compliant with the same.</i>
Corporate Governance	<p><i>Standing Orders, and Financial Regulations of the Parish Council require updating and re-ratification in very early course.</i></p> <p><i>A nominated person should undertake regular reviews of the detail of bank reconciliations routinely throughout the year and verify detail to underlying cashbooks and bank statements.</i></p> <p><i>The recording of proposals, discussions and resolutions should receive particular attention. Several decisions were not adequately Minuted.</i></p> <p><i>Proper attention should be given to the signing of the 2021/22 Agar Form, which should be undertaken in a prescribed manner.</i></p> <p><i>There is a requirement to ensure that appropriate governance arrangements are addressed in very early course, and that adequate reporting is undertaken.</i></p> <p><i>A written record of consideration and acceptance of both the Internal and External Audits should be shown clearly in Parish Council Minutes.</i></p>
Capital Budgeting	<i>The annual Capital Budget review should be undertaken prior to the approval of the AGAR, and clearly recorded in Meeting Minutes.</i>
Risk Management	<i>The Clerk should address the issues relating to the lack of internal control systems within the Parish Council.</i>
Asset Register	<i>The records held should, however, be expanded to provide (where possible) the details alluded to in Section 8 (ibid).</i>
Transparency	<i>It is recommended that the Councillors Code of Conduct and the Complaints Procedure is published on the Parish Council Website.</i>