

# Gwennap Parish Council

## Internal Audit Report

Year Ended 31<sup>st</sup> March 2023

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**Prepared by:** Aalgard Renshaw Business Solutions Ltd

**Date of Interim Visit:** n/a

**Date of Final Inspection:** 3<sup>rd</sup> April 2023

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Recommendations	N/A

## **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 2022/23*

*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 2022/23 financial year. This assessment was undertaken on 3<sup>rd</sup> April 2023*

## **Methodology**

*When undertaking the Internal Audit for the financial year 2022/23 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*

## **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.*

*The Clerk is to be commended for the diligent manner in which he has successfully addressed all of the issues raised by the Internal Auditor in the 2021/22 report. The standard of record keeping witnessed this year has been exemplary. It was evident from the inspection carried out that this is now a well organised and effective Parish Council, which strives to operate in a transparent and efficient manner.*

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

*Jacqui Peskett*

**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 Telephone; March 2023
2.	Confirm the professional independence and competence questionnaire has been completed and agreed with the client		Confirmed: March 2023
3.	Agree Internal Audit fee with client	n/a	Agreed a cost of £350 (plus VAT).
4.	Agree attendance date	.	Agreed by telephone; work undertaken by at Parish Council Office 3 <sup>rd</sup> April 2023

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	£40,302.71
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	No
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?	n/a	No
12.	Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material mis-statement?	n/a	No
13.	Key high risk/ expected problem areas	n/a	None identified

<b>Observations</b>	<i>Satisfactory -no issues identified.</i>
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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 and Financial Regulations are in place</p> <p>To be added to the next Agenda for adoption.</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, they are signed on each page so compliant</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.</p> <p>The internal Audit was considered at the meeting held on 12<sup>th</sup> April 2022 Minute reference Finance 8.6</p> <p>The external External Audit was considered at the meeting held on 13<sup>th</sup> December 2022 Minute Reference Finance 8.3</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>Reviewed and updated 12<sup>th</sup> April 2022</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>Payments are made by BACS</p> <p>Approval by the Clerk only (HSBC bank) and a schedule of payments presented on the Agenda</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</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</p>

place over such payments, where different to those for cheque payments.	the Council shall require three signatories to every cheque issued and DD/BACS authorised'.
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).	This process has now been adopted and will be discussed at the next meeting
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.

<b>Observations</b>	<i>Satisfactory -no issues identified</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**.

<b>Independence</b>	
Do you have any specific reliance on the fee to be earned from this assignment	No
<b>Overdue fees</b>	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
<b>Litigation</b>	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
<b>Associated firms</b>	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
<b>Family or other personal relationships</b>	
Do you or any of your staff have personal or family connections with the council or its officers?	No
<b>Mutual business interest</b>	
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
<b>Financial involvement</b>	
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
<b>Goods and services: hospitality</b>	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
<b>Ex-partners or senior staff</b>	
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
<b>Long association</b>	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
<b>Provision of other services</b>	
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, using the Scribe,
C	Closing Cashbook Balance	£87,797.35
D	Formal, year-end, Bank Reconciliations were carried out.	Yes, these are clearly shown using the Scribe system.

<b>Observations</b>	<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.	Yes, these are now in place
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, recorded using the Scribe system.
H	Precept Setting 2023-24	This was discussed at the meeting held on 13 <sup>th</sup> December 2022. Minute reference Finance 8.2

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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### 3. Review of Expenditure

	Control Objective	Comment
I	Payments	All payments were properly accounted for during the reporting period Invoices viewed
J	Procurement of services above the 'de minimis' Amount	Yes
K	VAT	VAT has been properly reclaimed for the reporting period for the sum of £2,261.05
L	S.137 Expenditure (LGA 1972)	Not utilised
M	Petty cash payments were properly supported by receipts, expenditure was approved, and VAT appropriately accounted for	Not utilised
N	Clerk's Expenditure	Claims made for WFH and travel allowance these are claimed monthly using an Excel spreadsheet

<b>Observations</b>	<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, all well recorded
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	This is dealt with annually

Observations	<i>Satisfactory – no issues identified</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	N/A
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, this is undertaken by an outside body.
AB	Does the Council have current, appropriate Employer Liability Insurance?	Yes, through BHIB Policy number LCO02799 1 <sup>st</sup> December 2022 – 30 <sup>th</sup> November 2023

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, the sum of fidelity guarantee is £150,000
AG	Are internal control systems documented and regularly reviewed?	Yes, regularly reviewed
AH	Has the Council carried out a review of the effectiveness of internal auditing during the year?	Yes
AI	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	Yes
AJ	Have adequate measures and steps been put in place in respect of GDPR.	Yes

<b>Observations</b>	<i>Satisfactory – no issues identified.</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, viewed and very comprehensive
AM	Are the assets and investments register up to date?	Yes
AN	Have dates of acquisitions been noted?	Yes
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?	Yes
AS	Do asset insurance valuations agree with those in the asset register?	Yes

<b>Observations</b>	<i>Satisfactory – no issues identified.</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

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?	13 <sup>th</sup> June 2022 – Friday 2 <sup>nd</sup> July 2022

Observations	<i>Satisfactory – no issues identified.</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	12 <sup>th</sup> June 2022
AZ	List of Council Members and their responsibilities	Ye
ABA	Councillors Code of Conduct/ Complaints	Yes
ABB	Financial Regulations/ Standing Orders	Yes and these are to be re adopted at the next meeting

Observations	<i>Satisfactory -no issues identified.</i>
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**No advisories.**