

STELLING MINNIS PARISH COUNCIL - ANNUAL INTERNAL AUDIT REPORT 2019/20

Summary of Recommendations:

- i) Receive and note the Annual Internal Audit Report 2019/20.
- ii) Review the format of the Risk Register.
- iii) Include an additional risk concerning level of reserves;
- iv) Approve the Internal Audit Terms of Reference 2020-2022.
- v) Note the year end bank balance 2019/20 - £9,050.95.

Date of Annual Internal Audit Report: 17/08/2020

To Stelling Minnis Parish Council,

Annual Internal Audit Report for Stelling Minnis Parish Council - 2019/20

Declaration of Interests

During 2019/20 I worked as the Internal Auditor for Folkestone & Hythe District Council. The appointment as the Internal Auditor to Stelling Minnis Parish Council has been previously approved by the Head of Internal Audit for the East Kent Audit Partnership as the provider of internal audit services to the District Council. The work carried out on behalf of Folkestone & Hythe District Council will not and does not affect my ability to provide independent and objective assurance on the adequacy of the internal controls in place on behalf of Stelling Minnis Parish Council. I am also the Chairman of Stelling Minnis Village Hall Management Committee.

Half Yearly Audit Results

No half yearly audit was not carried out. A half yearly audit is not mandatory and so this should not cause any concern to the Council.

Legislation

The Local Audit and Accountability Act 2014, the Local Audit (Smaller Authorities) Regulations 2015, Accounts and Audit (England) Regulations 2015 and Smaller Authorities (Transparency Requirements) Regulations 2015. An External Audit will provide assurance that the accounts produced during the financial year 2019/20 present a true and fair view.

Annual Internal Audit Work and Conclusion

The annual internal audit was carried out in accordance with the eleven internal control objectives set out in the Annual Governance and Accountability Return 2019/20. Objective F is not applicable to Stelling Minnis Parish Council as there is no system of petty cash in place.

The internal control objectives examined were: -

- A.) Appropriate accounting records have been properly kept throughout the year.**
- B.) The authority complied with approved financial regulations, payments supported by invoices, all expenditure approved and VAT properly accounted for.**
- C.) The 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 the VAT was properly accounted for.**

G.) Salaries to employees and allowances to members were paid in accordance with approvals and PAYE and NI requirements were properly applied.

H.) Asset and investment registers were complete and accurate and properly maintained.

I.) Periodic and year-end bank reconciliations were properly carried out.

J.) Accounting statements prepared during the year were prepared on the correct accounting basis, 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 2018/19, it met the exemption criteria and correctly declared itself exempt.

L.) The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

The overall audit conclusion is that the system of internal control was adequately managed during 2019/20. A review of the effectiveness of Internal Audit is required every three years and due to take place during 2020/21 in accordance with guidance and best practice. During the review, policies, procedures, records and processes were examined.

Five recommendations have been made for consideration by the Parish Council: -

- 1) The Parish Council should receive and note the Annual Internal Audit Report 2019/20.
- 2) The Parish Council should review its Risk Register format to ensure each risk includes an 'inherent risk' rating column and also a 'residual risk' rating column to reflect the level of risk before and after measures are taken to mitigate the risk.
- 3) The Parish Council should consider including the risk that *'the Parish Council's Reserves may fall below an acceptable level'* within the Risk Register under 'Financial Risk' and include the measures the clerk already takes to ensure reserves are maintained at an appropriate level.
- 4) The Parish Council should approve the suggested terms of reference letter 2020 to 2022 for Internal Audit services provided to the Parish Council in accordance with best practice (see appendix to this report).
- 5) The Parish Council should note the end of year bank account closing balance for information and audit purposes. This was £10,101.79 in March 2018, £9,503.50 as of 29th March 2019 and £9,050.95 as of 31st March 2020. The Auditor will ask the Parish Council to note the year-end bank balances each year for audit purposes and to ensure reserves are kept at a sensible and prudent level.

Should any councillor or officer have any queries or questions about the annual audit process then please do not hesitate to get in touch leedonaldjones@gmail.com.

Warm Regards,

Mr Lee Donald Jones MAAT PIIA CIA
Internal Auditor to Stelling Minnis Parish Council

Appendix to Annual Internal Audit Report 2019/20

Suggested Terms of Reference and Engagement Letter - August 2020

Dear Mr L D Jones,

On 1st November 2017 the Council formally nominated you as Internal Audit to Stelling Minnis Parish Council. Below are the Terms of Reference and Engagement Letter which sets out the purpose, authority and responsibility of the Internal Auditor for Stelling Minnis Parish Council effective from April 2020 to March 2022.

i) Roles and Responsibilities

Internal Audit is 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. The internal audit should observe the standing orders and financial regulations put in place by the parish council.

ii) Audit Planning

Due to the size of the parish council no audit plan is required; however the annual internal audit report should routinely aim to provide assurance to members of the parish council on the effectiveness of the controls in place. These include an assessment of internal control objectives set out within the AGAR document.

iii) Reporting requirements

Stelling Minnis Parish Council requires at least one annual audit report to be presented to the Council each year. The annual report should provide an overall opinion on the effectiveness of governance, risk management and internal control. The annual report should contain the scope, findings and any recommendations made as a result of any control weaknesses that have been identified. These recommendations will be discussed and voted on by members of the parish council.

iv) Independence and competence

The Internal Auditor should be independent from the parish council. The internal audit should have no voting or decision rights and should make any declarations of interest where appropriate for consideration by the parish council. The internal auditor should also be competent. By appointment the Parish Council has judged you to be competent. Anything that could affect this judgement in the future should be disclosed.

v) Access to Information

The Internal Auditor by appointment will have full access to all hard copy and electronic records of the parish council for the purpose of its duties in relation to this engagement. The Internal Auditor also has full access to all officers and members of Stelling Minnis Parish Council for the purpose of its duties in relation to this engagement.

vi) Period of Engagement

The Internal Auditor will be appointed on an annual basis.

vii) Remuneration

The Internal Auditor will claim £120 each year for the services provided 2019/20 and 2020/21. These services should be accounted for within the period the services were provided.