

# **STELLING MINNIS PARISH COUNCIL - INTERNAL AUDIT REPORT 2018/19**

To Stelling Minnis Parish Council,

## Annual Audit Report for Stelling Minnis Parish Council - Examination of Governance, Risk Management & Internal Control

### Declaration of Interests

During 2018/19 and 2019/20 I worked as the Internal Auditor for Folkestone and Hythe District Council. The appointment as your internal auditor has been 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 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.

### External Audit

An External Auditor will provide assurance that the accounts produced during the financial year 2018/19 present a true and fair view.

### Annual Internal Audit Assessment

The annual internal audit was carried out against the internal control objectives suggested in the Annual Governance and Accountability Return 2018/19. ■

The ten internal control objectives are: -

- a. Appropriate accounting records have been properly kept throughout the year.
- b. Compliance with approved financial regulations, payments supported by invoices, all expenditure approved and VAT properly accounted for.
- c. Assessment of risks to achieving objectives and adequacy of risk management.
- d. The precept resulted from an adequate budgetary process, budget monitoring was effective and reserves were appropriate.
- e. Expected income was fully received, based on correct prices, properly recorded and promptly banked and the VAT on income was properly accounted for.
- f. Petty cash payments were properly accounted for by receipts, all petty cash expenditure was approved and VAT was appropriately 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, were supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

The Auditor has been in touch with the clerk to query some of the transactions / receipts. The overall audit conclusion is that the system of internal control was adequately managed during 2018/19 and the Auditor can provide Reasonable Assurance on the controls in place. During the review, policies, procedures, records and processes were examined and there are a small number of recommendations / suggestions listed below which should be considered by the Council in order to help improve transparency, governance and control: -

1. All receipts should be retained for audit purposes.
2. The Clerk should provide assurance that ensure that the VAT account balance carried forward from year to year is correct and recorded.
3. It is suggested that Parish Council formally reviews and approves (minuted) the Asset Register and the Risk Management Policy / Risk Register before the end of each financial year to ensure all records are accurate and up to date.
4. The Parish Council should review its risk register format to ensure each risk includes an 'inherent risk' rating column and also a residual risk column to reflect the level of risk before and after measures are taken to mitigate the risk.
5. The Parish Council should approve the suggested terms of reference letter 2018 to 2020 for Internal Audit services provided to the Parish Council in accordance with best practice (see appendix to this report).
6. The Parish Council should consider moving to online banking to allow the clerk and the Chairman a significant amount of flexibility to make payments more effectively and efficiently. All payments made by the clerk are supported by receipts, bank statements and minutes and these transactions are all checked as part of the internal audit each year. Any controls put in place by the bank can be reviewed in next years Internal Audit review.
7. 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 and £9,503.50 as of 29th March 2019. The Auditor will ask the Parish Council to note the year end bank balances each year for audit purposes.

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](mailto:leedonaldjones@gmail.com).

Warm Regards,

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

## Suggested Terms of Reference and Engagement Letter - May 2019

Dear Mr L D Jones,

On 1<sup>st</sup> 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 2018 to March 2020.

### 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 key financial controls (i.e. reconciliations), authorisation controls, financial reporting processes, risk management processes, general governance and asset management records.

### iii) Reporting requirements

Stelling Minnis Parish Council requires at least one annual audit report to be presented to the Council for its Annual Meeting in May each year. The annual report should provide an overall opinion on the effectiveness of the governance, risk management and internal control in place. An interim audit report may also be completed mid-year if required. 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 in March 2019 and March 2020 for these services which must be accounted for within the period audited.