

Annual Internal Audit Report 2021/22

MOSTERTON PARISH COUNCIL

<https://www.mostertonparishcouncil.org/> ILABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2022, 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 2021/22 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.			N/A
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 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")	✓		
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements ✕			✓
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set) ✕			✓
N. The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes). ✕		✓	
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

✕ PLS SEE 2 ATTACHED SHEETS

Date(s) internal audit undertaken

Name of person who carried out the internal audit

09/06/2022

DD/MM/YYYY

DD/MM/YYYY

Mrs R Darkin-Miller LLB (Hons) BFP FCA

Signature of person who carried out the internal audit

 SIGNATURE REQUIRED

Date

19/06/2022

*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).

Test A: Bookkeeping

The Council's cashbook should be balanced regularly (ideally monthly, but at least quarterly). The absence of the RFO for seven months meant that this check was not carried out as required. I have, therefore, assessed this test as a fail.

Test B: Payments

The Council was without a Clerk and RFO for seven months, meaning that there was no officer charged with the statutory responsibilities set out in s.151 Local Government Act 1972. Whilst the Council has recently reviewed and adopted Standing Orders and Financial Regulations, the latter appear to be an unadjusted pro-forma set which has not been adapted for the Council, and which makes no reference to the requirements of The Public Contracts Regulations 2015 (and the use of Contracts Finder to advertise contracts over £25k). None of the invoices have been authorised (initialled or signed by the Clerk to evidence accuracy and satisfactory receipt of goods or services) and, after the original Clerk's departure, no payments have been minuted for approval. I have, therefore, assessed this test as a fail.

Test C: Risk Management

The Council is required to carry out a risk assessment annually (Accounts and Audit Regulations 2015). The regulations require that the council meeting as a whole has to review their system of internal control including risk management. No review of risk management was undertaken by the Council during the year. I have, therefore, assessed this test as a fail.

Test D: Budgetary Control

Whilst the Council did set a precept for 2022/23 at its January 2022 meeting, there does not appear to have been any budget prepared to support the precept demanded. Only one budget monitoring report was reviewed by Council during the year (in May 2021); ideally monitoring would be quarterly. I have, therefore, assessed this test as a fail.

Test G: Payroll

I was unable to obtain a copy of the signed contract for the original Clerk. The unsigned copy provided did not specify the Clerk's hourly rate or number of hours per month. There were no minutes to support the number of hours and hourly rate paid during the year, although the rate and hours are reasonably consistent with those of the Clerk appointed in April 2022. Although the Clerk's contract provided for a home office allowance, the rate and frequency was not stipulated, and there was no paperwork on file to support the amounts paid. Payroll records were incomplete, with no reports on file to prove that returns had been properly filed with HMRC. I have, therefore, assessed this test as a fail.

R Du 17/6/22

Test I: Bank reconciliation

Bank reconciliations are the key financial control to safeguard against fraud and error. They should be carried out at least quarterly. The absence of the RFO for seven months meant that this reconciliation was not carried out, and the draft reconciliation prepared at the year-end did not balance. I have, therefore, assessed this test as a fail.

Test L: Transparency

In the 2021/22 financial year, the Council was just over £25k threshold for expenditure. As such, the Transparency requirement is for the Council to comply with the Freedom of Information Act. I have not assessed compliance with the FOI Act and have, therefore, responded 'not covered'.

Test N: Public rights

I checked to see whether the authority provided the proper opportunity for the exercise of public rights as per the Accounts and Audit Regulations 2015. The Regulations require that the Council provides a 30 working day period for electors to inspect and ask questions about the accounts, and that this should be advertised at least one day before commencement, and include the first ten working days in July.

The prior year public rights notice was not shown on the Council's website at the date of audit, and the new Clerk was unable to locate a copy of the document. I have, therefore, assessed the test as 'not covered'.

Test M: Publication

I checked to see that the authority complied with the publication requirements for the AGAR 2020/21. As a smaller Council, this meant the following needed to be published before 01/07/21:

- Certificate of Exemption, page 3 AGAR
- Annual Internal Audit Report 2020/21, page 4 AGAR
- Section 1 – Annual Governance Statement 2020/21, page 5 AGAR
- Section 2 – Accounting Statements 2020/21, page 6 AGAR
- Analysis of variances
- Bank reconciliation
- Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

When I checked the Council's website on 09/06/22, I found that the certificate of exemption and ss1&2 of the AGAR had been published, but I was unable to locate any of the other required documents. There was no evidence as to the publication date, so it was not possible to conclude whether or not the documents were published before 01/07/21.

As there is no evidence that the AIAR, analysis of variances, bank reconciliation and public rights notice were published, I have assessed this test as a fail.



R Darkin-Miller LLB (Hons) BFP FCA 19/06/22