

Summary Internal Audit Report

Council:	EAST GOSCOTE PARISH COUNCIL		Year ending:	31 March 2021
Internal Auditor:	Richard Willcocks		Date of report:	29/05/2021
Audit review date(s)	Interim	n/a	Final	18/05/2021

To the Chairman of the Council:

1. Introduction

In accordance with the terms of my engagement, I have undertaken a review of **East Goscote Parish Council's** records, policies, and procedures for the financial **year ending 31 March 2021**, following which I completed and signed the Annual Internal Audit Report (part 3 of the 2021 Annual Governance and Accountability Return).

2. Basis of Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended checklist, and Section 4 (Non Statutory Guidance for Internal Audit) of the 2020 Joint Panel on Accountability and Governance Practitioners' Guide.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

3. Aims & Objectives

East Goscote Parish Council has a statutory duty to complete an Annual Governance and Accountability Return (the Annual Return) at the end of each financial year. As part of this Return, the Council's internal audit function is required to provide assurance that relevant procedures and controls were operating effectively for the financial year above. The purpose of this exercise is to meet those statutory requirements and provide the Council with an appropriate level of assurance in support of the Annual Return. *Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect fraud.*

The Council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

4. Scope of Audit

The internal audit exercise involves such testing of the evidence of and evidence of compliance with the 15 statements contained in the **Annual Internal Audit Report** of the Annual Governance and Accountability Return (AGAR), as applicable to the range and financial materiality of the Councils' activities. The statements refer to:

- A. Maintenance of proper financial records and periodic bank reconciliations.
- B. Compliance with the Council's Standing Orders, Financial Regulations and proper accounting for VAT
- C. Adequacy of risk management arrangements.
- D. Effective budgeting, budgetary control and an appropriate level of reserves.
- E. Identification of income due and timely collection and banking of such monies.
- F. Proper administration of petty cash.
- G. Proper administration of salaries of employees and expenses paid.
- H. Maintenance of an accurate and reliable asset register.
- I. The completion of regular bank reconciliations.
- J. The correct basis and accurate preparation of year-end accounts.
- K. Meeting the criteria for exemption from a limited assurance review (if applicable).

- L. The publication of information on a website in accordance with the Transparency Code for Smaller Authorities (if applicable).
- M. Correctly applying the exercise of public rights during the previous year period.
- N. Whether the Council has met its responsibilities as a trustee.

5. Findings

The outcomes of the recommended testing required for assurance purposes is shown in the following documents provided under separate cover:

- Internal Audit Checklist.
- Internal Audit Checklist-Appendix 1: Key Policies, Procedures & Documents Review.
- Internal Audit Checklist-Appendix 2: Transaction Spot Check.
- Internal Audit Process (available on request)

6. Recommendations

Audit Year Raised	Internal Audit Report Checklist			Compliance Category *	Comments
	Section	Ref	Recommendation		
2021	2. Due Process	2.3	That the current Financial Regulations, based on the latest 2019 NALC model, are published on the Council's website.	2 (OFI)	The previous Financial Regulations are currently published on the website i.e. dated Sep-17.
2021	2. Due Process	2.14	That the Council <u>considers</u> the following recommendation from the 2021 JPAG Practitioners' Guide i.e. that a parish council's website should utilise the exclusive GOV.UK domain name and that this domain name should also be used to support the Council's official email accounts, for both officers and councillors.	2 (OFI)	This recommendation was published for the first time in the 2021 JPAG Practitioners' Guide and is therefore applicable for the financial year commencing 01/04/2021. See pages 61 & 62 of the 2021 JPAG Practitioners' Guide.
2021	3.Risk Management	3.7	That when it is safe and permissible to do so, that hard copy minutes are initialled and signed off retrospectively by the applicable meeting Chair, to confirm that the minutes are an accurate record of the applicable meeting.	3 (MinNC)	The 1972 Local Government Act states that 'minutes must be signed and loose-leaf pages initialled at the meeting which they record or at the next meeting'. In this regard, the next meeting could be deemed to be the first meeting when face to face meetings resume in May 2021.
2021	5. Payroll	5.11	That the Council considers adopting a Training Policy.	2 (OFI).	This policy is recommended by NALC for best practice. A policy template from NALC can be utilised.
2021	7. Bank Reconciliations	7.4	That the bank mandate is updated to remove the 3 former councillors and add the newly appointed Chair and Vice Chair* and one other Councillor, to ensure there are at least 4 authorised councillor signatories on the mandate.	2 (OFI)	*It is understood that this recommendation will be addressed at the Annual Meeting on 12/05/21.

7. Other Comments/Observations

In my previous years' (2020) internal audit report, I made reference to the Coronavirus pandemic, which at that point had just begin to take hold, with an initial lockdown introduced. Whilst it was clear then that this pandemic would affect all local authorities in some way e.g. governance, administration and financial, I 'm sure that not many of us anticipated that a year on restrictions would still be in place. These restrictions have impacted in a number of areas of East Goscote Parish Council's operations e.g. remote meetings, home working for staff and closure sports facilities. It is the latter of these where any financial downturn would be incurred through the loss of non-precepted income from sports pitch hire. The Council has not been affected significantly because of this i.e. a loss of income estimated at £1,000 in the financial year to 31/03/21. but has still taken action to ensure that it can continue to operate within its means by monitoring its finances regularly, reducing expenditure where possible and utilising reserves as applicable and when necessary.

Regarding this internal audit, it is again pleasing to note that any recommendations made in my previous internal audit report continue to be addressed before the next internal audit is under way, thus reflecting very positively on the work undertaken by the Clerk. The new recommendations made in section 6 above are all made with the aim of ensuring that good governance and best practice is maintained.

Therefore, the overall internal audit opinion for this Council is: **GOOD ***

** = see Compliance Categories and Definitions of Internal audit assurance below.*

8. Acknowledgments

The help and co-operation of Liz Pizer, Clerk to the Council, is again much appreciated by the internal auditor. In particular for agreeing to undertake the annual review meeting remotely i.e. a video conferencing meeting via Zoom.

Yours sincerely,



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COMPLIANCE CATEGORIES

1. Compliant:	Adherence with the requirements of the audit question. No major or minor non-conformances found.
2. Opportunity for Improvement (OFI):	A situation or condition of internal control that may be weak, cumbersome, redundant, overly complex, or in some other manner, may, in the opinion of the internal auditor, offer an opportunity for the Council to improve its current status. OFI's do not necessitate any immediate remedial action on the part of the Council; however, the Council should give them serious consideration in view of the internal auditor's knowledge and exposure to similar controls and processes. An OFI may be an improvement to the internal control system or could prevent future problems.
3. Minor Non-compliance: (MinNC)	A non-compliance that, based on the judgment and experience of the internal auditor, is not likely to result in the failure of the internal control system or reduce its ability to ensure effective control is maintained. It may be either: <ol style="list-style-type: none"> 1. A failure in some part of the Council's internal control and assurance relative to a specified requirement. 2. A single observed lapse in following one item of testing of the Council's internal controls.
4. Major Non-compliance (MajNC):	The absence or total breakdown of an internal control process necessary to meet a specified requirement. A number of minor non-compliances against one requirement can represent a total breakdown of an internal control process and thus be considered a major non-conformity. Any non-compliance that would result in the probable delivery of a non-conforming service or action by the Council. Conditions that may result in the failure of or materially reduce the usability of the Council's services for their intended purpose. A non-compliance that, in the judgment and experience of the internal auditor, is likely to either to result in the failure of an internal control process or to materially reduce its ability to assure effective internal control.

INTERNAL AUDIT ASSURANCE DEFINITIONS

AUDIT OPINION	EXPLANATION
GOOD	There is a sound system of internal control designed to achieve the Council's objectives. The internal control processes tested are being consistently applied.
ADEQUATE	While there is a basically sound system of internal control, there are weaknesses, which may put some of the Council's objectives at risk.
LIMITED	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
UNSATISFACTORY	Control processes are generally weak, leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.