

Annual Internal Audit Report 2019/20

RINGWOULD WITH KINGSDOWN PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2020.

The internal audit for 2019/20 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	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.		NO	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.		NO	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		NO	
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.		NO	
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.		NO	
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			NOT COVERED NONE HELD
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.	YES		
H. Asset and investments registers were complete and accurate and properly maintained.		NO	
I. Periodic and year-end bank account reconciliations were properly carried out.		NO	
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.	YES		
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. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")			✓
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.		NO	
M. (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).

Date(s) internal audit undertaken

31/03/21

Name of person who carried out the internal audit

LIONEL ROBBINS

Signature of person who carried out the internal audit



Date

06/04/21

*If the response is 'no' you must include a note to 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).

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INTERNAL AUDIT REPORT 2019-20

I am pleased to report to Members of the Parish Council that I have completed my internal audit of the Parish Council's records for 2019-20 and have been able to complete the Annual Internal Audit Report (AIAR) for the 2019-20 Annual Governance and Accountability Return.

Members should be aware that the audit tests that I undertook during the audit cannot be relied on to identify the occasional omission or insignificant error, nor to disclose breaches of trust or statute, neglect or fraud which may have taken place and which it is the responsibility of the Members of the Council to guard against through the Parish Council's internal control procedures.

The AIAR contains a series of questions on which the internal auditor is asked to give an opinion whether the Council has met various control objectives for the accounting year. Most of my answers are "No" in that I consider the Council has not met standards appropriate to its needs. I am obliged to explain any "No" answers to the Council's external auditor in an attachment to the AIAR. I have added a copy of this explanatory attachment as an appendix to this report.

I would like to take this opportunity to thank your locum clerk for the assistance given to me in the conduct of the audit that took place on 31 March 2021.

PREVIOUS AUDITS:

External auditor 2018-19:

The external audit certificate for 2018-19 dated 20 September 2019 has both qualifications and comments. I have been unable to find any evidence that the Council itself considered this report as it is required to do under the Accounts and Audit Regulations 2015. Moreover, that the Council has not considered the external auditor's report will mandate a "No" response to assertion 7 on the Governance Statement for 2019-20

Internal auditor 2018-19:

My predecessor's AIAR was dated 1 July 2019. I note that it gave "yes" responses to all the relevant questions. I have not had any access to my predecessor or their records.

FINDINGS THIS VISIT:

During the visit I carried out sufficient work to enable me to complete the Annual Internal Audit Report. I have reviewed minutes insofar as they were available on the website.

In view of the lack of records available, the locum clerk and I have produced the 2019-20 accounts by working back from the bank statements. There is no point in trying to reconcile our workings with the bank as that was the start point.

As far as is known the Council has three bank accounts. Two, with Barclays, have no activity apart from interest being credited and will be closed. The third account, with HSBC, contains all the remaining transactions and is the main source for the 2019-20 accounts. I am concerned that the balance on this account at the start of the year (31 March/1 April 2019) from the bank statement at £8,469 is way different to the figure reported on the 2018-19 end of year bank reconciliation of £18,516. Balances on the two Barclays accounts appear to be correctly stated.

There are cheques reported on the accounts spreadsheet in February and March 2020 which were unpresented at the year end on 31 March 2020. I have been able to find only one in the bank statements from April 2020 to date leaving three [nos 102564, 573 and 579] with a total value of £1,102 still unpresented over a year later.

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Likewise, there was a cheque unpresented at 31 March 2019 [no 102483] for £50 still unpresented a year later. In this case I think it was replaced by 102491 at the same amount which does not appear in the accounts spreadsheet in either 2018-19 or 2019-20 but which appears in the bank statement on 4 April 2019.

The 2018-19 and 2019-20 accounting spreadsheets do not identify transactions with VAT nor do they show the amount of such VAT. Without details from the invoice, particularly the supplier's VAT number, the Council is unable to recover its input VAT. It appears that a claim to HMRC was made in respect of the play equipment but there has been no recovery of VAT since.

As noted in my explanatory report to the external auditor, I was unable to find evidence that the Council had carried out a review of risk during or relating to 2019-20. This is a requirement – see assertion 6 on the Governance Statement.

The Local Government Finance Act 1992 sets out in s49A calculations which must be made as part of the budget preparation process. They are that councils must consider their spending needs, that they estimate and take into account their expected income (apart from precept) and lastly that they consider what transfers they need to make to or from their reserves. The net result of these three calculations becomes the precept (s41(2) LGFA 1992). The budget spreadsheet used by the Council does not include any element of expected income or transfers to/from reserves and thus does not comply with law.

During my review of minutes I did not come across any instance of a report comparing the actual spend to budget whether during the year, at its end or in respect of budget preparation of next year's budget.

I am concerned at the lack of documents available to the locum clerk and by extension to myself as internal auditor. There should be far more than has been supplied. I find it difficult to believe that what has been supplied is all there is unless everything else has been destroyed. By way of example the signed copy of council minutes is a matter for public record as well as being admissible in evidence. Electronic copies may exist and be in general use but the duty to keep the original remains.

The discrepancy of £10k between the bank and council versions for the HSBC balance at 31 March 2019 will need to be investigated further.

Lionel Robbins
Independent Internal Auditor
06 April 2021