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# **Kents Hill & Monkston Parish Council**

*Internal Audit Report 2021-22*

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*For Auditing Solutions Ltd*

## **Background**

All town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return. Auditing Solutions Ltd has been appointed to Kents Hill & Monkston Parish Council in 2017.

This report sets out the work undertaken in relation to the 2021-22 financial year. We have undertaken our review for the year remotely: we wish to thank the Clerk in assisting the process, providing all necessary additional documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

## **Internal Audit Approach**

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Annual Internal Audit Report' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year. We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To that end, we have: -

- Reviewed the Metro bank accounts both current and deposit and checked that they accurately are maintained together with deposits at the Cambridge Building Society and the Cambridge & Counties Bank. We have checked and verified detail of a sample of transactions recorded in the cashbooks to the detail of the statements for the year.
- Ensured that formal bank reconciliations have been undertaken regularly during the year. We have checked and agreed the year-end reconciliation detail set out in the cashbook.

### *Conclusions*

*We are pleased to record that no accounting issues arise in this area this year.*

## Review of Corporate Governance

We are pleased to note that the Council reviewed and re-adopted both Standing Orders and Financial Regulations in May 2021.

We have completed our examination of the Council minutes for the financial year to determine whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability. We are pleased to record that no such issues appear to exist at present or to be developing.

### *Conclusions*

*We are pleased to record that no issues arise in this area this year.*

## Review of Payments

A small sample of payments non-salary related payments made during the course of the financial year have been examined to ensure that the following criteria were met: -

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly and is recovered at appropriate intervals;
- Members have met their fiduciary responsibilities and formally approved each payment;
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

### *Conclusions and note*

*We have reviewed the payments process and note that the records are accurate. We have, however, at the time of our report been unable to cross reference a sample of copy invoices to the cashbook and therefore will issue an addendum/covering letter to this report following receipt of copy purchase invoices.*

## **Assessment and Management of Risk**

Previously the Council has completed a review of areas of potential risk and recorded them formally in a Risk Management Register, based upon the model template. We are pleased to note that this was formally reviewed and re-adopted by the Council at the meeting in May 2021.

Zurich provides the Council with insurance cover. Examination of the policy's content indicates that appropriate levels of cover exist in each area, including Employer's (£10 million) & Public Liability (£12 million) and Fidelity Guarantee (£250,000).

### *Conclusions*

*No issues have been identified in this area this year.*

## **Budgetary Control & Reserves**

Documentation provided by the Council provides confirmation that the precept has been discussed, with a final approved and formally adopted value for 2022-23 of £113,984.

A formal reporting of actual payments against the approved areas of spend was completed for approval of the financial year 21-22. The existing practice of reporting receipts and payments, plus available bank balances to the Council at the meetings is also considered adequate.

### *Conclusions*

*No issues arise in this area of our review.*

## **Review of Income**

The Council only receives limited sources of income, primarily the annual precept, together with allotment rental, bank deposit account interest and occasional grants. We have checked and agreed a sample of cashbook transactions relating to the allotment account to bank statements and other available supporting documentation.

### *Conclusions*

*No issues arise in this area of our review.*

## **Petty Cash Account**

*The Council does not operate a petty cash account. The clerk claims sundry out-of-pocket expenses with the monthly salary, if appropriate. This is supported by an analysis of the costs, by type, together with invoices/till receipts.*

## **Salaries and Wages**

We note that a new Clerk has been appointed in 2021. We have checked and agreed a sample of payments made to the clerk during the year and also checked the nominal ledger for the financial year.

We are also pleased to note that a formal PAYE scheme exists with an outside contractor with tax deducted and paid directly to HMRC by the Council.

### *Conclusions*

*No issues arise in this area of our review.*

## **Fixed Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

### *Conclusion*

*No issues require formal comment or recommendation.*

## **Investments and Loans**

*The Council neither has any funds held in investments, nor does it have any loans payable by, or to, itself.*

## **Statement of Annual Governance and Accountability Return**

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

### *Conclusions*

*No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.*