

Parish Council Accounts Financial Year Ending 31 March 2020

Internal Audit Report for the Annual Return

Scope of Audit

The Council is required to undertake an internal audit to evaluate the effectiveness of its risk management, control and governance processes¹.

I confirm that I am independent of financial decision making, financial management, financial control and financial procedures of Fownhope Parish Council.

I have conducted an internal audit with the objective of reporting on the Council's performance against its financial control and risk management systems and to provide recommendations for improvements where appropriate.

In order to achieve the objectives of the audit, I have examined documents with a view to report on the areas of the internal control objectives identified in the Annual Governance and Accountability Return document 2019/2020.

Documents

I have examined the following documents: -

- Excel spreadsheet FPC accounts for year ending 31.3.20 FINAL.xlsx (sent to me by email on 22 May 2020) which includes sheets
 - Annual Return
 - Balance Sheet
 - Accounts
 - Cash Book recn
 - Payments
 - Receipts
 - Reserved Funds
 - OS chq 31.3.19
 - Fixed Assets Register
 - IAG Report
 - Loan Repayments
- Bank statements for the Current Account and Business Reserve Account held at the NatWest Bank by Fownhope Parish Council
- Cheque books and paying-in books for the NatWest Bank Current Account
- Bank statements for the Current Account (Treasurer's Account) held at the Lloyds Bank by Fownhope Parish Council
- Cheque books and paying-in books for the Lloyds Bank Current Account (Treasurer's Account)
- Minutes of Parish Council meetings
- Finance Statements presented to each Parish Council meeting by the (Responsible Financial Officer) RFO
- Finance Working Group (FWG) Meeting Notes (4 June, 2 October 2019, 4 February 2020).
- Invoices
- Payments received documents
- Fownhope Parish Council Financial Regulations (adopted 2 October 2019).

¹ Regulation 5(1) of the Accounts and Audit Regulations 2015

- Fownhope Parish Council Financial Regulations Appendix 1.0 Investment Strategy (adopted 5 February 2020). Note that an older version (adopted June 2019) is also on the website.
- Fownhope Parish Council Standing Orders (amended and adopted 3 July 2019) which is referenced in the latest Financial Regulations.
- Fownhope Parish Council Risk Management Policy (adopted 8 May 2019)
- Excel spreadsheet Risk Register.xlsx (adopted 5 June 2019)
- Excel spreadsheet Investment Register 2019-2020.xlsx including IAG (Investment Advisory Group) Report (May 2019); composition of IAG; current investments with Hargreaves Lansdown (approved by Council 5 June 2019); Investment Strategy (approved by Council 5 June 2019) NOTE this needs to be updated with the February 2020 version; Reserved funds with NatWest
- Investment Strategy (approved by Council February 2020)
- Documents confirming employers' liability insurance and public/products liability insurance
- The Annual Governance and Accountability Return document for the financial year ending 31 March 2019 and the External Auditor Report and Certificate
- Notice of the Period for the Exercise of Public Rights June 2019

Review of Recommendations from Previous Audits

The last internal audit was completed for the first half of financial year 2019 to 2020 and found that previous recommendations had been completed satisfactorily and there were no new recommendations for improvements and no non-compliances.

Review of Policies and Procedures

Relevant documents for Policies and Procedures were downloaded from the Fownhope Parish Council website.

Fownhope Parish Council Financial Regulations adopted 2 October 2019 is a new document rather than a revision of the previous document. My records indicate that the previous document was adopted 6 December 2017, amended (clause 3.5) and adopted 5 September 2018, and amended and adopted 5 June 2019.

The current Financial Regulations are more comprehensive than the previous document. I have not completed a detailed review of compliance with the current regulations as part of this audit. However, a random check on current regulation 2.2 found signatures as required on copies of bank statements and bank reconciliations only in January 2020 and February 2020. I consider that it may take time for Council to adapt to new requirements in the current document and the restrictions imposed to control COVID19 since March 2020 have made compliance difficult. Therefore, I do not think the circumstances warrant identification of a non-compliance.

Findings

	Internal Control Objectives	Evidence	Findings
A	Appropriate accounting records have been kept throughout the financial year	<ol style="list-style-type: none"> 1. The Excel spreadsheet FPC accounts 2. Financial Regulations and Standing Orders 3. Minutes of Council meetings 4. Finance Statements presented to Council meetings 5. Finance Working Group meeting notes 6. Investment Advisory Group (IAG) report 	<ol style="list-style-type: none"> 1. The accuracy of the receipts and payments was checked with reference to bank statements, paying in slips, cheque stubs and invoices. I found no errors and conclude that the records are accurate. 2. Finance reports were presented to meetings of the Fownhope Parish Council throughout the year. I conclude that records have been kept up to date and reported throughout the year. 3. The notes from the Finance Working Group meetings show that appropriate action is being taken to ensure finance records are maintained and appropriate. 4. The IAG reports show that appropriate records and monitoring are maintained throughout the year. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
B	Fownhope Parish Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for	<ol style="list-style-type: none"> 1. The Excel spreadsheet FPC accounts 2. Financial Regulations and Standing Orders 3. Minutes of Council meetings 4. Finance Working Group meeting notes 5. Invoices 6. Cheque books 7. Bank statements 	<ol style="list-style-type: none"> 1. The Financial Regulations of the Council were completely revised during the financial year and were adopted on 2 October 2019. They require additional verification signatures but I found evidence of this only in January and February. However, I consider it takes time for Council time to adapt to new regulations and there are difficulties caused by restrictions to prevent the spread of COVID19. Therefore, I do not consider this to be a failure to achieve this internal objective. 2. Payments were supported by invoices. Other payments, for expenses to members and volunteers, were supported by receipts or invoices. Invoices have been signed by a Council member. 3. Expenditure was approved at meetings of Fownhope Parish Council. The minute reference for approvals is recorded in the Payments sheet of the spreadsheet. 4. No all cheque counterfoils have been initialled by cheque signatories but since the beginning of July 2019, payments have been made by on-line bank transfer. 5. Lists of invoices to be paid are presented as part of the agenda for each meeting and the list is signed at the bottom once approved at the meeting. 6. VAT has been separately accounted for in the Payments sheet of the spreadsheet. There has been one VAT reclaim receipt during the financial year. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
C	Fownhope Parish Council assessed the significant risks to achieving its objectives and reviewed the adequacy of the arrangements to manage these	<ol style="list-style-type: none"> 1. The Council Risk Management Policy (adopted 8 May 2019) 2. The Council Risk Register (adopted 5 June 2019) 3. Fownhope Parish Council Financial Regulations (adopted 2 October 2019) 4. Finance Working Group meeting notes 	<ol style="list-style-type: none"> 1. The Risk Management Policy and Risk Register were reviewed and updated during this financial year. 2. Internal controls and banking arrangements were reviewed at the Finance Working Group meeting 4 February 2020 and reported back to Council meeting 5 February 2020. <p>I conclude that this Internal Control Objective has been achieved.</p>
D	The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	<ol style="list-style-type: none"> 1. The Excel spreadsheet FPC accounts 2. Minutes of Council meetings. 3. Finance Working Group meeting notes 4. Finance statements presented to each Council meeting 	<ol style="list-style-type: none"> 1. A draft budget for year 2020/2021 was discussed at the Finance Working Group meeting 2 October 2019. It was discussed at the Council meeting 2 October 2019 and approved at the 4 December 2019 meeting. 2. A draft budget report for 2021-2022 and 2022-2023 has been prepared by the RFO. 3. Progress against budget is reported at some Council meetings eg 5 February 2020. 4. Finance reports are presented to each Council meetings. 5. The formulae in the spreadsheet updates the Accounts sheet with updates of Payments sheet and receipt sheet. 6. Allocation of Reserve Funds is discussed at Finance Working Group meetings eg 4 February 2020. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	<ol style="list-style-type: none"> 1. The Excel spreadsheet FPC accounts 2. Minutes of Council meetings 3. Bank account paying in slips 4. Bank account statements 	<ol style="list-style-type: none"> 1. The sheet Accounts of the computer spreadsheet shows that excess income was received over the expected income. 2. VAT was recovered during the year and received in May 2019. 3. Most receipts are auto payments and I conclude that income was promptly banked. <p>I conclude that this Internal Control Objective has been achieved.</p>
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for	<ol style="list-style-type: none"> 1. Council Financial Regulations 2. Minutes of Council meetings 3. The Excel spreadsheet FPC accounts 	<ol style="list-style-type: none"> 1. The Financial Regulations state that the Council will not maintain any form of cash float (Regulation 6.21). 2. The financial transactions recorded in the Payments sheet of the spreadsheet do not record any cash payments. 3. The minutes for the Fownhope Parish Council do not record any cash payments. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
G	Salaries to employees and allowances to members were paid in accordance with Fownhope Parish Council's approvals and PAYE and NI requirements were properly applied	<ol style="list-style-type: none"> 1. The Excel spreadsheet FPC accounts 2. Minutes of Council meetings. 3. Invoices 	<ol style="list-style-type: none"> 1. The only salary payable is that payable to the Clerk. 2. The salary is paid by bank transfer and the PAYE and NI requirements are dealt with through a payroll services company. 3. Allowances and expenses are paid by bank transfer. 4. Salary payments and PAYE and NI invoices from the payroll company are included in the lists of invoices to be paid which are presented as part of the agenda for each meeting and the list is signed at the bottom once approved at the meeting. <p>I conclude that this Internal Control Objective has been achieved.</p>
H	Asset and investment registers were complete and accurate and properly maintained	<ol style="list-style-type: none"> 1. Fixed Assets Register sheet of the Excel spreadsheet FPC Accounts dated for year ending 31/3/2019 2. Excel spreadsheet Investment Register 2019-2020 3. Finance Working Group meeting notes 4. IAG (Investment Advisory Group) Report (May 2019) 5. Minutes of Council meetings 6. Council Financial Regulations Appendix 1.0 Investment Strategy February 2020 	<ol style="list-style-type: none"> 1. The fixed asset register is dated as 31.3.19 but purchase records show no additional fixed assets were purchased. 2. The investment strategy was discussed at the Finance Working Group meeting 4 February 2020 and an amendment was approved at the 5 February 2020 Council meeting. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
I	Periodic and year end bank account reconciliations were properly carried out.	<ol style="list-style-type: none"> 1. The Excel spreadsheet FPC Accounts 2. Minutes of Council meetings and Financial Statements presented to each Council meeting by the RFO 	<ol style="list-style-type: none"> 1. Sheet Cash Book recn in the FPC Accounts spreadsheet is the bank account reconciliation. The arrangement of the formulae in the spreadsheet updates the Cash Book recn sheet with updates of Payments and Receipts sheets. The bank account balances are entered and the value of uncleared cheques is calculated from the payment sheet and entered. This identifies differences and allows regular reconciliations to be made. 2. Financial statements presented to each Council meeting include bank account reconciliations. 3. The year-end values show no discrepancies and bank account reconciliations have been carried out properly. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Evidence	Findings
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	<ol style="list-style-type: none"> 1. The Excel spreadsheet FPC Accounts 2. Minutes of Council meetings 3. Notes of Finance Working Group meetings 4. Invoices, remittance and payment advice notes 5. Cheque book 6. Paying-in book 	<ol style="list-style-type: none"> 1. Accounting statements were prepared on the correct accounting basis (receipts and payments) on the spreadsheet. Formulae and links in the spreadsheet show agreement with the cash book. 2. The accuracy of receipts and payments values in the FPC Accounts spreadsheet was checked and debtors and creditors were properly recorded. 3. Finance Statements presented to the Fownhope Parish Council include updates on bank balances but do not include details of total receipts and total payments which are included in the cash book. <p>I conclude that this Internal Control Objective has been achieved.</p>
K	Trust funds (including charitable) – the Fownhope Parish Council met its responsibilities as trustee	The report for Year Ending December 2018 from the Fownhope United Charities presented to the Annual Parish Meeting 18 May 2019	<p>Three trustees for the Fownhope United Charities (only one charity now exists) include three appointed by Fownhope Parish Council who may or need not be members of the Council. The Fownhope Parish Council does not directly have responsibilities as trustee.</p> <p>I conclude that this Internal Control Objective has been achieved.</p>
L	Fownhope Parish Council has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations	Notice of the Period for the Exercise of Public Rights June 2019	<p>The notice was published on 10 June 2019. The records were made available for inspection by any person interested from 10 June to 19 June 2019. The Records are available on the Council's web-site.</p> <p>I conclude that this Internal Control Objective has been achieved.</p>

Conclusion

After examining these documents, it is my opinion that the accounts are accurate, correctly balanced and show that the Fownhope Parish Council has implemented a satisfactory process for financial control.

I can therefore confirm that: -

- Appropriate accounting records have been kept throughout the financial year.
- The Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of the arrangements to manage these.
- The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with Fownhope Parish Council's approvals and PAYE and NI requirements were properly applied.
- Asset registers and investment registers were complete, accurate and properly maintained.
- Periodic and year end bank account reconciliations were properly carried out.
- 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.
- 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.

Recommendations

I have found no areas of non-compliance and no areas for improvements. Therefore there are no recommendations from this audit.

Next Audit

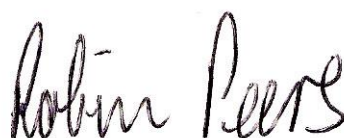
I suggest that there are two areas for further investigation at the next audit – possibly the half year audit. They are:-

- A review of policy and procedure documentation in the Excel spreadsheets and available on-line in order to confirm only current versions of documents are included or available.
- A detailed audit of compliance with the Financial Regulations and Standing Orders from the beginning of financial year 2020-2021.

I would like to thank Mrs Helen Tinson, for her assistance.

Robin Peers

10 Nover Wood Drive
Fownhope
Herefordshire
HR1 4PN
01432 860584



29 May 2020