

## Summary Internal Audit Report

Council:	<b>GADESBY PARISH COUNCIL</b>		Year ending:	31 March 2019
Internal Auditor:	Richard Willcocks		Date of report:	06/05/2019
Audit review date(s)	Interim	n/a	Final	25/04/2019

### To the Chairman of the Council:

#### 1. Introduction

In accordance with the terms of my engagement, I have undertaken a review of **Gaddesby Parish Council's** records, policies, and procedures for the financial **year ending 31 March 2019**, following which I completed and signed the Annual Internal Audit Report 2018/19 (part 3 of the Annual Governance and Accountability Return 2018/19).

#### 2. Basis of Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended checklist, introduced in 2018, in conjunction with the Practitioners' Guide to Governance and Accountability in Local Authorities.

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.

#### 2. Aims & Objectives

**Gaddesby 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.

***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.***

#### 3. Scope of Audit

The internal audit exercise involves such testing of the evidence of and evidence of compliance with the 12 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
- B. Compliance with the Council's Standing Orders, Financial Regulations and proper accounting for VAT
- C. Adequacy of risk management arrangements
- D. Effective budgeting and budgetary control
- 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. Whether the Council has met its responsibilities as a trustee.
- L. Correctly applying the exercise of public rights during the previous year period.

*NB: It would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be a day-to-day function of the staff and councilors and not left for internal audit. (Source: Governance and Accountability for Local Councils-A Practitioners' Guide-2019)*

#### 4. 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)

#### 5. Recommendations

Audit Year Raised	Internal Audit Report Checklist			Compliance Category *	Comments
	Section	Ref	Recommendation		
2019	2. Due Process	2.9	That the agendas for forthcoming Council meetings are published on the Council website, in addition to the Council notice boards, at least 3 clear days before the meeting.	2 (OFI)	To meet compliance with Transparency Code for Smaller Authorities.
2019	5. Payroll	5.1 & 5.10	That in view of the advice now given by HMRC, the Clerk should be recognised as an employee of the Council and provided with a formal contract of employment, which includes disciplinary and grievance procedures.	2 (OFI)	I understand that NALC provide suitable templates for this, which will also include applicable disciplinary and grievance procedures
2019	12. Transparency Code	12.5	That if any councillor represents Gaddesby Parish Council on any other body, then this should be published on the Council website.	2 (OFI)	To meet compliance with Transparency Code for Smaller Authorities.
2019	12. Transparency Code	12.6	That as the asset register is not currently published on the Council's website, then this document, as at 31/03/19, should be published by 01/07/19.	2 (OFI)	To meet compliance with Transparency Code for Smaller Authorities.

#### 6. Other Comments/Observations

All the recommendations made in section 5 above are considered to be Opportunities for Improvement (OFI), rather than any material non-compliance and therefore the overall internal audit opinion is: GOOD \*. Going forward it is increasingly evident that local councils will be expected to be more transparent i.e. publish more information on their website, particularly in respect of policies and procedures. Most councils that I undertake internal audits for publish most, if not all, of the documents listed in Appendix 1 (section 1A) of my report and which the Council may therefore wish to consider doing similar at some point.

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

**7. Acknowledgments**

The help and co-operation of Trudy Toone, Clerk to the Council, is once again much appreciated by the internal auditor.

Yours sincerely,



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**COMPLIANCE CATEGORIES**

<b>1. Compliant:</b>	Adherence with the requirements of the audit question. No major or minor non-conformances found.
<b>2. Opportunity for Improvement (OFI):</b>	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.
<b>3. Minor Non-compliance:</b>	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"> <li>1. A failure in some part of the Council's internal control and assurance relative to a specified requirement.</li> <li>2. A single observed lapse in following one item of testing of the Council's internal controls.</li> </ol>
<b>4. Major Non-compliance:</b>	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**

<b>AUDIT OPINION</b>	<b>EXPLANATION</b>
<b>GOOD</b>	There is a sound system of internal control designed to achieve the Council's objectives. The internal control processes tested are being consistently applied.
<b>ADEQUATE</b>	While there is a basically sound system of internal control, there are weaknesses, which may put some of the Council's objectives at risk.
<b>LIMITED</b>	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.
<b>UNSATISFACTORY</b>	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.