St Breock Parish Council

Internal Audit Report

Year Ended 31st March 2024

Prepared by: Carolyn Y. May LLB(Hons), M.A. B.Sc.

Date of Interim Visit: n/a

Date of Final Visit: 9th May 2024

Internal Audit Regulation and Methodology 3
Observations and Conclusions 4
Acknowledgement 4
Overview and Corporate Governance - document 5
Corporate Governance Statement – document 6
Professional Independence and Competence Questionnaire - document 8

Review

Section 1 - Maintenance of Accounting Records and Bank Reconciliations 9

Section 2 - Review of Corporate Governance 9

Section 3 - Review of Expenditure 9

Section 4 - Review of Income 10

Section 5 - Review of Capital Budgeting 10

Section 6 - Review of Employment Arrangements 10

Section 7 - Risk Management Arrangements 11

Section 8 – Asset Register 11

Section 9 – Investments & Loans 11

Section 10 – Audit Notices and Annual Return 12

Section 11 - Transparency 12

Section 12 – Recommendations 12

Internal Audit Regulation

All town and parish Councils are required, by the provisions set out in ***The Audit Commission Act 1998*** and ***Accounts and Audit Regulations*** *(issued from time to time under the Act) to arrange for an independent internal audit examination, to be undertaken in respect of the authority's accounting records and system of internal control. The conclusions of the said examinations are, thereafter, reported at Section 4 of the authority's Annual Return for the relevant year.*

Internal auditing is defined as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its' objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Carolyn May Auditing was appointed as the Internal Auditor by St Breock Parish Council, for the Municipal Year 2023/24

The Internal Audit Review was undertaken after the year end. This audit included compliance and substantive testing to ensure that the control objectives are being met.

The Audit does not guarantee that the accounting records are free from fraud or error.

This report details the scope of the assessment undertaken in relation to St Breock Parish Council for the 2023/24 financial year. This assessment was undertaken on 9th May 2024

Methodology

When undertaking the Internal Audit for the financial year 2023/24 regard has been given to the materiality of the authority's transactions and the potential for mis-recording or misinterpreting the same in year- end Statement of Accounts/ Annual Return.

Carolyn May Auditing operates an investigatory programme, designed to provide the requisite level of assurance that the audited authority has appropriate and robust financial processes in situ, which ensure that transactions are enacted with both efficacy and integrity and which provide a reasonable probability that any material errors, or possible abuses of organisational, or national, regulatory frameworks are easily identifiable.

The Internal Audit programme applied by Carolyn May Auditing also facilitates the completion of the Internal Audit Report, which forms part of the authority's Annual Return document.

Observations and Conclusion

Having undertaken a comprehensive Internal Audit of St Breock Parish Council's accounting records and system of internal control, I conclude that, based on my observations, the Parish Council has succeeded implementing an effective and accurate system of internal control arrangements for the accounting period 2023/24.

The Parish Council's 'Internal Audit Report' of the Annual Return, has been duly completed and signed. I am of the firm opinion that the control objectives set out in that report have, in the majority of instances, been achieved within the financial year 2023/24 thereby the needs and duties of the Parish Council have been adequately met.

Acknowledgement

Carolyn May Auditing would like to take this opportunity to thank the Members of St Breock Council for their instruction in relation to this matter. A special mention is given to the Clerk, Jacqui Peskett, for her co-operation during the audit and meticulous record keeping. Furthermore, the Members of the Parish Council are to be commended for their efficient and effective management of the administrative process.

Carolyn Y. May

Carolyn Y. May LLB (Hons), MA. B. Sc

Overview of Council and Corporate Governance Statement

Terms of Engagement		Ref	Notes
1.	**Review Terms of Engagement; confirm that engagement is appropriate to this financial year.**	n/a	Engagement on 14th March 2024.
2.	**Confirm the professional independence and competence questionnaire has been completed and agreed with the client**	Page 8	Confirmed: 14th March 2024.
3.	**Agree Internal Audit fee with client**	n/a	Agreed a cost of £235.00 (no VAT)
4.	**Agree attendance date**	n/a	Agreed by telephone; work carried out at Internal Auditor's office.

Planning Notes		Ref	Notes
5.	**Number of Electors**	n/a	670
6.	**Precept sum**	Minutes	£19,417.63
7.	**Other Income**	n/a	Windfarm Grant: £7,875.00 VAT refund £1,620.16 Burials £835.00 Misc £828.00
8.	**Key Personnel**	n/a	Ms. J. B. Peskett - Clerk/RFO
9.	**Type of Manual Accounting in Place**	n/a	Excel Spreadsheets
10.	**Any significant changes to staff/ procedures since previous Internal Audit?**	n/a	No
11.	**Are there any matters arising from the last Internal Audit and/ or Management Letter?**	n/a	No
12.	**Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material mis-statement?**	n/a	None noted.
13.	**Key high risk/ expected problem areas**	None	Risks have been appropriately addressed by the Authority during the reporting period.

Observations	*Satisfactory – No Issues Identified*

Corporate Governance Statement

Area	Recommendation	Comment
Please confirm whether or not Standing Orders and Financial Regulations are in place. **If so, when Were they last updated and formally adopted by the Council?**	N/A	Standing Orders and Financial Regulations are in place, having been reviewed revised and re-adopted by the Parish Council at the meeting held on 8th March 2023 (Minute Reference 2023/23 514 refers.
	N/A	Original Minutes Were provided and signed in accordance with the terms and conditions of the Local Government Act 1972; Schedule 12. Para 41(1). It was noted that each page is signed by the Chairman after approval.
Does the Council meet the criteria for adoption of the General Power of Competence and, if so, has it been adopted? Please confirm minute reference and date. **If reliance is still placed on S.137, etc., when considering the approval of grants and donations to local (and other) bodies, are the relevant powers considered and formally minuted? Where detail of powers relied on is only set out on an agenda paper, please provide an example.**	N/A	No, Clerk not CILCA qualified. Grants have not been made by the Parish Council.
Please confirm that all internal and external audit reports are presented to and agreed by members, also with agreement on the actions to be taken to address any issues identified. Again, please provide detail of the relevant meeting and minute reference.	N/A	The **Internal** Audit was presented to the Parish Council at the meeting held on 10th May 2023 (Minute Reference 2023/24 537 refers). The **External** Audit was presented to the Parish Council at the meeting held on 11th October 2023 (Minute Reference 2023/24 580 (iii) refers). Both reports were discussed and noted.
Has the Council reviewed an updated version of the financial risk assessment and formally approved its re-adoption (Governance and Accountability Manual – 2014 refers)	N/A	Yes.
When approving payments for release, do those members signing cheques examine and sign / initial individual invoices. Please provide a brief description of the approval process from receipt of invoice through to release of funds, on a separate sheet.	N/A	Yes, there are taken to the meeting for approval by Full Council.
Are all individual payments by direct debit, bankers' standing order or internet, if in use, similarly examined and approved for payment by members? Please provide detail of the controls in place over such payments, where different to those for cheque payments.	Yes	The Parish Clerk provides a detailed, monthly, income, expenditure and bank reconciliation document at Parish Council Meetings. This includes the listing of Direct Debits.
Does the Council / a nominated member review the detail of bank reconciliations routinely throughout the year and verify detail to underlying cashbooks and bank statements (Governance and Accountability manual refers)	Yes	All Members participate in the examination of the monthly I&E Account. *Please note the responses above.*

Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.	N/A	The Clerk meets with Members of the Finance Committee and presents the income and expenditure accounts for the current financial year. The Clerk then presents the predicted year-end balance as at 31st March along with the precept budget for the coming year. Councillors discuss the budget for the forthcoming year and agreed on precept to meet the running costs of the council and additional expenditure to manage the assets and items such as signs etc. The increase in the precept is then agreed by the full Council at its meeting.
Does the Council formally consider and approve the level of reserves (General and Earmarked Funds) to be carried forward to the next financial year? (Such consideration should be minuted formally).	N/A	Yes – verbally.
Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?	N/A	The Play Areas are inspected yearly by RoSPA. With a full report given, discussed by Members and if needed, action taken. The other stated assets of the Council are inspected by Members on a regular basis.
Are asset values based on purchase cost net of VAT (where known)? Where detail of the purchase cost is unknown, asset values should be reported on the Annual Return at the same value as the previous year, except where new assets are acquired or disposed of.	N/A	Yes
Does the Council act as Sole or Custodial trustees of any charitable funds? If so, are the transactions excluded from the Annual Return financial detail at Section 2?	N/A	No

Observations	*Satisfactory – No Issues Identified*

Professional Independence and Competence Questionnaire

The internal audit function must be sufficiently independent from the management of financial controls and procedures of the council which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the council. The two key principles, which councils must follow in setting up their internal audit function are; **independence and competence.**

Independence	
Do you have any specific reliance on the fee to be earned from this assignment	No
Overdue fees	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
Litigation	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
Associated firms	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
Family or other personal relationships	
Do you or any of your staff have personal or family connections with the council or its officers?	No
Mutual business interest	
Do you or any of your staff have any mutual business interests with the client or with an officer or employee of the client?	No
Financial involvement	
Do you or your staff, or anyone closely related to you or any of your staff, have any financial involvement in the client in respect of the following:	
Any beneficial interest in shares or other investments?	No
Any loans or guarantees?	No
Goods and services: hospitality	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
Ex-partners or senior staff	
Has any senior officer of the council been a partner or senior employee of the practice?	No
Is the partner or any senior employee on the audit team in negotiations to join the client?	No
Long association	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
Provision of other services	
Do I provide any of the following services to the client? -	
Accounting services, book-keeping or payroll services	No
Staff secondments	No
IT services are involved in the design, provision or implementation of systems	No
Specialist valuations which are included in the accounts	No
Tax compliance work or tax planning	No

Section 1 – Maintenance of Accounting Records & Bank Reconciliations

Internal Control Objectives

	Control Objective	Comments
A	**Has the RFO been appointed with specific duties? (S.151 LGA 1972)**	The current Parish Clerk has a standard NALC Contract of Employment, with provision made for duties as the RFO.
B	**Appropriate records of account have been properly kept throughout the year**	Yes
C	**Closing Cashbook Balance**	£17,070.13. Verified and accuracy checked with Bank account reconciliation as at 31st March 2024. Clear Audit trail shown on all records.
D	**Formal, year-end, Bank Reconciliations Were carried out.**	Yes

Observations	*Satisfactory – No Issues Identified*

2. Review of Corporate Governance

	Control Objective	Comments
E	**There are appropriate governance arrangements in place to help ensure compliance with extant legislation and that no decisions are taken that may result in unlawful, or unbudgeted costs.**	Financial Regulations are in place, having been reviewed and re adopted by the Parish Council in March 2023.
F	**The Council's Financial Regulations have been met, payments Were supported by invoices, expenditure was approved and VAT was appropriately accounted for.**	The Internal Auditor viewed a sample of payments to assess their compliance with Financial Orders. All accounts were found to be in order. It was noted that VAT was properly accounted for and expenditure was appropriately approved.
G	**Procurement**	The Council's Financial regulations confirm that a proposed contract for the supply of goods, materials, services and the execution of works with an estimated value in excess of £30,000 shall be procured on the basis of a formal tender as summarised in Financial Regulations; Number 11.1(b).
H	**Clarity of Records**	Financial Records were easy to find and follow up. The Clerk has implemented an efficient recording system for all records appertaining to the Council.
I	**Precept Setting 2024-25**	This was discussed at the meeting held on 13th December 2023 (Minute reference 2023/24 602 (iii) refers).

Observations	*Satisfactory – No issues identified*

3. Review of Expenditure

	Control Objective	Comment
J	**Payments**	Authorised and Minuted, invoices were made available to the Internal Auditor
K	**Procurement of services above the 'de minimis' Amount**	N/A
L	**VAT**	VAT return submitted in for the sum of £1,620.16 to HMRC for the year 1st April 2022 to March 31st

		2023 in April 2023 and repaid into the Bank account on 15th April 2023.
M	**S.137 Expenditure (LGA 1972)**	N/A
N	**Petty cash payments Were properly supported by receipts, expenditure was approved and VAT appropriately accounted for**	No Petty Cash Account maintained.
O	**Clerk's Expenditure**	Yes.

Observations	*Satisfactory – no issues identified*

4. Review of Income

	Control Objective	Comment
P	**The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves Were appropriate**	Yes, budgets and earmarked funds are now discussed at the same time as the precept is being set.
Q	**Expected income was fully received, based on correct prices, properly recorded and promptly banked, with VAT appropriately accounted for.**	Yes
R	**Are there any significant, unexplained, variances from the budget?**	No

Observations	*Satisfactory – no issues identified*

5. Review of Capital Budgeting

	Control Objective	Comment
S	**Sale of fixed assets**	None
T	**Use of income from sales (de minimis £10,000)**	N/A
U	**Capital Expenditure**	None
V	**Long-term capital budget/ rolling capital schemes**	No
W	**Capital budget review (annually) date**	No

Observations	*Satisfactory – no issues identified*

6. Review of Employment Arrangements

	Control Objective	Comment
X	**Each employee has been issued with a contract of employment, with clear terms and conditions**	Yes.
Y	**Salaries paid agreed with those approved by the Council**	Yes
Z	**Are all employees in a registered pension scheme/ have all employees been offered the opportunity to enrol in a work pension scheme**	The Clerk registered with Nest and subsequently opted out.
AA	**Are other payments made to employees reasonable and approved by the Council**	Yes
AB	**Have PAYE / NIC been properly operated by the Council as an employer**	Payments have been made in compliance with the PAYE/NIC requirement using an eternal Accountant to run the payroll, Simon A Martin Ltd.
AC	**Does the Council have current, appropriate Employer Liability Insurance?**	Yes – copy requested and inspected. Policy provided by BHIB (Policy No. LC000642)

Observations	*Satisfactory – no issues identified*

7. Risk Management Arrangements

	Control Objective	Comment
AD	**Does a review of the minutes identify any unusual financial activity?**	None identified.
AE	**Do the minutes record the Council carrying out an annual risk assessment?**	None formally recorded
AF	**Is insurance cover current, appropriate and adequate?**	The Council has appropriate and adequate insurance cover, provided by BHIB (policy LC000642
AG	**Is the Fidelity Guarantee appropriate and has it been reviewed?**	The Fidelity Guarantee (£250,000 limit) is Index Linked and deemed appropriate for a Council with a precept level of £19,417.60
AH	**Are internal control systems documented and regularly reviewed?**	Yes.
AI	**Has the Council carried out a review of the effectiveness of internal auditing during the year?**	Yes
AJ	**Has appropriate action been taken regarding matters raised in reports from Internal Audit?**	Yes
AK	**Have adequate measures been put in place in relation to GDPR ?**	Yes, it is noted that the Clerk carried out a GDPR specific Risk Assessment and this has been approved and placed on the website..

Observations	*Satisfactory – no issues identified*

8. Asset Register

	Control Objective	Comment
AL	**Does the Council maintain a register of all material assets owned, or in its care?**	Yes
AM	**Are the assets and investments registers up to date?**	These are due to reviewed in the new Financial Year.
AN	**Have dates of acquisitions been noted?**	No
AO	**Is a life estimate recorded?**	No
AP	**Has the location of the item been recorded?**	No
AQ	**Have costs of acquisitions and enhancement been recorded?**	No
AR	**Have dates of upgrade and disposal been noted?**	No
AS	**Do asset insurance valuations agree with those in the asset register?**	Yes

Observations	*Satisfactory – no issues identified*

9. Investments and Loans

	Control Objective	Comment
AT	**Have all excess balances been appropriately and prudently invested in appropriate accounts for safeguarding? (LGA 2003 and guidance issued by the Secretary of State).**	Yes
AU	**Does the Council have, documented and approved, appropriate recovery actions for unpaid debts/ writing off, of irrecoverable debts process/ debt monitoring arrangements in place?**	No

Observations	*Satisfactory – no issues identified*

10. Audit Notices and Annual Return

	Control Objective	Comment
AV	**When Were these advertised to the public?**	Notice of Public Rights posted on Notice of Conclusion of Audit posted on Both were published on the Parish Council Website in accordance with statutory regulations.

Observations	*Satisfactory – No issues identified*

11. Transparency

	Control Objective	Comment
AW	**Publication Method of Agendas/ Minutes**	Website
AX	**Publication of Annual Governance Statement**	Website
AY	**Public Meeting date**	10th May 2023.
AZ	**List of Council Members and their responsibilities**	Website
ABA	**Councillors Code of Conduct/ Complaints**	Website
ABB	**Financial Regulations/ Standing Orders**	Website

Observations	*Satisfactory – No issues Identified*

12. Recommendations:

Recommendations	*None*