

FOWNHOPE PARISH COUNCIL

Internal Audit Report for the Annual Governance and Accountability Return Financial Year Ending 31 March 2021

Scope of Audit

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

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 2020/2021.

I have taken into account the restrictions imposed by the Government to limit the spread of COVID19 during this financial year. This has had an impact on the way the Parish Council conducts meetings and approves documents. During this period, meetings have been held on-line.

Fownhope Parish Council is referred to as FPC in this document.

Documents

I have examined the following documents which provided evidence for my findings and conclusions:-

- Excel Worksheet FPC accounts for YE 31.3.21 HT.xlsx (sent to me by email on 18 May 2021) which includes the following relevant sheets
 - Accounts
 - Cash Book recn
 - Payments
 - Receipts
 - Reserved Funds dated (31/3/2020)
 - Fixed Assets Register (dated 31/3/21)
- Bank statements for the Current Account and Business Reserve Account held at the NatWest Bank by Fownhope Parish Council (20 April 2020 to 20 April 2021)
- Bank statements for the Current Account (Treasurer's Account) held at the Lloyds Bank by Fownhope Parish Council (1 April 2020 to 31 March 2021)
- Cheque books and paying-in books for the Lloyds Bank Current Account (Treasurer's Account)
- Minutes of Parish Council meetings (informal meeting in April then monthly except August and January) with agendas issued prior to each meeting listing invoices for approval
- Finance Statements presented to each Parish Council meeting
- Finance Working Group (FWG) Meeting Notes (8 April, 23 June, 23 September and 21 January).
- Bank Reconciliations
- Invoices
- Payments received documents

- Notice of the Period for the Exercise of Public Rights announced 1 July 2020 with evidence of notice removed from display on 27 August.
- Printed email correspondence between FPC Clerk and Councillors approving payment of invoices listed on the agendas; confirming payments made are true and correct; confirming bank statements have been checked against payments made and are correct; verifying bank reconciliation sheet and selected invoices have been checked and are correct.
- Internal Audit Report for AGAR 2019/20 for FPC
- Email dated 4 June 2021 from Parish Clerk responding to my audit questions.

Documents from the Fownhope Parish Council Website

- Fownhope Parish Council Financial Regulations (adopted 2 October 2019, approved by Fownhope Parish Council on 6 May 2020 and again 5 May 2021).
- Fownhope Parish Council Financial Regulations Appendix 1.0 Investment Strategy (Revised Jan 2018, Approved 7/2/18, 5/6/19, 6/5/20, 5/5/21).
- Fownhope Parish Council Reserves Policy including Current Levels of Reserves (31/3/2021) Adopted 5 May 2021
- Investment Report dated April 2021
- 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, reviewed 8/5/19 and 6/5/20)
- Excel spreadsheet Risk Register May 2020.xlsx (each sheet dated 5/10/2020)
- Excel spreadsheet Investment Register 2020.xlsx including IAG (Investment Advisory Group) Report (May 2019); composition of IAG (approved 5/6/19); current investments with Hargreaves Lansdown (approved 5/6/19); Investment Strategy (Approved 5/6/19); Reserved funds with NatWest (dated 31/3/2020)
- Documents confirming employers' liability insurance and public/products liability insurance
- The Annual Governance and Accountability Return document 2019/20 including Internal Audit, Section 1 (Governance Statement) and Section 2 (Accounting Statements)
- The External Auditor Report and Certificate 2019/20 (Interim Report)

Review of Recommendations from Previous Audits

Several recommendations for improvement were made in the Audit Report for the half year 2020/21 (dated 11 January 2021) relating to reviewing and updating policies, procedures and other documents. In view of the limited time since the recommendations were made and in view of the restrictions imposed on the Council by COVID guidance and legislation, I have not reviewed progress against these recommendations for improvement. However, I have identified that some progress has been made in documenting banking arrangements and authorisation of payments (Finance Working Group January 2021).

Findings

The internal control objectives in the following table are those set out in the Annual Governance and Accountability Return 2020/2021 – Annual Internal Audit.

	Internal Control Objectives	Findings
A	Appropriate accounting records have been kept throughout the financial year	<ol style="list-style-type: none"> 1. The Excel Worksheet has appropriate accounting records and the records cover the full financial year. The accuracy of the Accounts sheet and the Receipts and Payments sheets were checked with reference to bank statements, paying in slips and invoices. I found no errors and conclude that the records are accurate. 2. Finance reports were presented to meetings of the FPC throughout the year. I conclude that records have been kept up to date 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. <p>I conclude that this Internal Control Objective has been achieved.</p>
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 Financial Regulations of the FPC were adopted 2 October 2019, approved by Fownhope Parish Council on 6 May 2020 and again 5 May 2021. A document detailing financial procedures is being prepared in response to a recommendation in the interim half year audit 2020/21 but banking arrangements were confirmed and documented by the Finance Working Group 21 January 2021. 2. Payments were supported by invoices. Other payments, for expenses to councillors and volunteers, were supported by receipts or invoices. 3. Lists of invoices to be paid were presented as part of the agenda for each FPC meeting. Payment of invoices was approved at the meetings. The meeting minute references for approvals are recorded in the Payments sheet of the spreadsheet. 4. Only one cheque has been issued and it was for a transfer of funds from a FPC account in one bank to a FPC account in another. Most payments are made with Faster Payments through on-line banking but there have been three Direct Debit payments for loan repayment and ICO fee. On-line banking requires two of four bank signatories (councillors) to approve the transfer through the on-line banking. 5. Bank statements, payments and bank reconciliations have been checked remotely by councillors. 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	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 Risk Management Policy and Risk Register were reviewed and updated during this financial year. 2. The Finance Working Group notes show that the investment portfolio for the reserved funds is monitored 3. The Finance Working Group notes show that internal controls were discussed and internal checks agreed. 4. The Finance Working Group notes show that the security protocols and passwords were reviewed. <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. 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 for year 2021/2022 was discussed at the Finance Working Group meeting 23 September 2020. It was discussed at the Council meeting 7 October 2020 and approved at the 2 December 2020 meeting. 3. Draft budgets are included in the Worksheet for 2022-2023 and 2023-2024. 4. Progress against budget was reported at FPC meetings 3 February 2021. 5. Finance reports are presented to each Council meetings. 6. The formulae in the spreadsheet updates the Accounts sheet with additions made to the Payments sheet and Receipt sheet. 7. Allocation of Reserve Funds was discussed at Finance Working Group meeting 21 January 2021. <p>I conclude that this Internal Control Objective has been achieved.</p>
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 sheet Accounts of the Excel Worksheet shows that excess income was received over the budgeted income. 2. VAT was recovered during the year and received in July 2020. 3. Receipts are Faster Payments, BACS, Bank Giro Credit and one relatively small cheque deposit. I conclude that income was promptly banked. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Findings
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. 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>
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 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 approved for payment and approved for on-line bank transfer. <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. The fixed asset register has been updated and is dated 31.3.21. 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. 3. An investment Advisory Group report was submitted to the FPC meeting on 7 October 2020 4. The Finance Working Group notes show that the condition of assets was investigated. <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Findings
I	Periodic and year end bank account reconciliations were properly carried out.	<ol style="list-style-type: none"> 1. Sheet Cash Book recn in the Excel Worksheet is the bank account reconciliation. The arrangement of the formulae in the spreadsheet updates the Cash Book recn sheet with additions to Payments and Receipts sheets. This identifies differences and allows regular reconciliations to be made. 2. Bank statements, payments and bank reconciliations have been checked remotely by councillors. 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>
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. Accounting statements were prepared on the correct accounting basis (receipts and payments) on the Excel Worksheet. Formulae and links in the Worksheet show agreement with the cash book. 2. The accuracy of receipts and payments values in the Excel Worksheet was checked and debtors and creditors were properly recorded. 3. Finance Statements presented to the FPC include updates on bank balances and receipts and payments. <p>I conclude that this Internal Control Objective has been achieved.</p>
K	If the Fownhope Parish Council certified itself as exempt from a limited assurance review in 2020/2021, it met the exemption criteria and correctly declared itself exempt.	The Council did not certify itself as exempt from a limited assurance review in 2020/2021. This item was not covered in the Internal Audit.
L	If Fownhope Parish Council has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency Code for smaller authorities.	<p>The annual turnover exceeds £25,000.</p> <p>FPC publishes information on its website and that information is up to date. The information includes expenditure (in agendas and minutes), governance statements (AGAR documents), internal audit reports, councillors' responsibilities (Meet the Council and Working Groups).</p> <p>I conclude that this Internal Control Objective has been achieved.</p>

	Internal Control Objectives	Findings
M	Fownhope Parish Council, during the previous year (2020/2021) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations and has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations	<p>The Notice of Public Rights and Publication of Unaudited AGAR for Year ending 31 March 2020 was published on 1 July 2020. The notice was displayed in the FPC noticeboard (West End Stores) until 27 August and on the FPC website.</p> <p>The records were made available for inspection by any person interested from 6 July to 14 August 2020 on reasonable notice.</p> <p>I conclude that this Internal Control Objective has been achieved.</p>
N	Fownhope Parish Council has complied with the publication requirements for 2019/2020 AGAR	<p>FPC complied with the publication requirements as set out in Page 1 of the AGR</p> <p>On 1 July 2021, FPC published:</p> <p>Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;</p> <p>Section 1 - Annual Governance Statement 2020/21, approved and signed, page 4</p> <p>Section 2 - Accounting Statements 2020/21, approved and signed, page 5</p> <p>I conclude that this Internal Control Objective has been achieved.</p>
O	Trust funds (including charitable) – the Fownhope Parish Council met its responsibilities as trustee	<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>

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 the internal control objectives set out in the Annual Governance and Accountability Return 2020/2021 – Annual Internal Audit and detailed in the above table have been met.

Recommendations

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

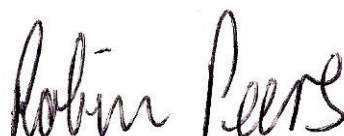
Next Audit

I suggest that the next audit (half year 2021/2022) looks at the progress made against the recommendations from the half year audit for year ending 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



4 June 2021