



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS GRADE RUAN PARISH COUNCIL  
YEAR ENDED 31ST MARCH 2021.

ISSUE DATE: 28/04/2021  
ISSUED TO: PARISH CLERK

## **INTRODUCTION:**

Internal auditing is an independent, objective assurance activity designed to 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.

### **Scope:**

The scope of the audit covers, as a minimum, the areas included in the Internal Audit Report contained in the Annual Governance & Accountability Return and the Transparency Code.

### **Approach:**

Audit work is carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards and guidance issued by the National Association of Local Councils.

Where applicable we have included reference to 'proper practice' and the associated guidance as laid out in 'Governance & Accountability for Smaller Authorities in England' which is applicable to financial years from 1st April 2020.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Due to the pandemic much of the work was carried out remotely with information provided electronically or hard copies collected and returned a few days later. Overall coverage has not been materially affected.

## **GENERAL COMMENTS:**

We would like to thank the Clerk for their assistance and co-operation during the audit.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

It should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes. The audit does not guarantee that the accounting records are free from fraud or error.

***The review undertaken obtained a level of assurance which has allowed us to complete the Internal Audit Report element of the Annual Governance & Accountability Return with no qualifications other than risk management arrangements were not reviewed during the year. In all other significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.***

We have provided a table of audit recommendations that allow for the Council's response which can be used as an ongoing monitoring tool. We would be grateful if, in due course, it is completed and returned to us.

Also attached, as Appendix 1 is a copy of the completed Internal Audit Report required as part of the Annual Governance & Accountability Return.

## AUDIT COMMENTARY:

Items in **bold text** within the body of the report represent our findings in respect of the application of controls, text in *italics* represent suggested actions that fall short of being a formal recommendation or do not necessarily pertain to the application of internal controls.

**A. Appropriate accounting records have been properly kept throughout the financial year.**  
Records Are maintained on bespoke software and were up to date and free from material error.

**B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.**

*Financial Regulations*

**Financial Regulations were reviewed in November 2020.**

*Purchasing*

**Quotes were obtained for a number of services during the year; including energy costs and play site maintenance and inspection.**

*Payment*

**Payments made over a three-month period were tested; all were supported by invoices, had been included on payment schedules approved by Members and VAT had been accurately recorded.**

**Grants paid to local organisations were in line with Member approvals.**

**C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

*Insurance*

**Statutory insurances are in place and the Fidelity Guarantee is adequate at £250K**

*Risk Assessment & Internal Controls*

**No review of the Councils Risk Management arrangements has taken place during the year.**

**D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

*Budget setting*

**The 2021/22 budget was set following the production of detailed estimates and was properly approved by Full Council in December 2020.**

*Budget monitoring*

**Regular monitoring reports are provided to members.**

*Adequacy of Reserves*

**Excluding earmarked reserves of £10,400; the general reserve stands at £30,824. This is higher than generally accepted parameters and the Council's own reserve policy.**

*Reserve levels have increased by over 80% in the last two years which would suggest a review of the day-to-day costs of the Council viz a viz the precept set should be undertaken; giving due regard to any one-off projects that may be under consideration.*

- E. Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.**

*Rental Income*

The rent review on the Surgery was undertaken in a timely manner and was accurately calculated.

*Loans*

We note that a borrowing approval is being sought to purchase a property, upon receipt care should be taken to ensure the correct accounting treatment is applied.

*Precept*

The precept received was checked to the records of the Council and the principal authority.

*VAT claims*

A VAT claim to the end of January 2021 has been submitted and paid by HMRC.

- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.**

**NOT OPERATED**

- G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.**

Three months of salary payments was tested and there are no issues to report.

- H. Asset and investments registers were complete and accurate and properly maintained.**

The asset register has been updated to reflect loan repayments and has been accurately disclosed in the AGAR.

- I. Periodic and year-end bank account reconciliations were properly carried out.**

Bank reconciliations are carried out 'automatically' within the accounting system and are regularly reported to Members. There are no 'balancing' entries or old un-presented payments.

The year-end bank reconciliation was tested for accuracy and found to be in order.

- 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 appropriate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.**

The accounting statements were prepared on a receipts and payments basis and were in accord with underlying records.

- K. IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt.**

**NOT APPLICABLE.**

- L. If the authority 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.**

**NOT APPLICABLE.**

- M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations**

The correct number of days was allowed, and the requisite Notice published.

**N. The authority has complied with the publication requirements for 2019/20 AGAR.  
The publication requirements were met.**

**O. Trust funds (including charitable). The council met its responsibilities as trustee.  
NOT APPLICABLE.**

INTERNAL AUDIT RESPONSE RECORD – GRADE RUAN PARISH COUNCIL

<b>No.</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>Timescale/ Responsibility</b>	<b>Audit Follow Up</b>
3	The asset register should be expanded to include some of the key information suggested in paragraph 5.57 of the 'proper practice' guidance.			<b>Not implemented</b>

# Annual Internal Audit Report 2020/21

## GRADE RUAN PARISH COUNCIL

grpc.org.uk/your-council/public disclosure

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		✓	
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
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.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")</i>			✓
L. If the authority 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.			✓
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .	✓		
<b>O. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

NOT USED

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

25/04/2021

Name of person who carried out the internal audit

S P HUDSON C.P.F.A.

Signature of person who carried out the internal audit

S. P. Hudson

Date

28/04/2021

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).