

ALDENHAM PARISH COUNCIL

Council Document

To receive the internal auditor's interim report

AGENDA item 9

**Finance & General Purposes Committee Meeting
11th January 2021**

Background

A Council is required by regulation 5(1) of the Accounts & Audit Regulations 2015 to '*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit testing of controls will be sufficient for the proper completion of the annual internal audit report (page 5 of the annual return). This will then provide an adequate level of assistance for the council to complete assertions 2, 6 and 7 in its annual governance statement (section 1 of the annual return).

In June Aldenham Parish Council (APC) appointed Internal Auditing Solutions, a new company for the council as its internal auditors and their first report is attached (appendix a).

Recommendations

The PCM has completed the actions required as noted in the comments section of the report and members are asked to endorse these.

Members are asked to consider this report.

Peter Evans

Parish Council Manager

Aldenham Parish Council

Financial Year 2019-20

Approved X (91)

Interim Internal Audit Observations

Visit date: 19th October 2020

Box B This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

No.	Audit Conclusion	Observation	Recommendation	Priority	Comments
1	Electronic bank payments may be made on a sole authorisation basis	The Council currently operate on a single authoriser basis for online banking payments. The Council approves the List of Payments to be made, then the Finance Officer uploads the invoices on the banking system and the Clerk authorises the payments.	The authority should develop specific control procedures for any payments by bank transfer. This should include a requirement for dual authorisation of online bank payments.	High	See agenda item 12 recommend APC change to a Bank that meets this requirement
Box D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.				
No.	Audit Conclusion	Observation	Recommendation	Priority	Comments

1	The 22 June 2020 Full Council meeting minutes reference 134 is an error in relation to Accounting Statement 2019=20 Financial Year.	The Full Council 22 June 2020 meeting minutes reference 134 approval of the Accounting Statements, the minutes recorded the approval of 2018-19 accounts in error instead of 2019-20.	The Council must correct the minor error and sign the minutes confirming that the error has been corrected.	Medium	Completed
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2	The Council has not received the External Audit Report for 2019-20.	The Council have not received the External Audit Report.	The Council to publish the External Audit report once received along with the Notice of Conclusion of Audit. A copy of the External Audit report to be sent to Internal Audit.	Medium	Completed
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Box I Periodic and year-end bank account reconciliations were properly carried out.

Appendix (9)

No.	Audit Conclusion	Observation	Recommendation	Priority	Comments
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1	Bank reconciliation have not been subject to independent review.	The Council do not independently review, date and sign the bank reconciliations.	On a regular basis, at least quarterly, bank statements must be subject to formal review. The bank reconciliation statement should be signed and dated and the supporting bank statements initialled as evidence of this review.	High	This has been commented on before and system set up for Clr M Cherry to carry this out.
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		The Clerk checks, dates and signs the bank reconciliations.	On a regular basis reconciliations should be reviewed by Council and signed and dated as evidence of this review.		
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Box 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.

1		During the prior year the Council recorded income due to a Trust as Council income, instead of a liability	It was noted that an amount of £39,776 was received in the prior year in respect of a Trust of which the Council is sole managing Trustee. This was recorded as Council income and an Earmarked Reserve created for this amount. This amount was not income of the Council (it was income of the Trust) and should have been accounted for as a Liability. Consequently the Councils Box 3 and Box 7 numbers for 2019-20 were overstated by this amount.	Council to restate Box 3 and Box 7 numbers for 2019-20 when completing the 2020-21 Accounting Statement	Medium	Asst Manager has been working with APC accounting software company to complete this and these corrections will be reported to external auditors when 2020/21 Annual Return is completed.
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No.	Audit Conclusion	Observation	Recommendation	Priority	Comments
1	The Council has not filed the required returns with the Charities Commission.	<p>The Council is a sole Trustee of the War Memorial Trust and King George's Playing Field Trust. The Council submitted the annual returns to the Charity Commission. The Council did not include the Income generated for King George's Playing Field Trust which had, instead been recorded as income of the Council. Please refer to section J.</p> <p>It is understood that the Council is also a Trustee of The Gravel Allotments Trust. Review of the Charity Commission confirmed that the Council is currently not listed as a Trustee of the Trust.</p>	<p>Council ensure that it registers with the Charities Commission as Trustee of the Gravel Allotments.</p> <p>Council to note that income of the King Georges Field did not include the income which was included as Council (see Section J above)</p>	High	Corrections have been made