

Etaerio Ltd

Annual Internal Audit Report

for

Nash Mills Parish Council

**for the financial year ended
31 March 2019**

Auditor: Philip Rhoden
Internal Audit Date: 09/05/2019 & 16/05/2019 & 03/06/2019
Report Date: 7 June 2019
Financial Year: 2018/19

Etaerio Ltd

Schedule of Recommendations

Client: Nash Mills Parish Council

Y/E: 31 March 2019

	Control	Recommendation(s)
1	Proper bookkeeping.	Noting: the year-end position covering transactions for the year has been established; the challenges in the year due to the period without a clerk; the move to a new spreadsheet system for the cash book; and the planned to move to Quickbooks - I recommend that the bookkeeping system (cash book) going forward is developed with reference to the guidance in 'Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide' including recording the internal reference number for each cash book entry to match it to its supporting invoice etc., on which the reference number is also written.
2	Standing Orders and Financial Regulations adopted and applied; and payments controls.	Noting the transitional cash book system used for the year, whilst the majority of VAT identified on items tested could be traced through to VAT return summaries, it appears that a small number invoices with VAT (largest VAT amount £99) may not have been included on VAT returns covering 2018/19. I recommend that this is looked into. I also recommend the cash book system used for 2019/20 facilitates reconciliation of cash book transactions to quarterly VAT returns. The use of internal reference numbers to identify each invoice/receipt (as also included in another recommendation) would be helpful in this regard. It appears that £3.60 VAT may have been reclaimed rather than £3 for the January payroll services invoice. I recommend that this is investigated and if appropriate corrected on a future VAT return. I recommend that when paid, 'paid' together with the date is noted on the file copy of each invoice.
3	Risk management arrangements.	Noting: the last review of the council's system of internal control (minuted February 2018), its subsequent consideration (May 2018 minutes); the review of the council's financial and management risk assessment (minuted February 2019); the review of the effectiveness of internal audit (minuted April 2019); and the clerk's report on the council's financial position and procedures (minuted February 2019 Finance Committee); and that the review is on the full council agenda for June 2019, I recommend that an annual review of the effectiveness of the council's system of internal control as a whole be undertaken and formally minuted each financial year. It appears that the minutes do not appear to record consideration of the external audit report for 2018/19 - I recommend that this is undertaken by full council and minuted.
4	Budgetary controls.	None.
5	Income controls.	None.
6	Petty cash procedures.	None.
7	Payroll controls.	None.
8	Assets controls.	I recommend that as the number of assets on the asset register has increased over time, for ease of reference going forward, the asset register format would benefit from being updated with reference to 'Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide'. The internal audit did identify a small number of adjustments to the asset register, which have been amended - I recommend that as appropriate, additions to the asset register are included if and as appropriate at their cost net of reclaimable VAT consistent with the timing of their inclusion in the cash book.
9	Bank reconciliation.	None.
10	Year-end procedures.	None.
11	Basic IT controls.	None.
12	Responsibility as a trustee.	None.

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Nash Mills Parish Council

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2019.

The internal audit for 2018/19 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	Agreed? Please choose one of the following		
	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 and year-end bank account reconciliations were properly carried out.	✓		
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 2017/18, it met the exemption criteria and correctly declared itself exempt. (<i>"Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR</i>)			✓
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

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

08/05/2019 16/05/2019 03/06/2019

Name of person who carried out the internal audit

ENTER NAME OF INTERNAL AUDITOR
Etaerio Ltd (Philip Rhoden)

Signature of person who carried out the internal audit

P.K. Rhoden

Date 07/06/2019

*If the response is 'no' you must include a note to 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).