

# *SILVERTON PARISH COUNCIL*

Internal Audit Report for the year  
ended 31 March 2020

*James Dishman FCA*

## **Basis of Report**

The internal audit has been conducted in accordance with the Joint Panel on Accountability and Governance Practitioners' Guide (March 2020) specifically as a reference work for completion of the Annual Governance Statement. Where relevant, reference has also been made to The Accounts and Audit Regulations 2015.

The scope of the internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in these processes.

## **Internal Audit**

Internal auditing is an independent, objective assurance 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.

It is a requirement of the Council to undertake an effective annual internal audit to evaluate the effectiveness of its risk management, control and governance processes taking account internal auditing guidance for smaller authorities.

## **Internal Control**

Responsibility for internal control –

The Council must ensure that it has a sound system of internal control which –

- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) Ensures that the financial and operational management of the Council is effective; and
- (c) Includes effective arrangements for management of risk.

As recommended in my report last year, I am pleased to report that the Council's Statement on Internal Control was approved by Council. I have recommend slight changes to the 2020 text which includes reference to up-to-date best practice and I would recommend the updated 2020 statement is put before Council.

## **Format of Report**

For ease of reference, the sections of the report are set out below:

### **Policies and procedures documentation review**

#### **Other Sections**

- Accounting records and financial control systems
- Payment controls
- Risk management
- Budgetary controls
- Income controls
- Petty cash
- Payroll controls
- Asset controls
- Bank reconciliations
- Year-end procedures

### **Policies and procedures documentation review**

Governance	Last Review	Next Review
Standing Orders	September 2019	September 2020
Financial Regulations	October 2019	October 2020
Risk assessment	April 2019	June 2020
Statement of internal control	September 2019	October 2020
Reserves policy	February 2020	February 2021

It would appear that the Council's Standing Orders may not be in their final form. Clause 12, text is in red text and partially struck through. Clause 14, 'Code of complaint dealt with by District Council' which appears to be in conflict with the Council's complaints policy. Clause 20, Data Protection Act 1998 should read Data Protection Act 2018.

Financial Regulations review has identified the following points:

A date of approval should be entered at the end of the first line of page 2;

Where is clause 15.2? If there is no clause 15.2, I would suggest the clauses are numbered to run consecutively.

I would suggest the final paragraph is unnecessary.

My comments on Statement on Internal Control have already been made under the section Internal Control on page 1.

I am pleased to report that a Financial Reserves policy has been fully implemented as per my recommendation from last year. I would recommend that the version filed in the permanent black clip folder is uploaded to the website because it is complete with reference to 'Adopted on' and 'Minute reference'. Also, I suggest the number '2' in the document above Clause 2.2 is deleted.

The meeting Minutes reviewed were of a good standard, clear and easy to read, and all decisions had been recorded appropriately.

I would mention that the Data Protection policy is incorrect in that the Data Protection Act 1998 should read the Data Protection Act 2018.

The General Data Protection Privacy policy review has identified the following points:  
Adopted 3<sup>rd</sup> September 2018d, 'd' should be removed;  
General Data Protection Act 1998 should read Data Protection Act 2018 and;  
General Protection Regulations 2018 should read General Data Protection Regulations.

Finally, I would recommend the complete Annual Governance and Accountability Return for 2018/19 is uploaded under Annual Audit section in the same way as 2017/18 and going forward thereafter.

### **Accounting records and financial control systems**

The Responsible Financial Officer has the responsibility to determine on behalf of the Council -

- (a) the form of its accounting records and supporting records; and
- (b) its financial systems.

The accounting records must, in particular, contain –

- (a) entries from day to day of all sums of money received and expended by the Council and the matters to which its receipts and payments relate; and
- (b) a record of the assets and liabilities of the Council.

The financial control systems must include –

- (a) measures –
  - (i) to ensure that the financial transactions of the Council are recorded as soon as, and as accurately as, reasonably practicable;
  - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
  - (iii) to ensure that risk is appropriately managed;
- (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

I am satisfied with the accounting records and financial control systems in place.

**Payment controls**

Payment controls are in place including segregation of duty from incurring and recording the liability.

I am satisfied with the payment controls in place.

**Risk management**

The Council's Risk Assessment for 2020 was not available at the time of my review. This is scheduled for review at the June 2020 meeting.

Last year, I commented on the below item:

On page 3 of the Risk Assessment 2019, in the section Financial Records, a member of the Council is described as the Council's internal Auditor whereas in fact he should be described as a Council member.

I would request that the above point is addressed at the June 2020 meeting.

**Budgetary controls**

A budget was prepared to set the annual Precept and details thereof/points covered at the Council's meeting on 20 January 2020 were recorded.

Also, in accordance with clause 17 of its Standing Orders the Responsible Financial Officer shall supply each quarter a statement to summarise:

1. The Council's receipts and payments for each quarter;
2. The Council's aggregate receipts and payments for the year to date;
3. The balances held at the end of the quarter being reported and which includes comparison with the budget for the financial year and highlights any actual or potential overspends.

Subject to the above, I am satisfied with the budgetary controls in place.

**Income controls**

I am pleased to report that my recommendation for effective debt collection has been followed this year.

I am satisfied with the income controls in place.

**Petty cash**

Petty cash is not held and so no checks are required.

**Payroll controls**

Payroll has been outsourced, therefore the risk of not keeping abreast of employment legislation and the possibility of payroll errors has been considered.

I am satisfied with payroll controls in place.

**Asset controls**

Last year the fixed asset register for the year ended 31 March 2019 was reviewed at the Council meeting on 1 April 2019. This year, the 31 March 2020 fixed asset register is scheduled to be reviewed at the June 2020 meeting; the delay is due to the Covid-19 restrictions.

The draft Annual Governance and Accountability Return 2019/20 shows fixed assets to be the same value as last year.

My work with regard to fixed assets last year confirmed that I was satisfied with the asset controls in place and I am of the same opinion this year.

**Bank reconciliations**

All bank accounts are regularly reconciled and periodically a member of the Council will formally certify his/her review.

I would recommend the bank reconciliation is signed and dated as evidence of independent review.

Subject to the above, I am satisfied with arrangements regarding bank reconciliations.

**Year-end procedures**

The Responsible Financial Officer is very familiar with the various deadlines and procedures that are necessary to fulfil the Council's duties in this regard.

I am satisfied with the year-end procedures in place.

**Other matters****VAT**

My review of supplier invoices to entries in the cash book revealed that VAT had not been claimed in all cases.

**Summary**

I am pleased to report that, within the areas checked as abovementioned, and my recommendations accordingly, it is my opinion that Silvertown Parish Council has effective systems of internal control in place, which as a result, supports the lowering of risk to the Council.

I would wish to thank the Clerk/Financial Responsible Officer for all her assistance during the course of the audit.

James Dishman FCA  
26 May 2020