Etaerio Ltd

Annual Internal Audit Report

for

Flamstead Parish Council

for the financial year ended
31 March 2022

Auditor:	*Philip Rhoden*
Internal Audit Date:	*Offsite & 16/06/2022*
Report Date:	*20/06/2022*
Financial Year:	*2021/22*

Etaerio Ltd

Schedule of Recommendations

Client: Flamstead Parish Council
Y/E: 31 March 2022

Recommendations generally reflect proper practices from the 'JPAG Practitioners' Guide' for smaller authorities & external auditor-issued guidance over the years.

	Control	Recommendation(s)
1	Proper bookkeeping.	None.
2	Standing Orders and Financial Regulations adopted and applied; and payments controls.	I recommend that the council confirms which is the applicable provision the Financial Regulations for purchases between £500 & £1,000 (comparing 11.1 (b) (ii) & (iii)). In the sample of payments examined as part of the internal audit (part of #4612230), a very small amount of VAT was calculated & reclaimed / showing as to be reclaimed on 'non-VAT' items on a till receipt. I recommend that this is amended, and that items like these are looked out for going forward. Noting that the financial regulations have been updated to include provisions relating to online bank payments, including a daily limit, I recommend that when financial regulations are next reviewed, the council considers whether any additional functionality is available from the bank's online system such as a separate payment authorisation step equivalent to members signing cheques, and if so whether and how these might be practically implemented. Where the financial regulations require a number of quotes for a purchase or contract, the minutes do generally record the number of quotes that have been obtained and the decision made. For two sample items, reference to the number of quotes was not included within the relevant item in the minutes. I recommend that going forward the relevant minute includes the number of quotes obtained and considered.
3	Risk management arrangements.	The internal audit identified that at the year-end, cash balances were in excess of the amount of fidelity guarantee insurance cover. I understand that accepting the risk above the insurance limit has been drafted into the current working version of the risk register for when it is next reviewed.
4	Budgetary controls.	None.
5	Income controls.	None.
6	Petty cash procedures.	Not applicable.
7	Payroll controls.	None.
8	Assets controls.	I recommend that it is good practice for the method of asset valuation adopted (policy) for the valuation included in the AGAR to be formally recorded in the asset register with reference to its last approval by the council, in particular to formalise the policy in relation to additional expenditure on the Pavilion where this represents additions rather than repairs & maintenance. Good practice is included the Practitioners' Guide. Noting that this has been addressed for the final asset register total included in the AGAR, I recommend that as per the Practitioners' Guide, the originally recorded asset values generally do not change until disposal: "For authorities covered by this guide, the most appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that the recorded value of the asset will not change from year to year, unless it is materially enhanced."
9	Bank reconciliation.	None.
10	Year-end procedures.	Based on the figures provided at the time of the internal audit, the level of general reserves (including the 'current year fund') as at 31-Mar-22 appears to be in excess of 12 months of precept. I recommend that the council satisfies itself that none of the general reserves potentially represent earmarked reserves, and that the level of general reserves is appropriate.
11	Exempt authority	Not applicable.
12	Public rights	I recommend that as best practice, going forward the Annual Internal Audit Report (page 3 of the AGAR) is included with the other parts of the AGAR published to accompany the notice of of public rights.
13	AGAR Publication Requirements.	Noting that Part 5, Regulation 16 of The Accounts & Audit Regulations 2015 state that the notice of conclusion of audit (including on the authority's website) must be published "as soon as reasonably practicable after conclusion of an audit", the instructions on page 1 of the AGAR indicate publication should be by 30-Sep. I recommend that going forward, the notice of conclusion of audit is published at the same time as the items that are required to be published by 30th Sep (under Part 4, Regulation 13 of The Accounts & Audit Regulations 2015).
14	Responsibility as a sole managing trustee.	Not applicable.
15	Basic IT controls.	I recommend that the council considers encrypting the data on its laptop and on its general backup media (e.g. using Windows Bitlocker), making suitable arrangements in relation to the password.

Annual Internal Audit Report 2021/22

FLAMSTEAD PARISH COUNCIL

New website address due to go live shortly: www.flamsteadparishcouncil.gov.uk

During the financial year ended 31 March 2022, 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 2021/22 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. This internal audit objective is not applicable			✔
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 2020/21, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")*			✔
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements. This internal audit objective is not applicable			✔
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations *(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).*	✔		
N. The authority has complied with the publication requirements for 2020/21 AGAR *(see AGAR Page 1 Guidance Notes).*	✔		

	Yes	No	Not applicable
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✔

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: 16/06/2022 DD/MM/YYYY DD/MM/YYYY

Name of person who carried out the internal audit: ETAERIO LTD

Signature of person who carried out the internal audit: P.K. Rhoden PHILIP RHODEN, DIRECTOR

Date: 20/06/2022

*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).