**Etaerio Ltd**

# Annual Internal Audit Report

**for**

**Flamstead Parish Council**

**for the financial year ended**
**31 March 2021**

| | |
|---|---|
| *Auditor:* | *Philip Rhoden* |
| *Internal Audit Date:* | *Remote* |
| *Report Date:* | *20/06/2021* |
| *Financial Year:* | *2020/21* |

**Etaerio Ltd**

## Schedule of Recommendations

**Client:** Flamstead Parish Council

**Y/E:** 31 March 2021

*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. | The Practitioners' Guide advises that Standing Orders & Financial Regulations should be regularly reviewed. Noting that the NALC model standing orders were revised in 2020, and that the council has started to make payments by means of online banking, I recommend that the council schedules a review.<br>In the sample of payments examined as part of the internal audit, VAT had been reclaimed in relation to an invoice from an overseas supplier, where no VAT was shown (part of #101644; see: https://www.gov.uk/hmrc-internal-manuals/vat-government-and-public-bodies/vatgpb4410). I recommend that this amount is not reclaimed, and that such purchases be treated appropriately going forward. |
| 3 | Risk management arrangements. | The council usually undertakes an annual risk assessment and an annual review of the effectiveness of its system of internal control (which includes a review of the effectiveness of the council's overall internal audit arrangements) each year. Due to the move to remote meetings I understand that this didn't happen during 2020/21, but that the council will revisit its 2019/20 risk assessment and review of effectiveness at its June 2021 meeting. I recommend that going forward<br>the council's normal practice resumes and that as part of this the internal audit review is separately minuted). |
| 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 new Pavilion where this represents completion of the project or additions rather than repairs & maintenance. Good practice is included the Practitioners' Guide. |
| 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-21 appears to be in excess of 12 months of precept. I recommend that the council satisfies itself that none of the general reserves represent earmarked reserves (in particular the earmarked reserve in respect of future loan repayments appears to be lower than the loan amount outstanding), 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. | None. |
| 14 | Responsibility as a sole managing trustee. | Not applicable. |
| 15 | Basic IT controls. | I recommend that the council checks that the data on its new laptop and on its backup media are encrypted making suitable arrangements in relation to the password.<br>I recommend that the council investigates obtaining a .GOV.UK domain name for its website and e-mail accounts as recommended in the Practitioners' Guide. |

# Annual Internal Audit Report 2020/21

FLAMSTEAD PARISH COUNCIL

FLAMSTEAD.ORG

**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. 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 2019/20, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")* | | | ✔ |
| **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. This internal audit objective is 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 *(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 2019/20 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: 03/06/2021 TO 20/06/2021

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: 20/06/2021

*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).