

Annual Internal Audit Report 2020/21

Potterne Parish Council

www.potterne.info/parish-council

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.			✓
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.			✓
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).	✓		
O. (For local councils only)	Yes	No	Not applicable
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).

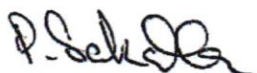
Date(s) internal audit undertaken

28/04/2020

Name of person who carried out the internal audit

Paula Sakalla AAT - IAC Audit & Consultancy Ltd

Signature of person who carried out the internal audit



Date

23/05/2021

*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).



The Clerk
Potterne Parish Council
1 Charter Close
Devizes
Wiltshire
SN10 2SJ

23/05/2021

Further to our Internal Audit of your Council for the financial year 2020/21 I am pleased to submit the signed Internal Report for your Annual Return. We have completed our work and I can confirm that we have not given a Negative response for any of the Internal Control Objectives.

You will note that we have given 'Not Covered' responses in respect of Control Objectives F, K, L and O and we are required to explain why we have done this.

- *The reason for the Not Covered response for Objective F is that we understand that your Council does not maintain a Petty Cash.*
- *The reason for the "Not Covered" response for Objective K is that it is not applicable to your Council as the Council did not certify itself exempt from limited assurance review in 2019/20.*
- *The reason for the Not Covered response for Objective L is that it is not applicable to your Council as your 'annual turnover' exceeds £25,000.*
- *The reason for the Not Covered response for Objective O as it is our understanding that the Council does not act as Trustee.*

I have also emailed you an Internal Audit summary of our audit testing which you may find useful. This sets out the number of tests that we have carried out and the number of positive and negative responses. Care should be taken when using this Summary as these tests are not given a weighting to reflect their relative importance and the Summary must therefore be considered in conjunction with our Internal Audit Observations.

I have made some Observations in respect of the year end audit which I would be grateful if you could draw to the Council's attention in due course. If the Council should have any queries regarding any points raised please do not hesitate to contact me.

I would like to express our thanks for the assistance you provided to us during the course of the audit.

Yours sincerely,

Kevin Rose ACMA
Director

Potterne Parish Council

Internal Audit Observations

Financial Year 2020-21

Year End

Visit date:

11 May 2021

Box B	This smaller authority met its financial regulations, payments were supported					
No.	Audit	Observation	Recommendation	Priority	Comments	
1	The Clerk is not CiLCA qualified	<i>It is understood that the new Clerk is not CiLCA qualified.</i>	The Council should consider whether the Clerk should be CiLCA qualified.	Medium	I have been in post for just 10 months. I have yet to consider whether I will look to becoming CiLCA qualified.	
2	Invoices have not been approved in accordance with the Councils Financial Regulations	<i>It was noted that the invoices are not verified in accordance with Part 5.3 of the Council Financial Regulations.</i>	The Council must ensure that invoices are approved as required by the Councils Financial Regulations.	Medium	Could you please provide further advice. Copied into Column J are the guidelines for processing invoices from the National Association of Local Councils and I am having difficulty understanding how my process differs. All invoices are authorised at Parish Council meetings, noted, approved, resolved and seconded. No payments are made outside of this process. Could you please let me know how the invoices should additionally be "verified".	All invoices claims and accounts shall be completely checked, such checks being indicated on the account by the initials of the finance officer who shall be the examining officer for this purpose. For accounting purposes the finance officer shall transfer/allocate all expenditure and monies in to the appropriate budget/expenditure headings. Before certifying the account, the certifying officer shall, save to the extent that the Finance and Scrutiny Committee may otherwise determine, have satisfied that: • The work, goods or services, to which the account relates have been received, carried out examined and approved. • The prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct. • The relevant expenditure has been properly incurred, and is within the relevant estimated provisions. • The account has not been previously passed for payment and is proper liability of NALC. Certification of an account shall imply that the above-mentioned checks have been applied to the

3	Powers under which grants have been made are not clearly stated	<i>The Council does not clearly specify Powers under which grants were awarded in the</i>	Council to ensure that, in future, the power under which grants are made are clearly stated.	Medium	Grant payments are made in the same way as the invoice payments, being noted, resolved and approved at the Parish Council meetings. Could you please explain what is meant by "specifying powers".	
Box G		Salaries to employees and allowances to members were paid in accordance				
1	Working from home allowance has not been paid under correct PAYE arrangements	<i>Working from home allowance does not appear to have been subjected to PAYE.</i>	The Council must ensure that any taxable expenses are subject to PAYE.	High	Advice required please. My main role is through self-employment and I am required to complete an annual self-assessment for which to pay my taxes. I employ a chartered accountant to do this on my behalf who has copies of my P60 from Potterne Parish Council. The advice I received was for my work for Potterne to be my "first" role and, therefore, not liable for PAYE. I presumed that the working from home allowance was included in the same vein and, again, my accountant has the figures which are included in my self-assessment. Can you help with advice or do I need to seek this from HMRC?	
Box I		Periodic and year-end bank account reconciliations were properly carried out				
1	Bank reconciliations are not signed and dated by a non bank signatory.	<i>The bank reconciliations are signed by a bank signatory.</i>	The Council Must ensure that a non bank signatory signs and dates the bank reconciliations confirming independent review was carried out.	Medium	I will change the process for signing bank reconciliations with immediate effect and arrange for a non-banking signatory to sign rather than, at present, the Chairman who has full bank authority. Please bear in mind that the bank reconciliations, in the form of Financial Summaries, are copied to ALL Councillors, on a monthly basis and they have the opportunity to comment as they see fit.	

Potterne Parish Council

Financial Year 2020-21



Visit date: 11 May 2021

Year End Internal Audit Observations

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	The Clerk is not CILCA qualified	<i>It is understood that the new Clerk is not CILCA qualified.</i>	The Council should consider whether the Clerk should be CILCA qualified.	Medium	
2	Invoices have not been approved in accordance with the Councils Financial Regulations	<i>It was noted that the invoices are not verified in accordance with Part 5.3 of the Council Financial Regulations.</i>	The Council must ensure that invoices are approved as required by the Councils Financial Regulations.	Medium	
3	Powers under which grants have been made are not clearly stated	<i>The Council does not clearly specify Powers under which grants were awarded in the Meeting Minutes.</i>	Council to ensure that, in future, the power under which grants are made are clearly stated.	Medium	

Box G Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.

No.	Audit Conclusion	Observation	Recommendation	Priority	Comments
1	Working from home allowance has not been paid under correct PAYE arrangements	<i>Working from home allowance does not appear to have been subjected to PAYE.</i>	The Council must ensure that any taxable expenses are subject to PAYE.	High	

Box I Periodic and year-end bank account reconciliations were properly carried out.

No.	Audit Conclusion	Observation	Recommendation	Priority	Comments
1	Bank reconciliations are not signed and dated by a non bank signatory.	<i>The bank reconciliations are signed by a bank signatory.</i>	The Council Must ensure that a non bank signatory signs and dates the bank reconciliations confirming independent review was carried out.	Medium	

Client	Potterne Parish Council	
Clerk:	Karon Van Den Bergh	
	Name	Date
Prior Year Audit Signed	Kevin Rose	28 April 2020
Pre Audit		
Year End Auditor 1	Alison Gale	2 March 2021
Year End Auditor 2	Paula Sakalla	11 May 2021
Reviewed by	Kevin Rose	23 May 2021

Complete
Yes
No
Yes
Yes
Yes

Internal Audit Summary

Financial Year 2020-21

Year End Audit



Negative Analysis

Annual Return – Compliance with Requirements		Not checked	Not applicable	Positive	Negative	Statutory Non-Compliance	High	Medium	Low
Box A	Appropriate accounting records have been kept properly throughout the year.	0	0	5	0	0	0	0	0
	Accounting system	0	0	2	0	0	0	0	0
	Record keeping	0	0	2	0	0	0	0	0
	Minutes	0	0	1	0	0	0	0	0
	Other		0	0	0	0	0	0	0
Box B	This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	2	7	28	3	0	1	2	0
	Financial Regulations & Standing Orders	0	0	11	0	0	0	0	0
	RFO	0	0	2	1	0	0	1	0
	Powers	2	0	1	0	0	0	0	0
	Payment Controls	0	4	8	0	0	0	0	0
	Expenditure Controls	0	0	0	1	0	1	0	0
	VAT Compliance	0	0	2	0	0	0	0	0
	Loan Payments	0	1	0	0	0	0	0	0
	Procurement Controls	0	2	2	0	0	0	0	0
	Grants	0	0	2	1	0	0	1	0
	Other		0	0	0	0	0	0	0
Box C	This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	0	0	8	0	0	0	0	0
	Risk	0	0	3	0	0	0	0	0
	Minutes	0	0	1	0	0	0	0	0
	Insurance	0	0	2	0	0	0	0	0
	Internal Controls	0	0	2	0	0	0	0	0
	Other		0	0	0	0	0	0	0

Annual Return – Compliance with Requirements		Not checked	Not applicable	Positive	Negative	Statutory Non-Compliance	High	Medium	Low
Box D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	0	5	17	0	0	0	0	0
	Budget & Precept setting	0	0	5	0	0	0	0	0
	Annual Return	0	1	4	0	0	0	0	0
	Auditors Reports	0	2	4	0	0	0	0	0
	Accounting Statements	0	1	1	0	0	0	0	0
	Budget monitoring	0	0	1	0	0	0	0	0
	Reserves	0	1	2	0	0	0	0	0
	Other		0	0	0	0	0	0	0
Box E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	0	12	9	1	0	0	1	0
	Investments	0	3	0	0	0	0	0	0
	Fees & Charges	0	0	2	0	0	0	0	0
	Leases	0	2	0	0	0	0	0	0
	Debt control	0	3	0	0	0	0	0	0
	Billing & Collection	0	0	2	1	0	0	1	0
	Precept	0	0	1	0	0	0	0	0
	Cash income	0	3	0	0	0	0	0	0
	VAT Compliance	0	1	4	0	0	0	0	0
	Other		0	0	0	0	0	0	0
Box F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	0	9	0	0	0	0	0	0
Box G	Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.	0	10	6	1	0	1	0	0
	Contracts	0	0	3	0	0	0	0	0
	PAYE	0	2	1	1	0	1	0	0
	Deductions	0	0	1	0	0	0	0	0
	Pension	0	1	0	0	0	0	0	0
	Members Allowances	0	6	0	0	0	0	0	0
	Accounting	0	1	1	0	0	0	0	0
	Other		0	0	0	0	0	0	0
Box H	Asset and investments registers were complete and accurate and properly maintained.	0	3	5	0	0	0	0	0
	Asset Register	0	0	2	0	0	0	0	0
	Additions & Disposals	0	1	1	0	0	0	0	0
	Verification	0	0	1	0	0	0	0	0
	Accounting	0	0	1	0	0	0	0	0
	Investments	0	2	0	0	0	0	0	0
	Other		0	0	0	0	0	0	0
Box I	Periodic and year-end bank account reconciliations were properly carried out.	0	2	5	1	0	1	0	0
	Preparation	0	0	1	0	0	0	0	0
	Review	0	0	3	1	0	1	0	0
	Cash balances	0	2	0	0	0	0	0	0
	Accounting	0	0	1	0	0	0	0	0
	Other		0	0	0	0	0	0	0

Annual Return – Compliance with Requirements		Not checked	Not applicable	Positive	Negative	Statutory Non-Compliance	High	Medium	Low
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.	0	6	2	0	0	0	0	0
	Accounting basis	0	0	1	0	0	0	0	0
	Prior year	0	1	0	0	0	0	0	0
	Current Year	0	3	0	0	0	0	0	0
	Non-current liabilities	0	1	0	0	0	0	0	0
	Accounting Statements	0	0	1	0	0	0	0	0
	Stocks	0	1	0	0	0	0	0	0
	Other		0	0	0	0	0	0	0
Box 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.	0	2	0	0	0	0	0	0
Box L	During summer 2020 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.	0	0	4	0	0	0	0	0
Box M	Trust funds (including charitable) – The council met its responsibilities as a trustee.	0	9	0	0	0	0	0	0
	Meetings	0	2	0	0	0	0	0	0
	Accounting	0	2	0	0	0	0	0	0
	Statutory Returns	0	1	0	0	0	0	0	0
	Other		4	0	0	0	0	0	0
Total		2	65	89	6	0	3	3	0