

# NEWPORT & CARISBROOKE PARISH COUNCIL

## INTERNAL AUDIT REPORT 2019-20

### 1. INTRODUCTION

All Local Councils in England are required to complete an Annual Governance and Accountability Return (AGAR) summarising their financial records at the end of the financial year. The Annual Report of the Internal Auditor section of the AGAR needs to be completed by an Auditor who shall be independent of the Council. The Councils External Auditor needs to place reliance on the work of the Internal Auditor and provides guidance on the minimum level of testing required to provide this assurance.

### 2. SCOPE OF AUDIT

The audit includes for examination on a test basis of evidence relevant to the amounts and disclosures as contained in the accounts. This examination has included the following-

- Matching of financial statements to invoices and receipts
- Examination of budget preparation & precept setting
- Inspection of bank statements
- Matching of cheques to payment records.
- Examination of Risk Assessment.
- Review of External Audit requirements.
- Compliance with Transparency Code.

### 3. FINDINGS

- (1) The payroll service is provided through Community Action IW (CAIW) who pay the Clerks salary and relevant deductions to Her Majesty's Revenues & Customs (HMRC). CAIW also make the statutory statement submissions to HMRC. CAIW provide monthly receipts to the Clerk to evidence that all statutory deductions made have been paid to HMRC. CAIW have confirmed to me that at the time of this audit all HMRC statutory returns for 2019-20 had been submitted.
- (2) The accounting records, bank statements and bank reconciliation for the year ended 31<sup>st</sup> March 2020 were examined and agreed.
- (3) Standing Orders and Financial Regulations were reviewed in the year.
- (4) Having regard to the level of temporary surplus cash reserves once the precept is received, the Council holds two investment accounts. It was necessary during the year to take a temporary loan of £300,000 from the Isle of Wight Council arising from not being able to draw on sums held in a fixed term investment account. The high turnover of senior staff is likely to have been a factor in managing these cash surpluses.
- (5) At its meeting on the 8<sup>th</sup> July it was agreed to take a ten year loan of £160,000 from the Public Works Loan Board (PWL) to finance capital expenditure on a public convenience. At the time of this audit, proposed the loan had yet to be

drawn down.

- (6) Gross expenditure exceeds £200,000 and therefore the accounts have been produced on an income and expenditure basis. The accruals made represent the differences between lines 7 & 8 on the Accounting Statement which forms Section 2 of the Annual Governance & Accountability Return. The reconciliation of the two lines is provided by the accounting software.
- (7) The Council had prepared an annual budget in support of its precept which was agreed at the Council meeting on the 13<sup>th</sup> January 2020. The budget for 2020-21 was set at £685,383 and it is recommended that the precept figure is also included in the minutes in future years.
- (8) The Internal Auditor needs to be satisfied that the Council considers the risks to not achieving its objectives. A Financial Risk Assessment was approved at the Council meeting held on the 9<sup>th</sup> September.
- (9) The Transparency Code requires the publication of certain information on a website. The Transparency Code requirements had been explained and displayed in a distinct section of the website and on examination of the information on the website I am satisfied that the Parish Council is complying with the requirements of the code.
- (10) The External Audit report for 2019-20 was presented to the Council at its meeting on 11th November 2019. The only matter arising was that it had been confirmed that a risk assessment had not been undertaken in the 2018-19 financial year.

The approval of the Annual Report of the Internal Auditor section of AGAR should take place prior to the approval of the Annual Governance Statement (Section 1) and the Accounting Statements (Section 2). No minute could be found approving the Internal Audit Section of the AGAR.

- (11) The 2019-20 year has seen a continued difficulty in the turnover of staff occupying senior positions in the organisation and this has understandably led to some oversight in the recording of some information requirements, such as the minuting of the Internal Audit Section of AGAR, and the precept. These matters of financial governance have had no impact on the financial position of the Council.

**Having regard to the above I am of the opinion that I have adequate assurance to complete and sign the Annual Internal Audit Report section of the Annual Governance & Accountability Return.**

**GARETH HUGHES BA (Hon) CPFA**

**20TH MAY 2020**