



FINAL

Internal audit report 2020/21

Visit 1 of 1

MILTON ABBAS PARISH COUNCIL

Date: 30th June 2021

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Introduction

This report contains a note of the audit recommendations made to Milton Abbas Parish Council following the carrying out of internal audit testing on the 4th June 2021.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as supplemented by the additional testing set out in the AIAR of the AGAR 2018/19 and 2020/21.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2020/21 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Many of the Council's current financial controls are operating effectively. However, following the completion of the testing to date I consider that there is one area of weakness which are sufficiently material to warrant a "no" answer in the Annual Internal Audit Report section on the Annual Return. The report is therefore satisfactory with the exception of the following items:

C: Risk assessment

The Accounts and Audit Regulations 2015 require that the Council must review the risk assessment each year, and that the findings of the review must be considered by members of the authority meeting as a whole.

The Clerk noted that the document was reviewed by Councillors by email in July 2020 (during the Coronavirus lockdown), but that it was not subsequently formally adopted or updated on the website. I have, therefore, assessed the test as a 'fail'.

N: Publication

In order to test compliance with the Council's requirement for the exercise of public rights, I checked to see that the authority complied with the publication requirements for the AGAR 2019/20. Before 01/09/20, the Council was required to publish ss1&2 of the 2019/20 AGAR (the Annual Governance Statement and accounts), along with the public rights notice and a note that the AGAR was unaudited. I confirmed by visual inspection that it published this information within deadline.

The 2020/21 AGAR introduced an additional element of the test, which required internal auditors to also check that the Council published the notice of conclusion of audit, and ss1-3 of the AGAR (including the external audit report) once the external audit was completed and before the deadline of 30/11/20. Neither Councils nor auditors were advised of this requirement until after the deadline, and the Council has no website audit trail such that

retrospective proof is not possible. The Council's website as at 04/06/21 contains a copy of the notice of conclusion of audit, and ss1-3 of the 2019/20 AGAR. The notice was dated 25/11/20. This indicates that the Council complied with the publication requirements for the notice of conclusion of audit.

I have, therefore, responded 'not covered' on this test.

Audit Recommendations

Recommendations made during the audit are shown on in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	1
Medium	2
Low	1
Information	1
TOTAL	5

I would like to thank Elizabeth Sellen, Parish Clerk, for her assistance during this audit.

Darkin Miller Chartered Accountants
2020/21 INTERNAL AUDIT OF MILTON ABBAS PARISH COUNCIL
FINAL REPORT: 30th JUNE 2021

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
3.1 – Review and adopt risk assessment as soon as possible	<p>I checked to see that the Council minutes record the Council carrying out an annual risk assessment. The minutes do not record the Council carrying out the risk assessment during the year.</p> <p>The Accounts and Audit Regulations 2015 require that the Council must review the risk assessment each year, and that the findings of the review must be considered by members of the authority meeting as a whole. The Clerk noted that the document was reviewed by Councillors by email in July 2020 (during the Coronavirus lockdown), but that it was not subsequently formally adopted or updated on the website.</p> <p>I recommend that the risk assessment is formally adopted by the Council as soon as possible.</p>	H	Confirm review of Risk Assessment on agenda for July 2021 and will be reviewed with other standing docs to be reported May 2022 and annually thereafter.		
5.1 – File regular VAT returns	<p>I checked to see that all income due to the Council is collected. The Council's main source of income is its precept and VAT return, and it has varying levels of income from grants and donations. I noted that there was no VAT refund in the year 20/21. The Clerk confirmed that the completion of the VAT return has now been included as part of the year-end procedure, and that a combined return for 18/19 to 20/21 will be completed, after which the VAT claim will be made annually. The VAT owed in relation to both years is £4,274.33 according to the cashbooks.</p>	M	Noted with apologies for delayed recovery. £4,274.33 received from HMRC in May 2021 and VAT recovery built into year-end procedures from now on.		

	I recommend that the return is completed as soon as possible in order and annually as planned thereafter to ensure that the Council receives all income due.				
10.1 – Consider earmarked reserve	<p>I checked to see that reserve funds are adequate and regularly reviewed. I found that the Council is holding unusually high levels of reserves as a result of inactivity during lockdown. The General Fund currently has 167% of expenditure cover, and 136% of precept cover (recommended levels are between 25% - 75%). The Clerk noted that the play park committee in particular will be more active this summer, and that the return to face-to-face meetings also indicates that this year's budget will be spent. The clerk also noted that there is a piece of work around a local footpath which is likely to incur expenditure outside of a normal budgeted year, and that it may be appropriate to earmark funds for this project. This additional reserve, estimated at between £10k-£15k, would reduce the level of general reserves down to under 100% of precept cover.</p> <p>I recommend that the Council considers whether an additional earmarked reserve is appropriate.</p>	L	Cllrs identified three specific purposes for reserved funds, to be reviewed as part of the budget process in November, but currently Footpaths, Bridleways and Easements £10k (for two specific issues) and Fixed Asset Replacement £5k		
10.2 – Adjusted errors	<p>The following errors were adjusted in the draft AGAR:</p> <ol style="list-style-type: none"> 1. Staff costs for the prior year were decreased, and other payments increased, by £130 following a change in classification of staff expenses in the Practitioner's Guide 2. Fixed assets for the current year were increased by £1 to recognise the BT phone box acquired during the year. 	Info	Annual Return annotated "Restated" where appropriate and Clerk apologised to Cllrs re Fixed Asset Register total		
14.1 – Screenshot AGAR publications to	I checked to see that the authority complied with the publication requirements for the AGAR 2019/20. Before 30/08/20, the Council was required to publish ss1&2 of the 2019/20 AGAR (the Annual Governance Statement and accounts), along with the	M	Clerk to photograph amendments to website and email to		

<p>evidence compliance</p>	<p>public rights notice and a note that the AGAR was unaudited. I confirmed by visual inspection that it published this information within deadline.</p> <p>The 2020/21 AGAR introduced an additional element of the test, which required internal auditors to also check that the Council published the notice of conclusion of audit, and ss1-3 of the AGAR (including the external audit report) once the external audit was completed and before the deadline of 30/11/20. Neither Councils nor auditors were advised of this requirement until after the deadline, and the Council has no website audit trail such that retrospective proof is not possible. The Council's website as at 04/06/21 contains a copy of the notice of conclusion of audit, and ss1-3 of the 2019/20 AGAR. The notice was dated 25/11/20. This indicates that the Council complied with the publication requirements for the notice of conclusion of audit.</p> <p>Note that the external auditor has confirmed that the ideal evidence is that of the website audit trail; but that screen shots of the relevant documents on the Council's website at least one day before the start and one day after the end of the publication period (in order to ensure that documents were available for the entirety of the period) would be acceptable.</p> <p>I recommend that in future the Council screenshots the publication and (where appropriate) removal of the public rights and notice of conclusion of audit publications in order to evidence compliance.</p>		<p>internal auditor as appropriate</p>		
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