

Annual Internal Audit Report 2020/21

Castle Donington Parish Council

www.cdpc.org.uk

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.			N/A
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.			N/A ⊕
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) 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: 02/02/2021, 10/05/2021
 Name of person who carried out the internal audit: R F WILLCOCKS
 Signature of person who carried out the internal audit: 
 Date: 24/05/2021

*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).



Summary Internal Audit Report

Council:	CASTLE DONINGTON PARISH COUNCIL		Year ending:	31 March 2021
Internal Auditor:	Richard Willcocks		Date of report:	24/05/2021
Audit review date(s)	Interim	02/02/2021	Final	10/05/2021

To the Chairman of the Council:

1. Introduction

In accordance with the terms of my engagement, I have undertaken a review of **Castle Donington Parish Council's** records, policies, and procedures for the financial year ending **31 March 2021**, following which I completed and signed the Annual Internal Audit Report (part 3 of the 2021 Annual Governance and Accountability Return).

2. Basis of Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended checklist, and Section 4 (Non Statutory Guidance for Internal Audit) of the 2020 Joint Panel on Accountability and Governance Practitioners' Guide.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

3. Aims & Objectives

Castle Donington Parish Council has a statutory duty to complete an Annual Governance and Accountability Return (the Annual Return) at the end of each financial year. As part of this Return, the Council's internal audit function is required to provide assurance that relevant procedures and controls were operating effectively for the financial year above. The purpose of this exercise is to meet those statutory requirements and provide the Council with an appropriate level of assurance in support of the Annual Return. *Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect fraud.*

The Council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

4. Scope of Audit

- A. Regulations and proper accounting for VAT
- B. Adequacy of risk management arrangements.
- C. Effective budgeting, budgetary control and an appropriate level of reserves.
- D. Identification of income due and timely collection and banking of such monies.
- E. Proper administration of petty cash.
- F. Proper administration of salaries of employees and expenses paid.
- G. Maintenance of an accurate and reliable asset register.
- H. The completion of regular bank reconciliations.
- I. The correct basis and accurate preparation of year-end accounts.
- J. Meeting the criteria for exemption from a limited assurance review (if applicable).
- K. The publication of information on a website in accordance with the Transparency Code for Smaller Authorities (if applicable).
- L. Correctly applying the exercise of public rights during the previous year period.

M. Whether the Council has met its responsibilities as a trustee.

5. Findings

The outcomes of the recommended testing required for assurance purposes is shown in the following documents provided under separate cover:

- Internal Audit Checklist.
- Internal Audit Checklist-Appendix 1: Key Policies, Procedures & Documents Review.
- Internal Audit Checklist-Appendix 2: Transaction Spot Check.
- Internal Audit Process (available on request)

6. Recommendations

Audit Year Raised	Internal Audit Report Checklist			Compliance Category *	Comments
	Section	Ref	Recommendation		
2021	2. Due Process	2.14	That the Council <u>considers</u> the following recommendation from the 2021 JPAG Practitioners' Guide i.e. that a parish council's website should utilise the exclusive GOV.UK domain name and that this domain name should also be used to support the Council's official email accounts, for both officers and councillors.	2 (OFI)	This recommendation was published for the first time in the 2021 JPAG Practitioners' Guide and is therefore applicable for the financial year commencing 01/04/2021). See pages 61 & 62 of the 2021 JPAG Practitioners' Guide.
2021	3.Risk Management	3.7	That when it is safe and permissible to do so, that hard copy minutes are initialled and signed off retrospectively by the applicable meeting Chair, to confirm that the minutes are an accurate record of the applicable meeting.	3 (MinNC)	The 1972 Local Government Act states that 'minutes must be signed and loose-leaf pages initialled at the meeting which they record or at the next meeting'. In this regard, the next meeting could be deemed to be the first meeting when face to face meetings resume in May 2021.
2020	7.Bank Reconciliations	7.4	Adam Fairbrother resigned from the Council in October 2019 and is to be replaced as an authorised signatory on the HSBC bank mandate by Karl Shatford. The bank should therefore be notified to remove the former from the mandate as an authorised signatory and add the latter to it.	2 (OFI)	Actioning this latest change of signatories will finally bring the bank mandate up to date. It should be actioned as soon as possible when Covid restrictions permit.

7. Other Comments/Observations

In my previous years' (2020) internal audit report, I made reference to the Coronavirus pandemic, which at that point had just begin to take hold, with an initial lockdown introduced. Whilst it was clear then that this pandemic would affect all local authorities in some way e.g. governance, administration and financial, I'm sure that not many of us anticipated that a year on that restrictions would still be in place. These restrictions have impacted in a number of areas of Castle Donington Parish Council's operations e.g. remote meetings, home working for staff and closure of premises. It is the latter of these where any financial downturn would be incurred by the Council through the loss of non-precepted income from reduced hiring of the Hub and sports fields. It is estimated that the net 'Covid loss' in the financial year to 31/03/21 was £20k. However it is pleasing

to note that the Council has taken action to reduce the adverse financial impact through receipt of support grants and stringent financial control.

Regarding this internal audit, there are three recommendations made in section 6 above. The first one relating to consideration of a GOV.UK domain name should be viewed as a point to consider, rather than as something that requires immediate corrective action. In respect of the other two recommendations made, I understand that these will be addressed as soon as Covid restrictions permit.

All of the above reflects positively on the continuing professionalism and attention to detail of the Clerk, supported by the Book-keeper and therefore the overall internal audit opinion is: **GOOD ***

** = see Compliance Categories and Definitions of Internal audit assurance below.*

8. Acknowledgments

The help and co-operation of Fiona Palmer, Clerk to the Council and Jane Hancox (Book-keeper) is again much appreciated by the internal auditor. In particular for agreeing to undertake the pre and post financial year end review meetings remotely i.e. video conferencing via Zoom.

Yours sincerely,



Richard Willcocks FCMA, MiP
Internal Auditor to the Council
E: rfw@redwoodpryor.co.uk
M: 07787 738181

COMPLIANCE CATEGORIES

1. Compliant:	Adherence with the requirements of the audit question. No major or minor non-conformances found.
2. Opportunity for Improvement (OFI):	<p>A situation or condition of internal control that may be weak, cumbersome, redundant, overly complex, or in some other manner, may, in the opinion of the internal auditor, offer an opportunity for the Council to improve its current status.</p> <p>OFI's do not necessitate any immediate remedial action on the part of the Council; however, the Council should give them serious consideration in view of the internal auditor's knowledge and exposure to similar controls and processes.</p> <p>An OFI may be an improvement to the internal control system or could prevent future problems.</p>
3. Minor Non-compliance (MinNC):	<p>A non-compliance that, based on the judgment and experience of the internal auditor, is not likely to result in the failure of the internal control system or reduce its ability to ensure effective control is maintained.</p> <p>It may be either:</p> <ol style="list-style-type: none"> 1. A failure in some part of the Council's internal control and assurance relative to a specified requirement. 2. A single observed lapse in following one item of testing of the Council's internal controls.
4. Major Non-compliance (MajNC):	<p>The absence or total breakdown of an internal control process necessary to meet a specified requirement.</p> <p>A number of minor non-compliances against one requirement can represent a total breakdown of an internal control process and thus be considered a major non-conformity.</p> <p>Any non-compliance that would result in the probable delivery of a non-conforming service or action by the Council. Conditions that may result in the failure of or materially reduce the usability of the Council's services for their intended purpose.</p> <p>A non-compliance that, in the judgment and experience of the internal auditor, is likely to either to result in the failure of an internal control process or to materially reduce its ability to assure effective internal control.</p>

INTERNAL AUDIT ASSURANCE DEFINITIONS

AUDIT OPINION	EXPLANATION
GOOD	<p>There is a sound system of internal control designed to achieve the Council's objectives.</p> <p>The internal control processes tested are being consistently applied.</p>
ADEQUATE	While there is a basically sound system of internal control, there are weaknesses, which may put some of the Council's objectives at risk.
LIMITED	<p>Weaknesses in the system of internal controls are such as to put the Council's objectives at risk.</p> <p>The level of non-compliance puts the Council's objectives at risk.</p>
UNSATISFACTORY	<p>Control processes are generally weak, leaving the processes/systems open to significant error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p>

Section 1 – Annual Governance Statement 2020/21

We acknowledge as the members of:

Castle Donington Parish Council

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2021, that:

	Agreed			'Yes' means that this authority:
	Yes	No*		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓			prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓			made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	✓			has only done what it has the legal power to do and has complied with Proper Practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓			during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓			considered and documented the financial and other risks it faces and dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓			arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓			responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓			disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A	has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.
			✓	

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

24/6/2021

and recorded as minute reference:

4637/21 REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman



Clerk



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Castle Donington Parish Council

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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) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

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

Name of person who carried out the internal audit

DD/MM/YYYY DD/MM/YYYY DD/MM/YYYY

ENTER NAME OF INTERNAL AUDITOR

Signature of person who carried out the internal audit

SIGNATURE REQUIRED

Date

DD/MM/YYYY

*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).

Section 2 – Accounting Statements 2020/21 for

Castle Donington Parish Council

	Year ending		Notes and guidance
	31 March 2020 £	31 March 2021 £	
			<i>Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.</i>
1. Balances brought forward	355,540	396,060	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	337,885	366,352	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	154,585	263,146	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	145,681	138,080	Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.
5. (-) Loan interest/capital repayments	35,052	35,052	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	271,217	266,130	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	396,060	586,296	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	391,751	572,873	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets	2,985,604	3,537,870	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.
10. Total borrowings	606,329	586,228	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.
		✓	N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2021 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

Kia M Palmer SIGNATURE REQUIRED

Date

24/6/2021

I confirm that these Accounting Statements were approved by this authority on this date:

24/6/2021 M/Y

as recorded in minute reference:

4637/21 (d) REFERENCE

Signed by Chairman of the meeting where the Accounting Statements were approved

S.A. SIGNATURE REQUIRED

Section 3 – External Auditor’s Report and Certificate 2020/21

In respect of

Castle Donington Parish Council

1 Respective responsibilities of the auditor and the authority

Our responsibility as auditors to complete a **limited assurance review** is set out by the National Audit Office (NAO). A limited assurance review is **not a full statutory audit**, it does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and hence it **does not** provide the same level of assurance that such an audit would. The UK Government has determined that a lower level of assurance than that provided by a full statutory audit is appropriate for those local public bodies with the lowest levels of spending.

Under a limited assurance review, the auditor is responsible for reviewing Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with NAO Auditor Guidance Note 02 (AGN 02) as issued by the NAO on behalf of the Comptroller and Auditor General. AGN 02 is available from the NAO website – <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/> .

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2021; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

2 External auditor’s limited assurance opinion 2020/21

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

3 External auditor certificate 2020/21

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2021.

*We do not certify completion because:

External Auditor Name

ENTER NAME OF EXTERNAL AUDITOR

External Auditor Signature

SIGNATURE REQUIRED

Date

DD/MM/YY