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## **INTERNAL AUDIT REPORT 2017/18 TWEMLow PARISH COUNCIL**

The internal audit of Twemlow Parish Council was undertaken using the following tests specified by the Audit Commission for the Annual Return for Local Councils in England and Wales:

- A) Appropriate accounting records have been kept throughout the year.
- B) The Council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- C) The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- D) The annual precept requirement, resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves 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 Council approvals, and PAYE and NI requirements were properly applied.
- H) Assets and investments registers were complete and accurate and properly maintained.
- I) Periodic and year-end bank account reconciliations were properly carried out.
- J) Accounting statements prepared during the year were prepared on the correct accounting basis (receipts & payments), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.

On the basis of the internal audit work carried out, which was limited to the tests listed above, in my view the Council's system of internal controls is in place which is adequate for purpose and is effective, subject to the following comments and recommendations:

1) I was not provided with the Fixed Asset Register. However, the increase in value does correspond with the purchase cost of the AED cabinet and no disposals were minuted. On this basis, I am satisfied that the register is correct. I have not been supplied with a copy of the insurance schedule and cannot comment on whether all assets are adequately covered.

2) Guidance on audit requirements can be found in *Governance and Accountability for Smaller Authorities in England* (March 2017). The Internal Audit Report (IAR) should be considered at a council meeting and this, and any decisions made as a result of the report, should be formally minuted (para 105). I could not find such a minute for last year's IAR. Consideration of future IARs should be minuted.

3) The IAR should be considered **before** the Council Annual Governance Statements are agreed. "The annual internal report will inform the authority's response to assertion 2 and 6 in the annual governance statement" (para 4.20). "Internal audit reports should therefore be made available to support and inform members considering the authority's approval of the annual governance statement" (para 5.104). The order of consideration should be:

a) Consideration of Internal Audit Report and decisions arising there from (if any)

b) Approval of Annual Governance Statement

c) Approval of Accounting Statements.

It is advisable to minute each item above separately to ensure that the order of consideration and approval cannot be disputed.

4) Whilst I am happy that the Council has reviewed its internal controls and risks by reviewing Financial Regulations, the Asset Register, etc., it is advisable (for the avoidance of doubt) to minute that the Council has *assessed its risks and reviewed its internal controls* (this is the actual annual requirement and is attested to in Assertion C of Internal Audit and Assertion 5 of the Annual Governance Statement). Paras 5.87 to 5.100 give guidance on Risk Assessment. The Risk Assessment and Internal Controls need only be proportionate to the Council's requirements but should be the working document that informs the Financial Regulations, insurance decisions, internal audit arrangements, etc. From May 2018 the risk assessment should include GDPR requirements, as there are substantial financial penalties for failure to comply.

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29<sup>th</sup> May, 2018.