

## Annual Internal Audit Report

(to be read in conjunction with the Annual Governance and Accountability Return)

Name of council:	Aynho Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	01.07.20
Year ending:	31 March 2020	Date audit carried out:	30.06.20

*Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. It is important to note that managing the council's internal controls is a day-to-day function of the council through its staff and councillors and it would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.*

***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.***

### To the Chairman of the Council:

Due to the Covid-19 pandemic and as a consequence of the legal distancing restrictions imposed by the UK government I carried out the audit remotely, by e-mail. I would thank Chris Wilson, Clerk for his co-operation and assistance in delivering the audit.

I firstly sought evidence that the previous year's Internal and External Audit reports had been properly reported to and actioned by the council; they had, in part however I would draw attention to a seeming ongoing discrepancy regarding the in the Accounting statements. The prior and current years' Box 9 figures reported by the council in the 2018/19 were highlighted in para 2 of the External Auditor's Report and Certificate (page 6 of the 2018/19 AGAR); the correct Box 9 figure was noted by me and confirmed by the External Auditor as £137,737. However, this year's Accounting statements Box 9 figures shows the prior year (ie 2018/19) figure to be £159,184 rather than £137,737, for which there is no apparent explanation.

Whilst some progress has been made in addressing the issues raised in respect of internal controls checks, I note that the council has introduced some financial checks in the form of scrutiny, by the Clerk of the RFO's reports. However, that does not meet the requirement of the Financial Regulations, see reg 2.2. The emphasis is on independent scrutiny and that must come from a councillor, not an officer. Whilst I appreciate the council has separated the Clerk and RFO roles, it is essential that it complies with this requirement. It is acceptable to continue with the Clerk's checks but there needs to be an additional step; the member(s) appointed as internal controls councillor to verify on a quarterly basis, say one month's figures and transactions by random sampling, the outcome of which is then reported by the member to the council and minuted. This requirement is not pedantry, it is there for everybody's protection ie Clerk, Councillors, RFO and the public whose money the council spends. It is essential that minuting, especially where the council is undertaking regulatory and other key and core tasks such as approving payments and other financial transactions is clear and informative. Both Internal and External Audit will expect and so will ***always*** look for a confirmatory minute because, as the legal record of the business transacted at a meeting, a minute is the best and only acceptable evidence of the council having complied with its obligations.

I then examined the Council's arrangements for the management and control of its business in the areas of bookkeeping, due process (ie compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures. This was achieved through examination of the publically available information displayed on the Council's website - policies, procedures, agendas, minutes, financial and other records - and where necessary I requested and was provided with supplementary evidence in the form of written answers to the questions raised together with scanned documents, including the Accounting statements, section 2 of the AGAR to enable me to reach a conclusion regarding the enquiries I am required to make and that are set out in the Annual Internal Audit Report (AIAR) that forms part of the Annual Governance and Accountability Return (AGAR).

I note with some concern that as a result of bank branch closures, the council resolved (minute 200) to handle its cash receipts by paying the cash into the personal bank account of either the Clerk, the RFO or a councillor, for immediate onward transmission to the council's bank account. I note that the resolution also covers cheques that will now be paid into the council's account via the Post Office. Notwithstanding the fact that the PO is unable or unwilling to accept cash receipts this procedure for handling cash is totally at variance with proper financial management and fraught with danger, so unacceptable. To that end, I do not believe the council is able to answer 'yes' to assertion 5 in the Governance statements to confirm that it had properly assessed the risks of this procedure. A system for dealing with cash, that does not involve depositing it into a 3rd party bank account over which the council has no control must be put in place; I trust that this matter will now be addressed and remedied.

The council's desire to deliver good quality services to its community is evident and its intentions in that respect are not in doubt, so the identified errors and omissions are unfortunate. This report is based on the evidence made available to me and it would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. I have completed and signed off the Annual Internal Audit Report at page 3 of the AGAR as required.

John Marshall, CiLCA  
Internal Auditor to the Council  
07505 139832

The figures submitted in the Annual Return are:

	<b>Year ending 31 March 2019</b>	<b>Year ending 31 March 2020</b>
1. Balances brought forward	39,232	40,722
2. Annual precept	22,920	24,720
3. Total other receipts	9,285	34,161
4. Staff costs	5,692	6,630
5. Loan interest/capital repayments	0	0
6. Total other payments	25,023	74,155
7. Balances carried forward	40,722	18,818
8. Total cash and investments	40,722	18,818
9. Total fixed assets and long term assets	159,184 (NB reported last year as 137,737)	181,023
10. Total borrowings	0	10,400