

CHADDLEWORTH PARISH COUNCIL

INTERNAL AUDIT REPORT – JUNE 2020

Introduction

The Internal Audit was carried out in line with the new Accounts and Audit Regulations 2015, which came into force on 1st April 2015 but in accordance with the advice set out in the new Practitioner's Guide.

These Regulations are supported by the Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide to Proper Practices published by the Joint Practitioners Advisory Group on 29th March 2019. The Guide is to be applied in the preparation of statutory annual accounts and governance statements.

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

In response to the Coronavirus an amendment to the Accounts and Audit Regulations 2015, having been made on 6th April and laid before Parliament on 7th April was approved and came into force on 30th April 2020. These amendments extend the deadline for relevant authorities to publish their statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) in relation to the financial year beginning on 1st April 2019, to 30th November 2020.

A further amendment extends the deadline to commence the period for the exercise of public rights, so that the relevant period must commence on or before the first working day of September 2020. The draft accounts must therefore be approved by 31st August at the latest or earlier if possible. I am fully aware that arranging Parish Council meetings will create difficulties for both Clerks and Councillors alike but NALC, having worked with the Crown Commercial Service, have suggested that Councils should hold remote meetings using Zoom.

Please note that due to the ongoing situation with the Coronavirus Pandemic it may not be possible to complete all the actions recommended in the Audit Report and/or Audit Plan.

2019/2020 Internal Audit Procedure

As a result of the virus the procedure for completing the Internal Audit has had to be amended slightly in that the Audit has taken place in the confines of my home and I would like to express my very sincere thanks to the Parish Clerk for her help in ensuring that I have received the relevant documents in order that the Internal Audit can take place.

Joint Panel on Accountability and Governance (JPAG)

The JPAG met on 4th November 2019 to consider possible changes to the Practitioners Guide and financial issues raised by local councils and others. The Panel was joined by a representative of the Internal Auditors Forum and it was agreed to undertake a major review of the section of the guide covering internal audit next year but this may now be deferred until later in the year. Despite being an Internal Auditor I am sure this will be welcomed by the Smaller Councils Committee and County Officers Forum who had also raised this issue with NALC.

New Practitioners Guide 2019

You will recall that the 2018 Guide was superseded by the publication of a new guide in March 2019, which applies to the Annual Governance and Accountability Returns in respect of financial years commencing on or after the 1st April 2019.

The revised format is intentional and designed to allow Councils to follow more closely the layout and completion of the Annual Return. A smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

Reviewing Internal Audit

In addition and in accordance with Regulation 6 the Parish Council should from time to time carry out a review of the effectiveness of their overall internal audit arrangements. The review should take place at least once every three years but also in the year when a new Internal Auditor and/or the Responsible Financial Officer are appointed. Any review should balance the Council's internal audit needs and usage and should be designed to provide sufficient assurance for the Council that standards are being met and that the work of internal audit is effective. Parish Councils usually appoint a small Working Party to carry out the review and report back to full council.

The review should include, as a minimum, making an assessment of each of the following:

- the scope of internal audit;
- independence and competence of the Internal Auditor;
- relationships with the Clerk and the authority; and
- audit planning and reporting.

How the review should be conducted is explained in paragraphs 4.22 to 4.26 of the Guide but as with any review it should be evidence based.

Internal Audit

Internal audit is a key component of the system of internal control and is considered to be an ongoing function reporting to the Parish Council once a year. The purpose of internal audit is to review whether the systems of financial and other controls over a Parish Council's activities and operating procedures are effective. It is essential that the internal audit function is sufficiently independent of the other financial controls and procedures of the Council which are the subject of review.

Regulation 5(2) requires:

- (a) An officer or member of the relevant body to make available such documents and records as appear to be necessary for the purpose of audit: and
- (b) Supply the Internal Auditor with such information and explanation as is considered necessary for that purpose.

It is not a matter for the internal auditor, to actively seek evidence of fraud, corruption or error. The internal auditor's role is to assist the council in fulfilling its responsibility to have and maintain proper arrangements for the prevention and detection of fraud, error or mistakes.

The internal audit is therefore based on the following two key aspects of the Council's procedures:

- ❖ Financial Regulations
- ❖ Risk Management

The Internal Audit, which took place on 19th June 2020, is based on the Internal Audit Plan, copy of which is attached for members' information together with information outlined in the Practitioner's Guide referred to above. The Internal Audit Plan provides details of the Financial Regulations/Risk Management and other issues together with the compliance checks that were carried out.

This is my first report as your appointed Internal Auditor and I would once again like to place on record my sincere thanks to Kim Lloyd the Parish Council Clerk for her endless patience and co-operation in answering my questions and providing me with all the necessary information and documentation required to complete the audit.

Internal Audit – June 2020

As referred to above the purpose of Internal Audit is to review whether the systems of financial and other controls over a councils activities and operating procedures are effective. My investigations were risk based, and included, as far as possible, examination of the council's administration and accounting procedures, such as income, payment and budgetary controls, VAT recording, claims and reconciliation, salary controls, bank reconciliation and the year-end procedures. The former included, where possible, the examination of documents, such as minutes, contracts together with the Financial Regulations, Standing Orders, Policies and Procedures and the Members Code of Conduct.

I found the administration and procedures of the Council to be carefully planned, controlled and well documented with reports being presented to the Council as deemed appropriate. In addition the Minutes provide a very factual and comprehensive record of the Councils activities with a clear indication of who is responsible for follow-up action. The actions of the Clerk, continues to provide a very reliable system producing comprehensive and informative minutes and reports, tight budgetary controls and a clear and concise audit trail. The ongoing administration of the tender documents and contracts, where applicable, continues to be well documented and monitored.

The following is a summary of the issues identified which I feel should be drawn to Councilors attention, none of which, in my opinion, affect the final outcome of the Internal Audit:

Payment of Salaries

In accordance with guidance from HM Revenue and Customs, a Parish Clerk is recognized as an Office Holder and is subject to PAYE, if necessary. It is noted that the Clerks salary and PAYE is dealt with by an external payroll service.

Asset and Investment Control/Register

The Council is required to maintain an asset and investment register and in respect of the latter this is recognized and confirmed as the Council's Community Instant Access Account, opened

in July 2019 with the Metro Bank. The Councils current account was also transferred to the Metro Bank together with the Cricket/Football Field Account.

The Clerk confirmed that she continues to monitor the Councils bank balance on a regular basis. In view of the information provided I am therefore satisfied that the Council has adequate but not excessive reserves or balances.

Having checked the minutes I could find no reference to the Asset Register being presented to the Council during the 2019/2020 financial year. Therefore the existing Asset Register, produced by the Clerk, should be presented to a future Council meeting for approval. It should then be reviewed by the Clerk on an annual basis with any additional assets obtained being added and reported to and approved by the Council during the current financial year.

Insurance

My examination confirms that the insurance cover is adequate and sufficient but needs to be kept under review in the light of any significant changes or additions to the Councils assets etc. The current insurance cover is due for renewal in June 2020 and the Clerk will be obtaining further quotes.

Budget Estimates 2020/2021 and Precept

The 2020/2021 Budget Estimates and the Council's Precept, in the sum of £16,735.00 was approved by the Council at its meeting on 7th January 2020.

Risk Management

The greatest risk is not being able to deliver the activity or services expected of a Council. I therefore examined the Minutes and found no evidence to suggest that risks are not being identified and managed. It is noted that the current Risk Management Assessment was last presented to and approved by the Council at its meeting in May 2019. The Council receives regular reports throughout the financial year of work carried out with the Chairman signing off the Risk Assessment as required.

Revision of Financial Regulations (FR) and Standing Orders (SO)

It is noted that having been reviewed by the Clerk/Councillor the Council's FR and SO were approved and adopted by the Council at its meetings in May 2019 and February 2020 respectively. The Clerk continues to review both documents and, if required, amended documents, to reflect any changes in legislation will be presented to future Council meetings for consideration, approval and adoption. If there are no significant changes in legislation the next review should be undertaken in 2021.

Members Code of Conduct

It is noted that the Code of Conduct for Members is currently included in the Councils Standing Orders. It would be more appropriate if the Code of Conduct was now produced as a separate document and a model document is available on the NALC web-site for the Clerk to adapt for use by the Parish Council. However the presentation of such a document could be deferred in the light of the information below. Once the new Model Code has been published a revised

document could then be presented to a future meeting of the Council for approval and adoption. Its purpose is to promote and maintain high standards of conduct by members of the Council.

The LGA is to develop and new Model Code of Conduct for Councillors. This is in response to the recommendations made in the Committee on Standards in Public Life's report published in 2019, and in response to rising local government concern about the increasing incidence of public, member-to-member and officer/member intimidation and abuse, overall behavioural standards and expectations in in public debate, decision making and engagement.

NALC's aim was to launch a revised code at their annual conference scheduled to take place at the end of June 2020 but this may now be deferred to a late date.

Policies and Procedures

The Councils previously approved list of Policies and Procedures, having been reviewed by the Clerk were presented to and approved by the Council at its meeting in May 2019. The Clerk will however continue to review and present new and/or revised documents, amended to reflect any changes in legislation and/or regulations, to future meetings of the Council for consideration and approval.

The Bakers Trust Hardship Fund

Although this fund is administered by the Council it will be the subject of a separate independent examination by the Internal Auditor with a report on the outcome of that examination being presented to a future Council meeting for information and/or approval.

Playground Inspection Report

Following an inspection of the existing playground equipment, three areas have been identified at low risk where remedial work is required. The Clerk was requested to seek a quotation for all the work identified and report back to the next meeting of the Council on 14th May 2020. At that meeting, following consideration of the quotation received, it was agreed that no further action be taken at the moment but that the playgrounds future use be monitored.

Internal Audit Statement 2020

I am satisfied that the Parish Council has put in place safe and efficient arrangements and maintains robust controls on payments as an integrated part of the overall financial control system.

Subject to the comments above and agreed actions, I am therefore pleased to report that no matter has come to my attention that requires further investigation and report to the Parish Council or that gives me reasonable cause to believe that the requirements for adequate control and monitoring as outlined in the regulations have not been met. In addition there are no matters that have come to my attention, concerning the effectiveness of the system of internal control, to which members' attention should be drawn.

In conclusion I consider that, within the Parish Council, the management of processes by the Clerk and Councillors is continuing to be well controlled and monitored.

During this testing and challenging time I wish the Parish Clerk and Councillors all the very best but more importantly please keep safe and well.

Signed: *David R Weller*

David R Weller DMA, HNC/ONC
Internal Auditor

Date: 19th June 2020