

WELFORD PARISH COUNCIL

INTERNAL AUDIT REPORT – APRIL 2018

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 Practitioner's Guide this applies to the annual return in respect of the 2017/2018 financial year. A new guide was however published in March 2018 which is referred to later in the report.

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 2017. The Guide is to be applied in the preparation of statutory annual accounts and governance statements.

New Practitioners Guide 2018

The 2017 guide has been superseded by the publication of a new guide in March 2018, which applies to the Annual Governance and Accountability Returns in respect of financial years commencing on or after the 1st April 2018. As there are no real changes to the guidance except simple clarification of proper practices, it can be applied to the covering the period 1st April 2017 to 31st March 2018.

The revised format is intentional and designed to allow Councils to follow more closely the layout of the Annual Return. In 2017 the JPAG responded to requests to clarify what the required proper practices are and what smaller authorities need to follow in completing their Annual Return. The only real addition to the 2018 Guide is the publication of the JPAG's Terms of Reference.

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. The requirements are explained in more detail in Sections 5 and 6 of the Practitioner's Guide.

Regulation 6 requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement. Supporting information on internal control is explained in Section 5 of the report.

Reviewing Internal Audit

In addition the Parish Council should from time to time carryout 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;
- relationships with the Clerk and the authority; and
- audit planning and reporting.

How the review should be conducted is explained in paragraphs 4.21 to 4.26 of the Guide but as with any review it should be evidence based and may include:

- previous review and Internal Audit plan;
- annual report by internal audit;
- periodic reports from internal audit, including internal audit plan, monitoring reports and the results of any investigations;
- reports by the External Auditor and the results of any other external reviews and investigations.

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 Councils 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 Tuesday 17th April 2018, is based on an Internal Audit Plan, a copy of which is attached for members' information. It is also in line with the information outlined in the Practitioners Guide referred to above.

The Audit Plan gives the headings of the Financial Regulations/Risk Management and the compliance checks that will be carried out. It should be noted however that not all the compliance checks are relevant to this Council.

This is my second audit as the Councils duly appointed Internal Auditor and I would like to place on record my sincere thanks to Sarah Youldon, the Parish Council Clerk for her patience and co-operation in answering my questions and providing me with the necessary information and documentation required to complete the audit.

Internal Audit – April 2018

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 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 the examination of documents such as minutes, assets register, risk management together with the Financial Regulations, Standing Orders, 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.

The Clerk therefore provides a very reliable system producing comprehensive reports, tight budgetary controls and a clear and concise audit trail.

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. It is noted that the Clerks salary and PAYE is dealt with by an external payroll service with the HMRC being paid direct by the Clerk when advised by the payroll service (P32 Liability). It was noted that at the Council meeting held on 21st March 2018 the updated version of the Clerk's Contract of Employment was approved and signed off by the Chairman and Clerk to become effective as from the 1st April 2018.

Cheques and Expenses Claims

In last year's report I suggested that Councillors responsible for signing cheques should also initial the cheque stub and associated invoice as this provides a clear record in the event of any

queries being raised. In noting that this procedure has not as yet been introduced the Clerk confirmed that it will be introduced for the new financial year.

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 Deposit Account. In my report last year I referred to the fact that the Council's bank balance was quite high and have remained so during the last financial year. However having discussed this with the Clerk and checked the minutes I note that a substantial amount of the balance is ring-fenced for Section 106 funding and is earmarked to be spent on recognized projects such as Sports Pavilion and Sports Field upgrades, wildlife habitats together with other schemes throughout the village. The Clerk confirmed that she continues to monitor the Council's 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.

The existing Asset Register, having been approved by the Council, is reviewed by the Clerk on a regular basis with any additional assets obtained being reported to and approved by the Council. The register is also subject to an annual review by the Council.

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 Council's assets etc. The current insurance cover was approved at the Council meeting on 17th May 2017.

Budget Estimates 2018/2019 and Precept

The 2018/2019 Budget Estimates and the Council's Precept, in the sum of £8,000, was approved by the Council at its meeting on 17th January 2018.

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 presented to and approved by the Council at its meeting on 16th November 2016 and will be the subject of a review by the Clerk with the outcome of that review being presented to the Council for consideration and approval at its meeting in May 2018.

Revision of Financial Regulations and Standing Orders

It is noted that the Council's Standing Orders (SO) and Financial Regulations (FR), having been reviewed, was approved and adopted by the Council at its meeting held on 19th July 2017. The Clerk continues to review the Council's SO and FR and present revised documents, amended to reflect any changes in legislation, to future Council meetings for consideration and approval. If there are no significant changes in legislation the next review should be undertaken in June 2019.

Members Code of Conduct

The Code of Conduct for Members, was presented to and approved by the Council at its meeting in November 2016 and will be the subject of a further review by the Clerk in October with a report being presented to the Council in November 2018. Its purpose is to promote and maintain high standards of conduct by members of the Council.

Policies and Procedures

Since the last Internal Audit the Clerk has investigated and sought Councils approval to a comprehensive list of Policies and Procedures, which will be the subject of an annual review with the outcome of this review being reported to future Council meetings.

Openness of Local Government Bodies Regulations 2014

In last year's report I referred to recent changes in legislation relating to the Openness of Local Government Bodies Regulations 2014, its intention being to make Council's more transparent by allowing certain documents to be made public on the Council's web-site. In addition the Council's Standing Orders may have to be amended to reflect this change in legislation.

A further requirement of the Regulations is the protocol for reporting at meetings which provides guidance to members of the press and public who wish to photograph or record proceedings at any of the Council's public meetings. The Clerk, having investigated this legislation, now displays the relevant Notice at all Council meetings.

Internal Audit Statement 2018

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 the management of processes within the Parish Council to be well controlled and monitored

Signed: *David R Weller*

David R Weller DMA, HNC/ONC
Internal Auditor

Date: 20th April 2018