

ENBORNE PARISH COUNCIL

INTERNAL AUDIT REPORT – MAY 2021

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. These Regulations are supported by the Practitioners Guide, issued by JPAG, to support the preparation by smaller authorities in England of statutory annual accounting and governance statements found in the Annual Governance and Accountability Return (AGAR).

As a result of the Coronavirus Pandemic the 2020/2021 Financial Year has been a very challenging and testing time for Clerks and Parish Councillors in trying to maintain the day to day administration and procedures relating to the Councils business.

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021

In response to the Coronavirus an amendment to the Accounts and Audit Regulations 2015, having been made on 8th March was laid before Parliament on 9th March and having been approved came into force on 31st March 2021. The amendments to regulation 10 of the 2015 Regulations 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 2020 from 31st July to 30th September 2021.

A further amendment to regulation 15 of the 2015 Regulations 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 August 2021. The draft accounts must therefore be approved by 31st August at the latest or earlier if possible.

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

Zoom Meetings

Under the Local Authorities were granted permission to allow members, the public and press to attend meetings remotely from 4th April 2020 for all smaller authorities and 1st August 2020 for Parish Meetings. The legislation only permits remote attendance at meetings held before 7th May 2021. **Therefore as no**

further legislation has been passed by the Government smaller authorities will not be able to hold virtual meetings in the future.

2020/2021 Internal Audit Procedure

As a result of the virus the procedure for completing the Internal Audit has once again been 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.

New Practitioners Guide 2021

In response to issues raised by local Councils and others a major focus of the JPAG activity during 2020 has been to review the Best Practice Guidance for Internal Audit set out in Section 4, pages 23 to 33 of the Guide. It has been completely rewritten and now includes links to relevant information sources throughout. It is a regular use document rather than a once a year resource.

The 2021 edition of the Guide applies in respect of financial years commencing on or after 1st April 2021 with the 'proper practices' laid down in Sections 1 and 2 of the new Guide must be applied in the financial year ending 31st March 2022 as must the AGAR Form. The 'proper practices' in the new Guide may be applied in preparing the AGAR for the year ending 31st March 2021 but this is not mandatory.

Reviewing Internal Audit

Authorities should on an annual basis, carry out a review of the effectiveness of their overall internal audit arrangements. It should be designed to provide sufficient assurance for the authority that standards are being met and that the work of internal audit is effective. Authorities should judge the extent and scope of the review by reference to their own individual circumstances. Such a review should take place when a new Internal Auditor and/or the Responsible Financial Officer are appointed.

Parish Councils usually appoint a small Working Party to carry out the review and report back to full council. As with any review, it should be evidence based which should, if possible, be gathered throughout the year and may include the following:

- previous review and action plan;
- independence and competence of the Internal Auditor;
- annual report by internal audit;
- other reports from internal audit, including internal audit plan, monitoring reports, and the results of any investigations;

- relationships with the Clerk and the authority;
- any reports by the external auditor;
- the results of any other external reviews of internal control.

Details on how the review could take place is set out in the Practitioners Guide.

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 Friday 21st May 2021, is based on the Internal Audit Plan, a copy of which is attached for members' information together with any relevant information outlined in the Practitioner's Guide. 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 ninth 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 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 – May 2021

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.

Despite the ongoing Pandemic I found the administration and procedures of the Council to be carefully planned, controlled and well documented with reports being presented to the Planning and Amenities Committee or the Finance and General Purposes Committee with reports including any recommendation being presented to the Council, as deemed appropriate, for consideration and approval.

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.

All Council meetings during the last financial year have been held via Zoom. 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:

Poors Allotment Trust Charity (PATC)

Various virtual meetings of the Trustees, via Zoom, have taken place during the past year and having examined the minutes I found them to be a very clear and concise record of the actions required and taken. The minutes are presented to the Council for endorsement and any recommendations presented by the corporate trustees having been considered are normally approved by the Council. As at the 31st March 2021 the PATC bank balance stands at £9,023.21. The Financial Statement as at 4th January 2021 were presented to and approved by the Trustees in January 2021.

It is noted that due to the Coronavirus Pandemic and the lack of digital banking facilities the Council settled accounts for and on behalf of the Charity. The Council will be reimbursed once the current restrictions are eased.

Therefore as part of the Internal Audit process I examined the accounts and associated documentation of the PATC and am pleased to report that no matter has come to my attention that requires further investigation and report to the 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. There are no matters that have come to my attention, concerning the effectiveness of the systems in place in respect of internal control, to which member's attention should be drawn. A copy of the Financial Statement dated 4th January 2021 and the Internal Audit Certificate has therefore be duly signed and dated.

Precept and Budget Estimates 2021/2022

The draft Budget Estimates for 2021/2022 and Precept, in the sum of £17,500.00 was approved by the Council at its meeting on 4th January 2021. Due to the Clerk continuing to experience ongoing mandate submission problems with the Nat West Bank, it was, having been agreed by the Council in November 2020, to transfer the bank accounts to the Unity Trust Bank.

Insurance, Asset and Investment Register/Control

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 Account at the Newbury Building Society. A revised Asset Register having been produced by the Clerk was presented to and approved by the Council at its meeting on 1st March 2021. I am of the opinion that there is sufficient evidence to confirm that the continuing existence of owed and managed assets is monitored on a regular basis. In view of the information provided, including the funding in respect of the former Waterman bequest, I am therefore satisfied that the Council has adequate but not excessive reserves or balances.

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.

Waterman Bequest

It is noted that the bequest from the estate of the late Mr Waterman has now been renamed as the Designated Parish Plan Fund. The remaining funds now legally form part of the Council's budget and must be treated in the same way as the funds received by the Council through the Precept.

A consequence of this bequest has again provided the Council with a significantly high balance (£88,451.34) at the close of the 2020/2021 financial year with the sum of £54,490.84 relating to the bequest.

The Parish Plan identifies a list of projects and the Council continue to suggest and consider other requests from residents for additional projects within the environs of the village. I am therefore satisfied that the Parish Council has put in place a robust scheme for utilizing the funding from the former Waterman Bequest for the benefit of the Parish and its residents. However it is recommended that the Parish Council continue to monitor the proposed and agreed expenditure to ensure that the work is being undertaken in line with the Parish Plan.

Risk Management

The greatest risk is not being able to deliver the activity or services expected of a Parish Council. I have examined the minutes and found no evidence to suggest that risks are not being identified and managed. The Risk Management Policy approved by the Council in May 2019 will now be subject of a comprehensive review by the Clerk with a revised Policy etc. being presented to the Council in June 2021 for consideration, approval and adoption.

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

A revised version of the Council's SO and FR was last presented to and approved by the Council in May 2019. Both documents will now be the subject of a comprehensive review by the Clerk with revised documents, amended to reflect any significant changes in legislation and/or regulations, being presented to the Council in June 2021 for consideration, approval and adoption.

Code of Conduct

The purpose of the Code of Conduct for Members is to promote and maintain high standards of conduct by members of the Council. The existing Code of Conduct having been reviewed and amended in line with current guidelines was approved by the Council August 2018.

The Clerk could undertake a review but this 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

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 behavioral 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 has now been deferred to a later date.

Policies and Procedures

The Clerk will be reviewing the Council's policies and procedures and revised documents, amended where necessary to reflect any changes in legislation will be presented the Council at its meeting in June 2021 for consideration, approval and adoption.

Internal Audit Statement 2021

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 continuing Pandemic 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: 23rd May 2021