

ENBORNE PARISH COUNCIL

INTERNAL AUDIT REPORT – APRIL 2017

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 only applies to the annual returns in respect of the 2016/2017 financial year.

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 2016. The Guide is to be applied in the preparation of statutory annual accounts and governance statements. Although the new Guide includes some changes to the way it is laid out and presented compared to earlier editions its content has not changed a great deal. The revised format is intentional and designed to allow Councils to follow more closely the layout of the Annual Return. The JPAG have also responded to requests to clarify what the required proper practices are and what smaller authorities need to follow in completing their 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. The requirements are explained in more detail in Section 4 of the Practitioner's Guide.

Regulation 6(1) states that a relevant authority must, each financial year, conduct a review of the effectiveness of the system of internal control required by Regulation 3 and prepare an annual governance statement.

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.

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.
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How the review should be conducted is explained in paragraphs 4.23 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.

The Local Audit and Accountability Act 2014

On the 30th January 2014 the Local Audit and Accountability Act 2014 was published, its purpose being an Act to make provision for and in connection with the abolition of the Audit Commission for Local Authorities in March 2015. The Bill delivers the Government's commitment to close the Audit Commission and transfer its remaining functions and will put in place a new local audit and accountability framework for local bodies in England. It is the final step in a programme of reforms to local audit and it is anticipated that it will deliver savings to the taxpayer over a ten year period and help local people hold their councils to account for local spending decisions. The Audit Commission currently appoints External Auditors to a range of local public bodies and the Bill provides Councils with the provision to opt out of the central appointment of the auditor and for the Council to appoint its own external auditor. Whether, this Act will have any effect on Internal Audit in the future, remains to be seen. Under the Act, despite the abolition of the Audit Commission, all existing external audit arrangements and appointments continue until the end of the financial year 2016/2017.

New Practitioners Guide 2017

In March 2017 the JPAG published a new Governance and Accountability Guide. Modest amendments were approved by JPAG at their meeting in February and while the content has not greatly changed a minor error affecting parish meeting has been corrected and some of the explanations in Part 5 have been made clearer. In reality this new 2017 edition of the guide applies to the statutory reporting for the 2017/2018 financial year. However JPAG has authorised the early adoption of the guide for 2016/2017 on a voluntary basis, with that decision resting with individual councils. An electronic copy of the guide is available on request.

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 28th April 2017, 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 and produced by the Joint Practitioners Advisory Group, which involves many organizations, including the NALC and Society of Local Council Clerks. 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 fifth report as your appointed Internal Auditor and I would once again like to place on record my sincere thanks to Janet Haines, the temporary 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 – April 2017

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 including the preparation of an annual budget in support of the Precept, VAT recording, claims and reconciliation, salary controls and bank reconciliations. The former included the examination of

documents such as minutes, together with the Financial Regulations, Standing Orders, Members Code of Conduct, Policies and Procedures together with the current situation regarding the Waterman Bequest and the Pools Allotment Trust Charity, taken over by the Parish Council.

I found the administration and procedures of the Parish Council to be carefully planned, controlled and documented with reports being presented to the Parish Council as deemed appropriate. In addition the Minutes provide a very factual and comprehensive record of the Parish Councils activities. The Clerk therefore provides a very reliable system producing comprehensive and informative minutes and reports, tight budgetary controls, including monthly budgetary reports and a clear and concise audit trail.

The following is a brief summary of some of the matters identified during the Internal Audit together with comments on other procedures, none of which affect, in my opinion, the final outcome of the Internal Interim Audit:

Clerk to the Parish Council

A temporary Clerk was appointed during the second week in March following the resignation of the previous clerk. Following the advertisement of the vacant post and subsequent interviews a new Clerk was appointed on 1st April and commenced her duties on 25th April 2017. I wish the new Clerk all the very best in her new role.

Pools Allotment Trust Charity (PATC)

The Parish Council, at its meeting on 11th May 2015, resolved to transfer the management of the PATC back to the Council, subject to legal advice being sought to ensure the transfer takes place correctly. Various meetings of the Trustees 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.

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. The Internal Audit Certificate will therefore be duly signed and dated.

Precept and Budget Estimates

The draft Budget Estimates for 2017/2018 and Precept, in the sum of £14,200 was approved by the Council at its meeting on 16th January 2017.

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 15th May 2016. The new Clerk will be reviewing the Asset Register on a regular basis and presenting any changes to the Council for approval. 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.

The Council, at its meeting on 16th May 2016 2016 approved the Insurance premium for a further year taken out with Came and Company on a three year deal. My examination confirms that the insurance cover is considered to be adequate and sufficient.

Payment of Salaries

The Parish Council is registered with HMRC for salary payments to be made under the new Real Time Information System and the Clerk has been making the required HMRC payments.

Waterman Bequest

The bequest from the estate of the late Mr Waterman is again duly noted but as referred to in last year's report any 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 (£65,335.71) at the close of the 2016/2017 financial year with the sum of £53,278.24 relating to the bequest. In my report last year I recommended that consideration should be given to utilizing this money for the benefit of the Parish and its residents as soon as practical. Having spoken to the clerk, it is noted that a draft Questionnaire, as part of the Parish Plan, is currently being processed and once circulated and returned will hopefully provide the Council with suitable schemes and projects thereby reducing the balance. At the meeting on 19th September 2016, the Council established a Working Party to debate the questionnaire and move the process forward.

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.

Openness of Local Government Bodies Regulations 2014

Recent changes in legislation, such as the Openness of Local Government Bodies Regulations 2014, is intended to make the Council more transparent by allowing certain documents to be made public on the Council's web-site.

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. A protocol/notice should be produced for display at Council meetings. It is noted that the Council, at its meeting on 16th May 2016, approved the Transparency Code for Smaller Authorities.

Revision of Financial Regulations and Standing Orders

A revised version of the Council's Financial Regulations and Standing Orders was last approved by the Council at its meeting on 20th July and 21st March 2015 respectively. The new Clerk will undertake a review of both documents and present revised versions, amended to reflect any changes in legislation, to future Council meetings 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 will be presented to the Council, at its meeting on 15th May 2017, for approval and adoption. The Code will continue to be reviewed on a regular basis by the Clerk.

Policies and Procedures

During the year various policies and procedures have been reviewed with the remainder being considered adequate to the needs of the Council and therefore remain unchanged. However the new Clerk will undertake a comprehensive review of the existing Policies and Procedures and present any existing documents, amended where necessary to reflect any changes in legislation, or new policies, to future Council meetings.

Internal Audit Statement

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: 5th May 2017