

ENBORNE PARISH COUNCIL

INTERNAL AUDIT REPORT – MAY 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. 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. However a new guide was published in March 2018 as referred to below.

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The 2017 guide has been superseded by the publication of a new guide in March 2018, which applies to the Annual Governance and Accountability Returns in respect of financial years commencing on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 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;
- 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 2018 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 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 Thursday 10th May 2018, 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 sixth report as your appointed Internal Auditor and I would like to place on record my sincere thanks to Jacqui Thaw, 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 – May 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 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 Poors 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

It is noted that the existing Clerk, Jacqui Thaw has resigned and a new Clerk has been appointed and I confirm that all the processes relevant to the handover to the newly appointed Clerk are currently taking place. I wish the new Clerk all the very best in her role.

Poors Allotment Trust Charity (PATC)

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. As at the 31st March 2018 the PATC bank balance stands at £7,715.16.

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 has therefore be duly signed and dated.

Precept and Budget Estimates

The draft Budget Estimates for 2018/2019 and Precept, in the sum of £19,340.00 was approved by the Council at its meeting on 18th January 2018. It was reported to the Council at its meeting in September that an Internal Interim Audit would be taking place in October, the result of which was that the Councils finances to date are in order with no matters to be reported.

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 2017. 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. In view of the information

provided in respect of the former Waterman bequest I am therefore satisfied that the Council has adequate but not excessive reserves or balances.

The Council, at its meeting on 15th May 2017 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

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 (£62,576.40) at the close of the 2017/2018 financial year with the sum of £52,801.02 relating to the bequest. The Parish Council, at its meeting on 18th January 2018, approved a designated Parish Plan spending projects list which included white gates at each end of the 40mph zone on the Enborne Road, vehicle activation signs, pavement in Enborne Row, rural broadband, notice boards, gates and signage on public rights of way. A draft of the Parish Plan for submission to West Berkshire Council was approved by the Council on 19th March 2018. 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.

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.

Parish Council Action Plan

At its meeting held on 11th September 2017, the Council approved and adopted an Action Plan which set the list of priorities for the Council to action during the next financial year and beyond.

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 will be produced by the Clerk for display at all future Council meetings.

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

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. It is anticipated that SO will be presented in May and FR to a future meeting.

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 in July 2018, for approval and adoption. The Code will continue to be reviewed on a regular basis by the Clerk.

Policies and Procedures

The Clerk has reviewed the majority of the Council's policies and procedures for consideration at the Council meeting in May. The only exceptions are those relating to Document Management, the Internet and Publication Schedule which the Clerk intends to recommend that the Council amalgamates them all into a new Governance Policy, which will also take account of the GDPR Regulations and requirements.

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: 11th May 2018