

BOXFORD PARISH COUNCIL

INTERNAL AUDIT REPORT – APRIL 2019

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 a new Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide to Proper Practices published by the Joint Practitioners Advisory Group in March 2018.

The new guide refers to the Annual Governance and Accountability Returns in respect of financial years commencing on or after the 1st April 2018 and there are no real changes to the guidance except simple clarification of proper practices.

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. These requirements are usually monitored and implemented by the Clerk and drawn to Councillors attention as considered necessary.

Reviewing Internal Audit

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 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 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 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 first 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 2019

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 and Appointment of Clerk

In accordance with guidance from HM Revenue and Customs, a Parish Clerk is recognized as an Office Holder and is subject to PAYE. As reported to the Council at its meeting on 7th January 2019, the newly appointed Clerk, commenced work for the Parish Council on 1st January 2019 with her Contract of Employment being duly signed and filed. Following her

appointment, following the resignation of the previous Clerk, it is noted that the priority for the new Clerk was to bring the Councils accounts and correspondence up to date which I am pleased to report has been achieved.

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 respect of the Section 106 Payments and Community Infrastructure Levy Fund it noted that the funding is to be spent on improving the village open space, recreational facilities and/or conservation projects within the environs of the Parish. Residents will be requested to submit ideas for improvements etc. to the Parish Meeting for consideration.

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.

The existing Asset Register is currently being reviewed by the Clerk and a revised register will be presented to the Council at its meeting in May 2019 for consideration and approval. Any additional assets obtained during the financial year will be reported to the Council. The register will now be subject to an annual review by the Council.

Village Hall

The village hall accounts which are shown to be relatively robust were presented to the Hall's AGM and approved.

Insurance

It is noted that the Parish Councils insurance had expired and not been renewed by the Previous Clerk which put the Council at risk of any claims not being covered during that period. A new insurance policy was presented to and approved by the Council at its meeting on 7th January 2019 at a cost of £353.59 for twelve months. My examination of the new policy 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.

Budget Estimates 2019/2020 and Precept

The 2019/2020 Budget Estimates and the Council's Precept, in the sum of £8079.67, was approved by the Council at its meeting on 7th January 2019.

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 is being reviewed by the Clerk with the outcome of that review being presented to the Council for consideration and approval at its meeting in May 2019.

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

It is noted that the Council's, Standing Orders and Financial Regulations, having been reviewed, by the Clerk was approved and adopted by the Council at its meeting held on 4th March 2019. The Clerk will continue to review the Councils 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 March 2020.

Members Code of Conduct

The Code of Conduct for Members, was presented to and approved by the Council at its meeting on 4th March 2019 and will be the subject of a further review by the Clerk with a report on any changes required being presented to the Council in May 2020. Its purpose is to promote and maintain high standards of conduct by members of the Council.

Policies and Procedures

The Clerk is currently investigating the Policies and Procedures that are relevant to the Council and these will be presented to a future Council meeting for consideration and approval. Following approval the Clerk will continue to review the existing approved documents and if necessary present revised documents, amended to reflect any changes in legislation and/or regulations to future meetings of the Council.

Openness of Local Government Bodies Regulations 2014

There have been 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.

GDPR Regulations

The Clerk has identified that action needs to be taken by the Council to compile with the Regulations and this will be dealt with during the coming months with reports to future meetings of the Council as required.

Internal Audit Statement 2019

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.

Signed: *David R Weller*

David R Weller DMA, HNC/ONC
Internal Auditor

Date: 14th April 2019