

BRIGHTWALTON 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

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 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 11th April 2019, 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 2019

As referred to above the purpose of Internal Audit is to review whether the systems of financial and other controls over a council's 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 Council's 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 Clerk's salary and PAYE is dealt with by an external payroll service with the HMRC being paid direct by the payroll service.

Cheques and Expenses Claims

In my report last year I recommended that as the existing cheque books be replaced as they did not have a cheque stub to enable those Councillors responsible for signing cheques to initial the stub and associated invoice as this provides a clear record in the event of any queries being raised. I am pleased to note that the Clerk has obtained new cheque books and initiated the system referred to above.

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 it is noted that as of 21st February 2019 all such funding has been allocated and/or spent on the playground and tree maintenance. 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 an annual basis with any additional assets obtained being reported to and approved by the Council during the current financial year.

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 Councils assets etc. The current insurance cover is due for renewal on 1st July 2019.

Budget Estimates 2019/2020 and Precept

The 2019/2020 Budget Estimates and the Council's Precept, in the sum of £6,695, was approved by the Council at its meeting on 14th 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 was presented to and approved by the Council at its meeting in May 2018 and will be the subject of a review by the Clerk in 2020 with the outcome of that review being presented to a future meeting of the Council for consideration and approval.

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

It is noted that having been reviewed by the Clerk the Council's revised Standing Orders, was approved and adopted by the Council at its meeting held on 14th March 2018. The Clerk is reviewing the Council's FR and will be presenting updated documents, amended to reflect any changes in legislation, to the Council at its meeting in May 2019 for consideration and approval. If there are no further significant changes in legislation the next review should be undertaken in March 2020.

Members Code of Conduct

The revised Code of Conduct for Members, was presented to and approved by the Council at its meeting in May 2018 and will be the subject of a further review by the Clerk in 2020 with a report on any significant changes required being presented to future meetings of the Council. Its purpose is to promote and maintain high standards of conduct by members of the Council.

Policies and Procedures

The Councils previously approved list of Policies and Procedures, have been reviewed by the Clerk in 2018/2019 and it is noted that no amendments are required to the existing documents. The Clerk will however continue to review and present revised documents, amended to reflect any changes in legislation and/or regulations and present revised documents to future meetings of the Council for consideration and approval.

Openness of Local Government Bodies Regulations 2014

The recent changes in legislation relating to the Openness of Local Government Bodies Regulations 2014, has been fully implemented by the Clerk and Standing Orders have, if necessary been amended to reflect these changes 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 confirmed that relevant notices are now displayed at all Council meetings.

Parish Plan

The Council's existing Parish Plan (2016 to 2020), having been endorsed by West Berkshire Council will be the subject of a comprehensive review in 2021 with any changes being presented to future meetings of the Council for consideration and approval.

ROSPA Playground Inspection

Following an inspection of the existing playground equipment by ROSPA, two areas have been identified that require work to be carried out. The Clerk is therefore monitoring the ongoing situation and will report back to future meetings of the Council with recommendations as considered necessary.

Brightwalton Millennium Green Trust

Where a Council acts as sole managing trustee for a trust or trusts, to warrant a positive response to this assertion the Council needs to have made sure that it has discharged all of its responsibilities with regard to the trust's finances. It is noted that the financial transactions do not form part of the Council's accounts and as such are not included in the figures reported in Section 2 of its Annual Governance and Accountability Return as referred to in paragraph 2.29 of the Guide.

The Council meets twice a year as Sole Trustee for the Brightwalton Millennium Green Trust in line with the Trustee Agreement. It is noted that there is a separate bank account, financial records with minutes of meetings being recorded and filed separately. In addition the Charity Commission Annual return is also completed and returned usually in September.

Having inspected the bank records, minutes and other associated documents I am satisfied that the Council, in their capacity as the sole managing trustee, has discharged their accountability responsibility for the fund(s)/assets in line with the requirements of the Charity Commissions Regulations and no matter in respect of the Dunmore Pond has come to my attention that requires further investigation and report to the Parish Council.

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