

CHIEVELEY PARISH COUNCIL
INTERNAL INTERIM AUDIT REPORT
FINANCIAL YEAR ENDED 31ST MARCH 2017

Introduction

The Interim 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. I am of the opinion that this Regulation has already been implemented by the Clerk who undertakes a review on an annual basis. This year's review was carried out on 22nd February 2017 and its outcome will be reported to the Parish Council at its meeting in March 2017.

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.

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.

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 Interim Audit, which took place on Tuesday 28th February 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.

As referred to in last year's report the Local Audit and Accountability Act 2014 was published on 30th January 2014, 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 Act makes provision about the accounts of local and certain other public authorities and the auditing of those accounts and to make provision about the appointment, functions and regulation of local auditors. Within the Act there is provision to opt out of the central appointment of the auditor and for the Parish Council to appoint its own auditor. Whether, this Act will have any effect on Internal Audit in the future, remains to be seen.

This is my fourth report as your appointed Internal Auditor and I would once again like to place on record my sincere thanks to Tracy Snook, 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 Interim Audit – February 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, bank reconciliation. The former included the examination of documents such as minutes, contracts together with the Financial Regulations, Standing Orders, Policies and Members Code of Conduct. The year-end procedures, including the VAT return, will be reviewed on my return in April to complete the Internal Audit section of the Annual Return.

Once again 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.

Minor matters and/or procedures identified during this audit are the subject of the following brief summary, none of which, in my opinion, affect the final outcome of the Internal Interim Audit:

Assistant Clerk

Unfortunately in November 2016 it was necessary for the Assistant Clerk's services to be terminated which again placed more pressure on the existing Clerk. However in an effort to alleviate this pressure it was agreed that a Clerk workload review will be carried out as regular tasks are completed with the Clerk reporting to the Chair and if he agrees that a

particular task can be out sourced, Parish Council approval will be sought accordingly. An example of this is the recent Council agreement to ask ROSPA to carry out risk assessment as reported below.

Payment of Salaries and Pension Requirements

In accordance with the Guidance from HM Revenue and Customs that a Parish Clerk is recognized as an Office Holder and is subject to PAYE, the Clerk is already operating the PAYE procedures on income earned and maintains a comprehensive record.

Precept and Budget Estimates

The draft Budget Estimates for 2017/2018 was approved by the Council at its meeting on 10th January 2017 as was the Precept in the sum of £31,810.00. The Council's Reserves Policy was the subject of a review in January 2017.

At its meeting on 12th April 2016 the Parish Council agreed to return the budget underspends to general reserves as at 31st March 2016.

Insurance and Assets

The Parish Council is required to maintain an asset and investment register. At its meetings held on 11th October and 13th December 2016 revised and updated Asset Registers was considered and approved and included a policy to apply a 3% increase per annum to the Council's property and street furniture assets. There is sufficient evidence to confirm that the continuing existence of owed and managed assets is monitored by the Clerk on a regular basis.

The Council at its meeting on 12th May 2015 approved a three-year long term insurance policy with Hiscox as this provides a better deal/value for money. My examination confirms that insurance the Councils cover is considered to be adequate and sufficient.

Risk Management and Risk Assessment

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.

Indeed the minutes provide a very comprehensive record of the Parish Council's discussions and decisions. It was noted that the Council, at its meeting on 14th February 2017, agreed to use ROSPA to undertake the risk assessments at Oare Pond, Marsh Pond, Curridge Playground together with the three bus shelters located in Chieveley and Curridge.

Transparency Code

The new Transparency Code which became effective on 1st July 2015 is regularly reviewed by the Clerk to ensure that the Parish Council is meeting all the codes recommendations.

Section 106 Payments

I found that the Clerk produces a very clear and concise record of the Section 106 payments received together with details of the total spent to date on schemes.

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

Following a review of the FR/SO by the Clerk the Parish Council, at its meeting on 10th May 2016 agreed that no amendments were required.

Policies and Procedures

The Clerk maintains a Policy and Procedure check list to identify whether any amendments are required and considers any new legislation which may require a new Policy or Procedure to be produced. Any new Policies or Procedures will be presented to the Council for consideration and approval.

Parish Plan

The Clerk continues to review the Parish Plan and its associated Action Plan with any proposed amendments being presented to the Council for consideration and approval.

Members 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 and became effective immediately. The Code of Conduct will be the subject of a review by the Clerk in March 2017 with the Code, amended if necessary, being presented to the Council in April, to be effective from May 2017. There is also a legal requirement on Parish Councils to produce and maintain a Register of Members Interests, a copy of which is also accessible on line for current Councillors.

Internal Audit Statement

I am satisfied that the Parish Council has put in place safe and efficient arrangements and maintain robust controls on payments as an integrated part of the overall financial control system.

I am therefore pleased to report that no matter has come to my attention that requires further investigation and report to the Full 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 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: 2nd March 2017