

HERMITAGE PARISH COUNCIL

INTERNAL AUDIT REPORT – JUNE 2021

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 Practitioners Guide, issued by JPAG, to support the preparation by smaller authorities in England of statutory annual accounting and governance statements found in the Annual Governance and Accountability Return (AGAR).

As a result of the Coronavirus Pandemic the 2020/2021 Financial Year has been a very challenging and testing time for Parish Councillors and Clerks in trying to maintain the day to day administration and procedures relating to the Councils business.

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021

In response to the Coronavirus an amendment to the Accounts and Audit Regulations 2015, having been made on 8th March was laid before Parliament on 9th March and having been approved came into force on 31st March 2021. The amendments to regulation 10 of the 2015 Regulations extend the deadline for relevant authorities to publish their statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) in relation to the financial year beginning on 1st April 2020 from 31st July to 30th September 2021.

A further amendment to regulation 15 of the 2015 Regulations extends the deadline to commence the period for the exercise of public rights, so that the relevant period must commence on or before the first working day of August 2021. The draft accounts must therefore be approved by 31st August at the latest or earlier if possible.

Please note that due to the Coronavirus Pandemic it may not be possible to complete all the actions recommended in the Audit Report and/or Audit Plan.

Zoom Meetings

Under the Local Authorities were granted permission to allow members, the public and press to attend meetings remotely from 4th April 2020 for all smaller authorities and 1st August 2020 for Parish Meetings. The legislation only permits remote attendance at meetings held before 7th May 2021. **Therefore as no further legislation has been passed by the Government smaller authorities will not be able to hold virtual meetings in the future.**

2020/2021 Internal Audit Procedure

As a result of the virus the procedure for completing the Internal Audit has once again been amended slightly in that the Audit has taken place in the confines of my home and I would like to express my very sincere thanks to the Parish Clerk for her help in ensuring that I have received the relevant documents in order that the Internal Audit can take place.

New Practitioners Guide 2021

In response to issues raised by local Councils and others a major focus of the JPAG activity during 2020 has been to review the Best Practice Guidance for Internal Audit set out in Section 4, pages 23 to 33 of the Guide. It has been completely rewritten and now includes links to relevant information sources throughout. It is a regular use document rather than a once a year resource.

The 2021 edition of the Guide applies in respect of financial years commencing on or after 1st April 2021 with the 'proper practices' laid down in Sections 1 and 2 of the new Guide must be applied in the financial year ending 31st March 2022 as must the AGAR Form. The 'proper practices' in the new Guide may be applied in preparing the AGAR for the year ending 31st March 2021 but this is not mandatory.

Reviewing Internal Audit

Authorities should on an annual basis, carry out a review of the effectiveness of their overall internal audit arrangements. It should be designed to provide sufficient assurance for the authority that standards are being met and that the work of internal audit is effective. Authorities should judge the extent and scope of the review by reference to their own individual circumstances. Such a review should take place when a new Internal Auditor and/or the Responsible Financial Officer are appointed.

Parish Councils usually appoint a small Working Party to carry out the review and report back to full council. As with any review, it should be evidence based which should, if possible, be gathered throughout the year and may include the following:

- previous review and action plan;
- independence and competence of the Internal Auditor;
- annual report by internal audit;
- other reports from internal audit, including internal audit plan, monitoring reports, and the results of any investigations;
- relationships with the Clerk and the authority;
- any reports by the external auditor;
- results of any other external reviews of internal control.

Details on how the review could take place is set out in the Practitioners Guide.

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 1st to 3rd June and 10th June 2021, is based on the Internal Audit Plan, a copy of which is attached for members' information together with any relevant information outlined in the Practitioner's Guide. 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 first report as your appointed Internal Auditor and I would once again like to place on record my sincere thanks to Nicky Peirce the Parish Council Clerk for her 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 2021

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, as far as possible, 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, where possible, the examination of documents, such as minutes, contracts together with the

Financial Regulations, Standing Orders, Policies and Procedures and the Members Code of Conduct.

Despite the ongoing Pandemic I found the administration and procedures of the Council to be carefully planned, controlled and well documented including the Burial Ground and other recreational areas within the Parish, with progress reports being presented to the Council.

In addition the Minutes provide a very factual and comprehensive record of the Councils activities with a clear indication of who is responsible for follow-up action. The actions of the Clerk, continues to provide a very reliable system producing comprehensive and informative minutes and reports, tight budgetary controls and a clear and concise audit trail. The ongoing administration of the tender documents and contracts where applicable, continues to be well documented and monitored.

All Council meetings during the last financial year have been held via Zoom. 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:

Part II Minutes and Exclusion of Press and Public

It is noted that the Council at its meetings held on 18th February and 18th March 2021 discussed items deemed to be confidential. Although the part I minutes refer to the fact that the item is confidential I am of the opinion that the Council should pass a clear and concise resolution excluding the press and public whether any such persons were in attendance or not. The wording to be used is as follows:

RESOLVED: That by virtue of the confidential nature of the business to be transacted the press and public be excluded from the meeting during consideration of the following item(s) of business under Section 2 of the Public Bodies (Admission to Meetings) Act 1960."

The reason for this suggestion is that if the Council receives a request under the Freedom of Information Act to provide details on an item discussed in Part II of a meeting it would be necessary for the Clerk to provide this information as the Resolution was not agreed and minuted. It is therefore recommended that if any Part II confidential items are discussed at future meetings then the above mentioned resolution should be agreed as this will then protect Councillors and the Clerk from having to disclose confidential information.

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(s). In noting that the Council's bank balance is quite high I am satisfied that a percentage of

this will be used on various projects within the parish during the next financial year and beyond. The Clerk 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.

A revised and updated copy of the Asset Register, was presented to and approved by the Council at its meeting held in March 2021. The Clerk continues to review the register throughout the year, advising the Council of any required changes.

Insurance

My examination confirms that the Councils 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 Insurance Policy was renewed on a three year period on 23rd April 2020.

Budget Estimates 2021/2022 and Precept

The 2021/2022 Budget Estimates and the Council's Precept, in the sum of £51,465.00 was approved by the Council at its meetings held on 18th March and 21st January 2020 respectively. The Councils Financial Risk Regulations were approved by the Council at its meeting in March 2021.

Risk Management

The greatest risk is not being able to deliver the activity or services expected of a Council. I therefore examined the Minutes remotely and found no evidence to suggest that risks are not being identified and managed. It is noted that the Councils Risk Assessment Scheme and Policy was approved by the Council at its meeting in May 2020.

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

Revised and amended copies of the Council's, SO and FR, having been reviewed by the Clerk, was approved by the Council at its meetings on 21st May and 19th November 2020 respectively.

The Clerk continues to review the Councils SO and FR and will present revised documents, amended to reflect any changes in legislation and/or regulations, to future Council meetings for consideration and approval. If there are no significant changes in legislation, the next review should be undertaken in November 2021.

Playground Inspections

Regular inspections of the playground equipment are carried out by Parish Councillors throughout the year reporting back to Council meetings as necessary. At its meeting in

November 2020 the Council received and considered a report on the annual inspection carried out by an independent Company which highlighted the need for some remedial work to be undertaken which has been completed.

Section 106 Payments and CIL Funding

I confirm that the Clerk produces a very clear and concise record of any Section 106 payments and/or CIL Funding received together with details of the schemes/projects undertaken and the total spend to date.

Members Code of Conduct

The Code of Conduct for Members, was presented to and approved by the Council at its meeting on 20th June 2020. It will be the subject of a further review by the Clerk once the recommendations of the review referred to below are known. Its purpose is to promote and maintain high standards of conduct by members of the Council.

The LGA is to develop and new Model Code of Conduct for Councillors. This is in response to the recommendations made in the Committee on Standards in Public Life's report published in 2019, and in response to rising local government concern about the increasing incidence of public, member-to-member and officer/member intimidation and abuse, overall behavioral standards and expectations in in public debate, decision making and engagement. NALC's aim was to launch a revised code at their annual conference scheduled to take place at the end of June 2020 but this has now been deferred to a later date.

Policies and Procedures

The Clerk maintains a Policy and Procedure check list and will be reviewing the existing Council policies and procedures and revised documents, amended where necessary to reflect any changes in legislation and presenting copies to future meetings of the Council for consideration, approval and adoption.

Internal Audit Statement 2021

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.

During this continuing Pandemic I wish the Parish Clerk and Councillors all the very best but more importantly please keep safe and well.

Signed: *David R Weller*

David R Weller DMA, HNC/ONC
Internal Auditor

Date: 10th June 2021