

HERMITAGE PARISH COUNCIL

INTERNAL AUDIT REPORT – JUNE 2022

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 continuing Coronavirus Pandemic the 2021/2022 Financial Year has, once again, 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, was made on 8th March 2021, 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).

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. The draft accounts must therefore be approved by 31st August at the latest or earlier if possible.

The 2021 Regulations remain in force for the 2021/2022 financial year unless a revised version is laid before Parliament. At the time of writing this report no further amendments have been laid before Parliament.

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

Practitioners Guide 2022

The 2022 edition of the Practitioners Guide has had further amendments following a review, which is ongoing, by JPAG. The main update is in respect of Section 5 on the non-statutory guidance for Clerks and Responsible Financial Officers. It leads Councils through the process of preparing and taking their AGAR form and its supportive papers to the Council and then getting through the Internal and External audit process. The guidance can be applied to AGAR returns covering the period 1st April 2021 to 31st

March 2022. Other changes to the 2022 Guide include Fixed Assets, Accounting for reimbursements and credit card balances and further information can be found in the Notes on the JPAG Groups meeting on 3rd February 2022 which is on the website.

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;
- the 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 11th, 13th and 16th June 2022, 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 second 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 – June 2022

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.

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.

The Council meeting in May 2021 was held virtually with the remainder of meetings being held in the Adelaide Room, Holy Trinity Church, Hermitage. 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:

2020/2021 AGAR Return

There was an error in Section 2, Box 8, on last year's AGAR Form and I would like to apologise to the Council for not picking this up during the Internal Audit.

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 Council's bank balance on a regular basis. In view of the information provided together with the large area covered by the Council 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. An up to date Register dated 31st March 2022 was circulated by the Clerk.

Insurance

My examination confirms that the Council's insurance cover is adequate and sufficient but needs to be kept under review in the light of any significant changes or additions to the Council's assets etc. The Insurance Policy was renewed on a three year period on 23rd April 2020.

Budget Estimates 2022/2023 and Precept

The 2022/2023 Council Precept, in the sum of £53,150.00, and Budget Estimates was approved by the Council at its meetings held on 16th December 2021 and 20th January 2022 respectively. The Council's Financial Risk Regulations were approved by the Council at its meeting in March 2021 and should be reviewed in March 2023.

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 Council's Risk Assessment Scheme and Policy was approved by the Council at its meeting in May 2020 and should be reviewed in May 2023.

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 in May 2022.

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 May 2023.

Playground Inspections

Regular inspections of the playground equipment are carried out by Parish Councillors and/or a registered contractor throughout the year reporting back to Council meetings as necessary. The Council can also request an annual inspection if thought necessary.

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 within the environs of the Village and the total spend to date.

Members Code of Conduct

The revised Code of Conduct for Members, was presented to and approved by the Council at its meeting in May 2020 and will be the subject of a further review by the Clerk, once the review referred to below has been completed. A report on any significant changes required will then be presented to the Council for consideration and approval.

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 been deferred to a later date.

The NALC recognises that the role of a councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that councillors can be held accountable and all adopt the behaviours and responsibilities associated with the role. Conduct as an individual councillor affects the reputation of all councillors.

Councillors represent local residents, by working to develop better services and deliver local change. The public have high expectations of Councillors and entrust them to

represent our local area, taking decisions fairly, openly, and transparently. Councillors have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, Councillors should be able to undertake their role as a councillor without being intimidated, abused, bullied, or threatened by anyone, including the general public. This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

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 2022

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.

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: 16th June 2022