

HERMITAGE PARISH COUNCIL

INTERNAL AUDIT REPORT – JUNE 2023

Introduction

The Internal Audit was carried out in line with the Accounts and Audit Regulations 2015 (which came into force on 1st April 2015) and relevant amendments to these regulations. 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).

Practitioners Guide 2023

The 2023 edition of the Practitioners Guide has had only limited changes by JPAG, the most significant being a new section 4.19 on page 26 stating that internal auditors should be aware of the National Audit Office guidance to external auditors regarding the additional work expected in respect of authorities with income or expenditure in excess of £2,000,000 and a new section 5.175 on page 52 regarding documentary evidence of permission to site assets on third-party property. Whilst the updated 2023 guidance is mandatory in respect of financial years commencing on or after 1 April 2023, it may be applied to AGAR returns covering the period 1st April 2022 to 31st March 2023.

Other changes noted in the 2023 Guide include the management of council email addresses, the treatment of accrued income, the importance of considering risks when setting reserve levels and clarification on how reinvestments of long-term investments should be treated. Further detailed information can be found on the NALC website at the following address:

<https://www.nalc.gov.uk/library/our-work/jpag/3858-practitioners-guide-changes-23-24/file> .

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 are 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 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 24th May 2023 & 11th June 2023, is based on the Internal Audit Plan, 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 like to give my sincere thanks to Nicky Pierce, the Parish Council Clerk, for her preparation 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/June 2023

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, 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 and 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 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 with a clear indication of who is responsible for any follow-up action. The actions of the Clerk continue 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 following is a summary of the issues identified which I feel should be drawn to Councilors' attention, none of which, in my opinion, materially affect the final outcome of the Internal Audit.

Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish certain information on their website. One item that must be published is the notice of the period for the exercise of public rights. During the year covered by this internal audit period (2022-23), the notice for the exercise of public rights in relation to the 2021-22 AGAR has not been published on Hermitage Parish Council's website. **I recommend that the notice in relation to the 2022-23 AGAR is published on the website during this current year in order to comply with the requirements.**

Further guidance can be found as follows:

- In the JPAG Practitioners' Guide 2023, paragraphs 1.28 & 5.77 state that the notice must be published on the authority's website
- PKF Littlejohn's Instructions relating to the AGAR for year ended 31 March 2023 – section 9 (page 12) states that publishing means inclusion on the authority's website (also see Appendix 4 for common mistakes)
- The cover page of the annual return, page 1, gives a list of the documents that must be published on the website

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 various deposit accounts (Lloyds Term Deposit, Metro Bank Fixed Term Deposits, Newbury Building Society Instant Premium and CCLA Fund). The Clerk continues to monitor the Council's bank balances on a regular basis, with the totals being reviewed at each council meeting. Whilst the Council's bank balance remains relatively high, I am satisfied that in view of the information provided, together with the large area covered by the Council, the authority has adequate but not excessive reserves or balances.

The Asset Register continues to be reviewed and updated throughout the year as necessary.

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 Council's assets etc. The current insurance policy with Zurich commencing 26th May 2023 was approved for renewal at the meeting on 26th April 2023.

Budget Estimates 2023/2024 and Precept

The 2023/2024 Budget Estimates and the Council's Precept, in the sum of £61,752, were approved by the Council at the meetings on 15th December 2022 and 19th January 2023 respectively.

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 Risk Assessment Schedule was last approved by the Council at its meeting on 21st May 2020. Last year's Internal Audit Report recommended that this should be reviewed in May 2023. This is an area that should be reviewed on a regular basis and **I would recommend that it is done as soon as possible.**

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

Revised and amended copies of the Council's Financial Regulations and Standing Orders were approved at the meeting on 16th May 2023. It was noted that both documents require further review to accurately reflect how the Council operates.

Ongoing reviews should be performed regularly to ensure the FR and SO reflect any changes in legislation. If there are no significant changes in legislation, the next review should be presented to the Council at its meeting May 2024 for approval and adoption.

Members Code of Conduct

According to the policies noted on the Council's website, the current Code of Conduct for Members was last approved by the Council at its meeting on 20th June 2019. (Last year's Internal Audit Report notes that it was approved at the May 2020 meeting, but this is not noted in the minutes of that meeting.)

The LGA developed and approved the revised Model Councillor Code of Conduct 2020 on 3rd December 2020 (updated 19th January 2021 & 17th May 2021). This was in response to the recommendations made in the 2019 report by the Committee on Standards in Public Life 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 public debate, decision making and engagement. This revised Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

It also provides detailed and specific guidance. For example, regarding 'Application of the Code of Conduct', the revised 2020 Code gives the following detail:

"This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor."

Although the Parish Council's current Code of Conduct (as noted on the website) broadly covers the same principles as this updated 2020 Code, **I would recommend that the current Code of Conduct is reviewed as soon as possible and that Councillors consider adopting the revised 2020 Code.**

Policies and Procedures

Policies and procedures related to the running of the Council are noted on the authority's website. A Social Media Policy was approved and adopted at the meeting on 19th January 2023. There are a few policies & procedures that are dated from 2018 & 2019 (e.g. CIL Procedure, Anti-Bullying, Complaints Procedure, General Privacy Notice, etc); **I would recommend that these older documents are reviewed to ensure they remain relevant and in line with the Council's current practices.**

Playground Inspection

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. An annual playground inspection was done on 28th September 2022 by Wicksteed and their report was reviewed by Councillors at the meeting on 20th October 2022. This identified areas requiring work to be carried out, which were addressed during the year.

Section 106 Payments and CIL Funding

The Clerk maintains clear and concise records of any Section 106 payments and/or CIL Funding received, together with details of the schemes/projects undertaken within the environs of the parish and the total spend to date.

Internal Audit Statement 2023

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 continues to be well controlled and monitored.

Signed: *Jacqueline A J Clack*
Jacqueline A. J. Clack
Internal Auditor

Date: 12th June 2023